

**Company number 07854923**

**SPECIAL RESOLUTION**

**OF**

**PRUDENTIAL REGULATION AUTHORITY (Company)**

Passed on 13 March 2013

The following resolution was duly passed as a special resolution on 13 March 2013 by way of written resolution under Chapter 2 of Part 13 of the Companies Act 2006.

**SPECIAL RESOLUTION**

That, with effect from 1 April 2013, the draft articles of association in the form attached to this resolution be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

Signed.



...

Company secretary



**COMPANIES ACT 2006**  
**COMPANY LIMITED BY SHARES**  
**ARTICLES OF ASSOCIATION**  
**OF**  
**PRUDENTIAL REGULATION AUTHORITY**

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COMPANIES HOUSE

**PART 1**  
**INTERPRETATION, OBJECTS AND LIMITATION OF LIABILITY**

**Defined terms**

1 In the articles, unless the context requires otherwise—

“appointed director” means any director who is not an ex officio director,

“articles” means the company’s articles of association,

“Bank” means the Governor and Company of the Bank of England,

“bankrupt” includes a person subject to individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which has an effect similar to that of bankruptcy,

“Companies Acts” means the Companies Acts (as defined in section 2 of the Companies Act 2006) in so far as they apply to the company,

“director” means a director of the company, and includes any person occupying the position of director, by whatever name called,

“document” includes, unless otherwise specified, any document sent or supplied in electronic form,

“ex officio directors” the directors holding office in accordance with article 52,

“electronic form” has the meaning given in section 1168 of the Companies Act 2006,

“FSMA” means the Financial Services and Markets Act 2000,

“fully paid” in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company,

“hard copy form” has the meaning given in section 1168 of the Companies Act 2006;

“holder” in relation to shares means the person whose name is entered in the register of members as the holder of the shares,

“ordinary resolution” has the meaning given in section 282 of the Companies Act 2006,

“Oversight Committee” means the sub-committee of the court of directors of the Bank established pursuant to section 3A of the Bank of England Act 1998,

“paid” means paid or credited as paid;

“participate”, in relation to a directors’ meeting, has the meaning given in article 31,

“relevant model articles” has the meaning given in section 20(2) of the Companies Act 2006,

“secretary” means the secretary of the company or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary,

“share” means the share in the company issued to the Bank,

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland, and

“writing” means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise

## **Construction**

- 2 Unless the context otherwise requires, words or expressions contained in these articles and not defined in article 1 above bear the same meaning as in the Companies Act 2006 in force on the date when these articles become binding on the company
- 3 Powers of delegation shall not be restrictively construed but the widest interpretation shall be given to them
- 4 No power of delegation shall be limited by the existence or, except where the terms of delegation expressly provide, the exercise of that or any other power of delegation
- 5 Except where the terms of delegation expressly provide, the delegation of a power shall not exclude the concurrent exercise of that power by any other body or person who is for

the time being authorised to exercise it under these articles or under another delegation of the power

### **Objects**

- 6 The objects of the company are to act as prudential regulator for financial firms under and in accordance with the duties and responsibilities conferred upon the company by any applicable law

### **Liability of members**

7. The liability of any member is limited to the amount, if any, unpaid on the share held by it

### **Model Articles**

- 8 The regulations in the relevant model articles do not apply to the company

## **PART 2**

### **DIRECTORS**

#### **DIRECTORS' POWERS AND RESPONSIBILITIES**

##### **Directors' general authority**

- 9 Subject to the articles (and in particular articles 10 to 14), the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company. The powers given by this article shall not be limited by any special power given to the directors by the articles

##### **Matters reserved for the Bank as shareholder**

- 10 No decision relating to any of the following matters shall be taken, nor any delegation relating to the following matters shall be made, by the board of directors, such matters being for the sole decision of the Bank
- (a) the approval of capital projects in excess of £5mn,
  - (b) any material expenditure in excess of the company's approved annual budget,
  - (c) significant changes in the management structure of the company,
  - (d) determining terms of service and remuneration of directors,
  - (e) determining remuneration policies for staff,
  - (f) determining the rules on financial dealings applicable to directors and staff;
  - (g) determining any codes of conduct for directors or staff,
  - (h) the appointment of any deputy chief executive of the company,
  - (i) the appointment of the persons who have executive responsibility within the company for banking regulation, insurance regulation and policy reporting directly to the chief executive of the company, and
  - (j) whether from time to time to appoint a secretary and, if so, whom to appoint
11. Without prejudice to the powers of the directors under these articles (and particularly under article 9) to manage the company's business and exercise all its powers, the Bank reserves to itself the function of keeping under review the company's performance in relation to its objectives and strategy, including arranging for reviews to be conducted into such matters by a person or persons appointed by the Bank

