



Policy & Regulations Affairs

AFB/PRA ROUNDTABLE ON OPERATIONAL READINESS FOR NEGATIVE INTEREST RATES (held on 19 April) - SUMMARY

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On 19 April, AFB members attended a roundtable with the PRA to discuss operational readiness for negative interest rates. During the roundtable the PRA presented their findings from a survey of a focused group of firms' operational readiness that took place at the end of 2020. They highlighted the next steps for firms in their operational readiness preparation and discussed member queries on the topic. Below provides a brief summary of the main points from the discussion (this should be read in conjunction with the [slides](#) presented at the roundtable):

- As a result of the completion of a targeted questionnaire by firms in November 2020, the PRA found the following:
 - o Wholesale firms need little to no changes to systems to allow for the introduction of zero/negative rates;
 - o Wholesale firms are more able to support both scenarios than retail businesses;
 - o Implementing a zero rate could be delivered quicker and at a lower cost than the implementation of a negative rate;
 - o Over 70% of the firms surveyed flagged either low/no dependency on third parties.
- Going forward, firms will need to engage with the PRA bilaterally and indicate whether:
 1. The target date of 5 August can be met/ has already been met.
 2. The target date of 5 August can be met but there are some issues that need to be mitigated to be fully ready.
 3. There are challenges in meeting the 5 August deadline and the challenges cannot be mitigated before the deadline.
- In order to answer the above, firms will be expected to explore their IT systems, processes, third party arrangements, customer dealings and areas which resources will be needed for reprioritised projects and engage with the PRA on any identified challenges to meeting the 5 August deadline at the earliest convenience.
- For any of the issues identified the PRA will ask firms to identify any mitigants that are in place and depending on the responses received by firms, the supervisory teams will be in contact with additional questions.
- Firms have been asked to flag internally that this work will be commencing soon, as the PRA would like to receive responses within a 2-week timeframe.
- Following on from this, the PRA will check on the progress of certain points, in order to obtain a sense of the readiness of the industry as a whole in advance of the May and August MPC meetings.

Association of Foreign Banks

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