6. UK banking supervision and regulatory architecture

This chapter addresses the UK bank supervision and regulatory architecture. Although banking business has existed in England since the seventeenth century, banks enjoyed no formal system of regulation until the introduction of the Banking Act of 1979. Over the years, the scope and intensity of regulation increased. After the global financial crisis, further changes were made to bank regulation as well as the regulatory architecture in the UK for bank regulation. The regulatory architecture introduced in April 2013 is characterised as ‘twin peaks’, that is, having two main agencies that are responsible for different regulatory objectives. The Prudential Regulation Authority (PRA) is responsible for ‘prudential’ objectives—that is, the solvency and financial soundness of financial institutions—while the Financial Conduct Authority (FCA) is responsible for conduct of business and market regulation, including promoting competition. The PRA and FCA enjoy a wide berth of rule-making and enforcement powers.