12. Pursuant to paragraph 6 of Schedule 1ZB to FSMA and Article 53, the appointed directors shall be appointed by the Bank, acting through its court of directors, with the approval of HM Treasury
13. Pursuant to paragraph 18(1) of Schedule 1ZB to FSMA, the Bank must approve the company's annual budget (or any variation thereon), before the budget (or any variation thereon) is approved by the company
- 14 Pursuant to section 2E FSMA, before determining or revising its strategy, the company must consult the court of directors of the Bank about a draft of its strategy or revisions to it

### **Directors may delegate**

- 15 The directors shall themselves perform any function or exercise any power of the company which is required by law to be performed or exercised by them Where any function or power of the company is not required by law to be so performed or exercised the directors may delegate any of the powers which are conferred on them under the articles -
  - (a) to such person or committee;
  - (b) by such means (including by power of attorney),
  - (c) to such an extent,
  - (d) in relation to such matters, and
  - (e) on such terms and conditions,as they think fit.
- 16 Any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated
- 17 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

### **Committees**

- 18 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors

- 19 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them

## **DECISION-MAKING BY DIRECTORS**

### **Directors to take decisions collectively**

- 20 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 22 and 23
- 21 The Chief Executive of the Financial Conduct Authority may not take part in any discussion by or decision of a directors' meeting of the PRA which relates to
- (a) the exercise of the company's functions in relation to a particular person, or
  - (b) a decision not to exercise those functions

### **Unanimous decisions**

- 22 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter
- 23 Such a decision may take the form of a resolution in writing, at least one copy of which has been signed by each eligible director or to which each eligible director has otherwise indicated agreement in writing
- 24 References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting but excluding any director whose vote is not to be counted in respect of the matter in question
- 25 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting

### **Calling a directors' meeting**

- 26 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice
- 27 Notice of any directors' meeting must indicate—



- (a) its proposed date and time,
- (b) where it is to take place, and
- (c) if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting

28 Notice of a directors' meeting must be given to each director, but need not be in writing

29 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company at any time. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it

30 Notice of a directors' meeting may be given to each director in either hard copy form or electronic form to such address (if any) as he may specify to the company for that purpose. Where such notice or any documents to be provided with such notice are to be given in electronic form and contain confidential information, such notice or documents shall only be made available through a secured means of electronic access provided by the company

### **Participation in directors' meetings**

31 Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when—

- (a) the meeting has been called and takes place in accordance with the articles, and
- (b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting

32 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other

33 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is

### **Quorum for directors' meetings**

- 34 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting
- 35 The quorum for directors' meetings may be fixed from time to time by a decision of the directors, but it must never be less than 2, including at least 1 of the appointed directors
- 36 Any director who ceases to be a director at a directors' meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the directors' meeting if no director objects

### **Chairing of directors' meetings**

- 37 The Governor of the Bank shall be the chairman
- 38 If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the Deputy Governor for Financial Stability of the Bank may chair it. If neither the chairman nor the Deputy Governor for Financial Stability of the Bank is participating, the participating directors may appoint one of themselves to chair it

### **Voting at directors' meetings**

- 39 Subject to the articles, each director taking a decision has one vote.

