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Dear CEO

Reliability of regulatory returns

We expect firms to submit complete, timely and accurate regulatory returns.¹ These expectations have not changed; the integrity of regulatory reporting is the foundation of effective supervision.

The Independent Review of the Prudential Supervision of The Co-operative Bank Plc² recommended that the PRA should consider introducing more formal third-party reviews of key prudential information supplied by PRA supervised firms through their regulatory data returns. Examples of errors in regulatory reporting (both public and those identified in our business as usual supervision) have further underlined the need for appropriate investment in both the integrity of data and the ability to process them accurately.

Given this, we expect firms, if asked, to be able to respond promptly to a request from us to:

- demonstrate how the design and operation of the governance, controls and other processes deliver regulatory reporting of appropriate quality. Firms should also be able to provide details of the key interpretations and judgements made relating to regulatory returns and the governance processes used to validate these; and
- provide us with details of any material regulatory reporting errors identified, together with an explanation of the actions taken to remediate them.

The production and integrity of a firm's financial information and its regulatory reporting is a prescribed responsibility.³ We have therefore copied this letter to the relevant senior manager at your firm, although this should also be an area of focus for the executive team and the board.

We expect you to take action as necessary to ensure the integrity of your firm's returns. Such action could, for example, include regular, comprehensive reviews of the effectiveness of the governance, controls and other processes around regulatory returns to ensure they are fit for purpose, and to carry out deep dives that look at the accuracy of the returns themselves.

We recognise that firms have made interpretations and judgements relating to our requirements over a period of time, and in many cases these have been hard coded into firms' systems. Depending on the quality of governance and record keeping in the past, it may be necessary for

¹ Our expectations are set out in our statement of our approach to banking supervision and in the PRA's rules. See 'The Prudential Regulation Authority's approach to banking supervision', October 2018, paragraph 112; and PRA Rulebook, General Organisational Requirements, section 5.1(3) and PRA Notifications Rule 6.1.

² March 2019, available at: <https://www.gov.uk/government/publications/independent-review-of-the-prudential-supervision-of-the-co-operative-bank-plc>.

³ See PRA Rulebook, Allocation of Responsibilities, Rule 4.1 (9).

firms to: (i) undertake work to identify the key interpretations and judgements; and (ii) validate these interpretations and judgements.

As part of our ongoing focus on the integrity of regulatory reporting, we intend to commission reports from skilled persons (Section 166 of Financial Services and Markets Act 2000). This work will focus on the Common Reporting framework and will also incorporate other related returns, including newly introduced returns such as the PRA110 Cashflow mismatch template. The reviews may, for example, involve:

- a 'reasonable assurance' opinion on whether the return reviewed has been properly prepared;
- a review of the relevant governance, controls and other processes; and
- the gathering of information that will enable us to review the key interpretations applied in preparing the return.

We expect the main focus of these reviews to be on the larger firms and will let you know if we decide to commission a skilled person review on your firm. You should expect us to consider the full range of supervisory responses where we have concerns.

If you have any questions about the contents of this letter please contact your usual supervisory contact.

Yours faithfully



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