

A photograph of a sailboat on the ocean, viewed from the deck looking forward. The boat's white sails are partially visible on the right. The sea is a deep blue, and in the distance, there are dark, jagged mountains under a clear sky. The overall tone is professional and serene.

THE PRA'S 2025 PRIORITIES

KEY TAKEAWAYS FOR INTERNATIONAL BANKS AND UK DEPOSIT TAKERS

JANUARY 2025

TRUE NORTH PARTNERS
FINANCE | RISK | STRATEGY

Overview of letters^{1,2} published by the PRA on the 21st of January 2025

The PRA published two letters outlining their 2025 priorities for international banks and designated investment firms active in the UK and UK deposit takers. The priorities are set to ensure the PRA's ability to promote the safety and soundness of the banking sector. The letters cover numerous themes which have been summarised below.

	International banks	UK deposit takers
Risk management, governance and controls	<ul style="list-style-type: none"> Firms need robust frameworks to handle global interest rate changes, geopolitical events, and technological advancements, including AI Boards should ensure these frameworks are adaptive and resilient Firms must address control gaps in Counterparty Credit Risk management especially regarding for exposures to non-bank financial institutions The PRA expects remediation plans to be prioritised as well as continuous investment and improvements in firms credit risk management processes 	<ul style="list-style-type: none"> Firms must adapt their credit risk management to changing conditions including climate change impacts The PRA will focus on strategic growth areas, vulnerable and higher-risk portfolios Firms should align with the PRA's supervisory statement on MRM and ensure high-quality models that capture risks accurately
Data risk	<ul style="list-style-type: none"> Firms need to improve data aggregation for holistic risk management and accurate regulatory calculations The quality and accuracy of data are crucial, especially with increased AI use 	
Operational resilience	<ul style="list-style-type: none"> By March 2025 firms must demonstrate that they can remain within impact tolerances during disruptions Firms must address cyber threats and ensure third-party arrangements are resilient 	
Funding and liquidity / Financial resilience	<ul style="list-style-type: none"> Firms must prepare for changes in the funding and liquidity landscape Firms should use stress testing to assess financial resilience and have effective contingency plans The PRA will focus on liquidity resilience and preparedness for unexpected shocks 	<ul style="list-style-type: none"> Firms should continue to plan for repaying and refinancing their maturing Term Funding Scheme with additional incentives for SMEs (TFSME) drawings
Basel 3.1 delay	<ul style="list-style-type: none"> The implementation of Basel 3.1 is delayed to January 2027 Firms should continue to work through the potential impact and implications of the Basel 3.1 policy package with their Board 	

¹ International banks Supervision: 2025 priorities

² UK Deposit Takers Supervision: 2025 priorities

What are the key takeaways and what do banks need to do?

The PRA's 2025 priorities for international banks and designated investment firms active in the UK and UK deposit takers focus on risk management, resilience, model governance, and responsible AI adoption to address evolving risks and regulations.

Risk management, governance and controls

- Firms must establish strong **internal governance** and a proactive **risk culture**
- Investing in **robust credit risk models** and enhancing **model governance** will be critical
- **Stress testing** needs improvement to effectively manage interconnected risk
- **Long term climate change** should be considered in credit models
- Firms should continue to **align MRM with SS1/23**

Data risk and AI governance

- Enhancing **data quality** and **risk reporting** will be crucial for effective risk management
- Firms will benefit from ensuring **transparency** and **interpretability** in AI applications
- Accurate and timely **regulatory reporting** is essential to meet compliance standards and avoid risks

Financial and operational resilience

- Firms should update **capital and liquidity indicators** to reflect evolving risks and maintain financial stability
- Strengthening **cyber resilience** and **third-party risk management** is critical to safeguarding critical operations
- Enhanced stress testing will help firms withstand potential disruptions in 2025

Basel 3.1 delay

- This will relieve banks struggling to implement changes but may disappoint those that invested significant effort to meet the original deadline
- This leaves an opportunity for firms to **address climate and emerging risks**

How we can help: TNP offers a variety of services, tools and ongoing support for effective risk management

Model governance



Model development and validation services

Model risk management framework and policies

Stress testing solutions and model monitoring

TNP has a track record of delivering model governance and model risk related projects

Data management



Risk Reporting Data Pipeline Solutions

Analytics and Modelling Project Data Solutions

Data Quality, Governance and Compliance Solutions

TNP has strong data solutions including various tools and data governance consultations (including BCBS239)

ESG



Integration of climate risk into credit models

ESG measurement, disclosures and strategy

Development of ESG frameworks including ongoing monitoring and risk appetite

TNP has helped clients define sustainable business and risk strategy and achieve their ESG goals

Advanced analytics



Implementing and validating cutting edge AI and ML solutions

Ensuring interpretability and explainability to senior management

Establishing monitoring and validation frameworks to manage AI/ ML risks

TNP has an experienced advanced analytics team with wealth of experience in delivering AI/ML solutions



Who are we

Get in touch with our team of credit risk experts



**Dr. Lutz
Baumgarten**

20+ years - M Eng in Engineering Science, M Phil and D Phil in Economics (Oxford)



**Vijay
Krishnaswamy**

20+ years - BSc in Mathematics (Madras), MBA in Finance (Ahmedabad), FRM



**Dr. Etienne
Hofstetter**

20+ years - PhD and MSc in Physics (Mainz, Lausanne), Post-doc research (Imperial College London)



**Derek
Alston**

15+ years - CA (SA), B Comm (Hons) in Management Accounting (Witwatersrand)



**Jakob
Kisiala**

8+ years: Master of Science Operational Research, University of Edinburgh



**Dr. Writam
Chakraborty**

12+ years - MSc in Applied Mathematics (Jadavpur), PhD in Mathematics (IEST Shibpur)



**Stefanie
Rynboom** CFA

10+ years - BSc Actuarial Science and Statistics, BSc (Hons) in Advanced Mathematics of Finance (Witwatersrand)



**William
Barnes**

2+ years - BSc Mathematics, The University of Leeds and programs in Python and SAS

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for any further information or to put you in touch with the rest of the TNP team

True North Partners in a nutshell

Who we are *A unique consulting boutique*

Independent LLP in London

- Local staff and subsidiaries in London, Frankfurt, Johannesburg, Madrid, Amsterdam and Dubai
- Founded in 2010 (precursor track record since 2006)
- 20 partners and 150+ permanent staff
- Additional network of senior experts

What sets us apart *A unique consulting approach*

A true partner to our clients

- Owner-management for flexibility and long term commitment
- Delivery of real impact, with hands-on senior involvement and oversight

What we do *Excellence in financial services*

Deep knowledge of finance, risk and strategy domains

- Risk Management
- Balance Sheet Management
- Finance and Strategy
- Advanced analytics
- Public Sector and Development Finance
- Technologies and tools



TRUE NORTH PARTNERS

FINANCE | RISK | STRATEGY

True North Partners LLP is an independent consulting firm based in London, Frankfurt, Amsterdam, Madrid, Johannesburg and Dubai. We specialise in finance, risk and strategy and have extensive global experience and industry recognition in the financial services, risk management and finance communities.

We have a track record as an independent partnership since 2006. Our clients are leading financial institutions, predominantly in Europe, Middle East and Africa.

Our distinctive value proposition includes three key elements

- Leading practice expertise and experience in risk and finance to develop, tailor and communicate superior solutions
- Strong analytical grounding of our work, be that through financial, economic or statistical modelling
- Hands-on senior involvement and oversight to drive change at our clients, which ensures that we deliver real impact rather than just “PowerPoint concepts”

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