### **Casting vote**

- 40 If the numbers of votes for and against a proposal are equal (ignoring any votes which in accordance with the Companies Act 2006 are not to be counted) the chairman or other director chairing the meeting has a casting vote
- 41 But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes

### **Records of decisions to be kept**

- 42 The directors must ensure that the company keeps minutes, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors

### **Directors' discretion to make further rules**

- 43 Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors

### **Conflicts of interest**

- 44 If a proposed decision of the directors is concerned with an actual or proposed transaction, arrangement or matter in which a director is interested, that director is not to be counted as participating in the decision-making process for quorum or voting purposes unless the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest
- 45 References to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- 46 Subject to article 47 if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting whose ruling in relation to any director other than the chairman is to be final and conclusive
- 47 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman of the meeting, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes

### **Authorisation under section 175 of the Companies Act 2006**

- 48 For the purposes of section 175 of the Companies Act 2006, the directors may authorise any matter proposed to them which relates to a situation in which a director has, or can

have, an interest which conflicts, or possibly may conflict, with the interests of the company Any such authorisation will be effective only if

- (a) the directors agree that the conflict or potential conflict of interests can reasonably be regarded as not being material in nature,
- (b) any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director, and
- (c) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted

49 The directors may (when giving the authorisation or subsequently) make any such authorisation subject to any limits or conditions they expressly impose but such authorisation is otherwise given to the fullest extent permitted The directors may vary or terminate any such authorisation at any time

50 For the purposes of the articles, a conflict of interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests

#### **Duty of confidentiality to another person**

51 A director shall be under no duty to the company with respect to any information which he obtains or has obtained otherwise than as a director of the company and in respect of which he owes a duty of confidentiality to another person However, to the extent that his relationship with that other person gives rise to a conflict of interest or possible conflict of interest, this article applies only if the existence of that relationship has been approved by the directors pursuant to article 48

#### **Consequences of authorisation**

52 Where the existence of a director's relationship with another person has been approved by the directors pursuant to article 48 and his relationship with that person gives rise to a conflict of interest or possible conflict of interest, the director shall not be in breach of the general duties owed to the company by virtue of sections 171 to 177 of the Companies Act 2006 because he

- (a) absents himself from meetings of the directors at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise, and/or

- (b) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the company and/or for such documents and information to be received and read by a professional adviser,

for so long as he reasonably believes such conflict of interest or possible conflict of interest subsists

## **APPOINTMENT OF DIRECTORS**

### **Appointment**

53 The company shall have a board of directors which shall consist of four ex officio directors in accordance with article 54 and no less than three appointed directors appointed by the Bank acting through its court of directors, with the approval of HM Treasury

54 Each of the persons for the time being holding the offices set out in this article shall hold the office of director of the company automatically by virtue of holding such office

- (a) the Governor of the Bank,
  - (b) the Deputy Governor for Prudential Regulation of the Bank,
  - (c) the Deputy Governor for Financial Stability of the Bank, and
  - (d) the Chief Executive of the Financial Conduct Authority,
- and shall vacate office automatically forthwith upon ceasing to hold the relevant office

55 The validity of any act of the company is not affected

- (a) by any vacancy resulting from a vacancy in the office of the Governor of the Bank of England, Deputy Governor for Prudential Regulation of the Bank of England, Deputy Governor for Financial Stability of the Bank of England, or the Chief Executive of the Financial Conduct Authority,
- (b) by the number of appointed directors temporarily falling below three,
- (c) by a defect in the appointment, or purported appointment, of an ex officio director to the office by virtue of which he is an ex officio director; or
- (d) by a defect in the appointment of a person as an appointed director

## **Chief Executive**

56 The Deputy Governor for Prudential Regulation of the Bank of England shall be the chief executive of the company

## **Resignation of an appointed director**

57 Where notification is received by the company from an appointed director that he is resigning from office, such resignation will take effect in accordance with its terms

## **Termination of appointed director's appointment**

58 Any appointed director may be dismissed by the Bank, with the approval of HM Treasury, on any of the following grounds

- (a) that he has been absent from directors' meetings for more than three months without the consent of the board of directors,
- (b) that he has become bankrupt, that his estate has been sequestrated or that he has made an arrangement with or granted a trust deed for his creditors,
- (c) that he is unable or unfit to discharge his functions as a member,
- (d) that he has committed an act or omission which constitutes serious misconduct, or
- (e) that in all the circumstances the appointed director's financial or other interests are such as to have a material effect on the extent of the functions as member that it would be proper for the person to discharge

## **Directors' remuneration**

59 Directors may undertake any services for the company that the directors decide

60 Appointed directors are entitled to such remuneration as the Bank (acting through its Oversight Committee) determines—

- (a) for their services to the company as directors, and
- (b) for any other service which they undertake for the company

61 Subject to the articles, an appointed director's remuneration may take any form

62 Unless the Bank (acting through its Oversight Committee) decides otherwise, appointed directors' remuneration accrues from day to day

63 Ex officio directors shall not be entitled to remuneration from the company.

**Directors' expenses**

64 The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at—

- (a) meetings of directors or committees of directors, or
- (b) general meetings,

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company

## **PART 3**

### **SHARES AND DISTRIBUTIONS**

#### **SHARES**

##### **Share capital**

65 The issued share capital of the company shall be £1 represented by a single share with the nominal amount of £1

##### **Share certificates**

66 The company must issue the Bank, free of charge, as the holder of the single, non-transferable share in the company, a certificate in respect of the share

67 A certificate must—

- (a) have affixed to it the company's common seal, or
- (b) be otherwise executed in accordance with the Companies Acts

##### **Replacement share certificates**

68 If a certificate is—

- (a) damaged or defaced, or
- (b) said to be lost, stolen or destroyed,

the Bank is entitled to be issued with a replacement certificate in respect of the same share

69 The Bank exercising its right to be issued with such a replacement certificate must —

- (a) return the certificate which is to be replaced to the company if it is damaged or defaced, and
- (b) comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide

##### **Share transfers**

70 The share may not be transferred



## **DIVIDENDS AND OTHER DISTRIBUTIONS**

### **No dividends**

71. No dividends or other distributions out of income or capital may be paid or made to the Bank. All of the income of the company shall be applied in promoting the objects of the company.
72. On a winding up of the company all assets which would otherwise be available to its members generally shall be transferred to another body determined by the directors with objects similar to those of the company.

## **PART 4**

### **DECISIONS OF THE BANK**

#### **Written resolutions**

73 Subject to article 74 or except as required by the Companies Acts, all decisions to be taken by the Bank shall be taken by written resolution in accordance with the Companies Acts

74 Any decision taken by the Bank relating to the matters set out in articles 10 to 14 may be communicated by the Bank to the company by the Bank serving written notice on the Company

#### **General Meetings**

75 Any general meeting required to be held to consider a matter which cannot by law be decided by written resolution shall be convened and held in accordance with the provisions of the Companies Act relating to general meetings and in accordance with the provisions relating to procedure at such meetings

## **PART 5**

### **ADMINISTRATIVE ARRANGEMENTS**

#### **Means of communication to be used**

- 76 Anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company
- 77 Any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being
- 78 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours

#### **Company seals**

- 79 Any common seal may only be used by the authority of the directors
- 80 The directors may decide by what means and in what form any common seal is to be used
- 81 Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature
- 82 For the purposes of article 81, an authorised person is—
- (a) any director of the company,
  - (b) the company secretary (if any), or
  - (c) any person authorised by the directors for the purpose of signing documents to which the common seal is applied

### **Provision for employees on cessation of business**

83 The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary. Any such provision shall be made by a resolution of the directors in accordance with section 247 of the Companies Act 2006.

### **Certification**

- 84 Any director or the secretary (if any) or any person appointed by the directors for the purpose shall have power to authenticate and certify as true copies of and extracts from
- (a) any document comprising or affecting the constitution of the company, whether in hard copy form or in electronic form,
  - (b) any resolution passed by the company, the directors or any committee of the directors, whether in hard copy form or in electronic form, and
  - (c) any book, record and document relating to the business of the company, whether in hard copy form or in electronic form (including, without limitation, the accounts)
- 85 If certified in this way, a document purporting to be a copy of a resolution, or the minutes of or an extract from the minutes of a meeting of the company, the holders of any class of shares in the capital of the company, the directors or a committee of the directors, whether in hard copy form or in electronic form, shall be conclusive evidence in favour of all persons dealing with the company in reliance on it or them that the resolution was duly passed or that the minutes are, or the extract from the minutes is, a true and accurate record of proceedings at a duly constituted meeting.

## **PART 6**

### **DIRECTORS' INDEMNITY**

#### **Indemnity**

86 Subject to article 86 a director or former director of the company may be indemnified out of the company's assets against—

- (a) any liability incurred by him in connection with any negligence, default, breach of duty or breach of trust in relation to the company, or
- (b) any other liability incurred by him as an officer of the company

87 Article 85 does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law

88 Article 85 is without prejudice to any indemnity to which the person concerned may otherwise be entitled