

Treasury Committee

Oral evidence: Appointment of Marjorie Ngwenya to the Prudential Regulation Committee, HC 461

Monday 18 July 2022

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Members present: Rushanara Ali; Harriett Baldwin; Anthony Browne; Gareth Davies; Kevin Hollinrake.

In the absence of the Chair, Rushanara Ali took the Chair.

Questions 1-58

Witness

[I](#): Marjorie Ngwenya.

Examination of witness

Witness: Marjorie Ngwenya.

Q1 **Chair:** Welcome to this Treasury Committee session. My name is Rushanara Ali, and I am chairing today's session in the absence of our Chair, Mel Stride. Our witness is Marjorie Ngwenya. Marjorie, could you introduce yourself for the record? My apologies if I have mispronounced your surname.

Marjorie Ngwenya: Not at all; thank you. I am delighted to be here at an interesting time for the UK and an interesting time for the financial services sector as it considers its reforms. I am a financial services professional with over 20 years in the sector, which have predominantly been spent in insurance. I have global experience, the majority of which was spent in the UK, and most recently in South Africa. I have a background in risk management and actuarial practice, as well as having spent time as a senior manager and a non-executive director in the sector.

Q2 **Chair:** Thank you very much. Our questions today will be in relation to the appointment to the Prudential Regulation Committee. To kick off, which areas of Solvency II are most in need of reform?

Marjorie Ngwenya: There are a couple of areas that need reform, and those relate to the risk margin and the matching adjustment. The risk margin is the aspect that helps to ensure that there is enough money to transfer liabilities to another firm in the event of failure, so that relates to policyholder protection. In that regard, the current regime is too sensitive to movements in interest rates, and too high when interest rates are low.



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Adjusting the way that that risk margin is calculated is something that I understand is under consideration, to address those shortcomings.

The other aspect is around the fundamental spread in the matching adjustment. This is where the life insurers are able to recognise up front their capital resources as a proportion of their projected spread and on the assets over time. This incentivises them to match liabilities to long-term assets. In this aspect, the current calculation does not appropriately reflect the risks that are being retained by insurers, so there is a need to look at that. My understanding is that the Prudential Regulation Authority is doing work to understand the new calibrations that would need to be undertaken, and is going through an evidence base and academic research to understand where that would lie. Those would be the two main areas.

Q3 Chair: Do you think the Government's current proposals will increase long-term investment in the UK?

Marjorie Ngwenya: I would imagine so, on the understanding that the current proposals would release capital into the system alongside the proposal that is currently being tabled around widening the pool of assets that could be invested in for the matching adjustment, and easing the application process for holding those assets. That should certainly encourage insurers to invest into long-term, productive finance in the UK.

Q4 Chair: What are the areas where you see a comparative advantage for insurers to invest in the UK versus overseas? What else needs to be done to enable that to happen?

Marjorie Ngwenya: I suppose the considerations that are under way, in terms of making it simpler for insurers to invest in assets that would back their policyholder liabilities, would be fit for encouragement. Any assets that were attractive in terms of the yield that they would offer, while also being permissible by the regulators, would fit that bill as well.

Q5 Chair: And how will you ensure that, in the rush to reform Solvency II and free up funds for investment, policyholders are not harmed? That is very much a live concern for a number of us.

Marjorie Ngwenya: Absolutely, and it is a very valid concern. The way that I see it is that the remit of the PRC is to ensure safety and soundness in the financial sector, as well as policyholder protection for insurance clients. I would want to understand how reforms support those statutory objectives and ensure that there is sufficient evidence to support the reforms that are proposed without undermining that security.

Q6 Chair: Where do you sit in the current debate between the Bank and the industry on the Solvency II reform?

Marjorie Ngwenya: I am supportive of the need for reform. I think it is appropriate that at this time, as the UK leaves, or has left, Europe, the rulebook is appropriately handed down to regulators to allow agile rule making. I believe that, to the extent that it does not undermine safety and soundness, a capital release should be explored, and I support the idea that it will be invested in long-term productive finance.



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Q7 **Chair:** Can you talk through some of the areas where there could be an undermining of safety and soundness? Can you give us some scenarios or examples?

Marjorie Ngwenya: A scenario could be where, for example, the current methodology that has been used to calculate the fundamental spread does not take into account the risks that insurers are hanging on to, and where it may incentivise them to seek or to chase higher yields at the expense of secure assets. That is one way that soundness could be undermined.

Q8 **Chair:** What are your thoughts on what would be needed to mitigate—beyond what you have said so far?

Marjorie Ngwenya: My understanding is that the proposals are to disincentivise this yield-seeking behaviour and to encourage assets that would match the liabilities that would not necessarily create the underlying risk capital.

Q9 **Chair:** And you feel that that is sufficient in terms of mitigation?

Marjorie Ngwenya: I would say yes, that is absolutely the right direction, and I would love to get closer to the issue as I start the role.

Q10 **Chair:** The EU is undertaking its own reforms of Solvency II. Would you encourage the PRA to continue to align its approach with the EU, or seek to diverge?

Marjorie Ngwenya: I would encourage the UK to engage on the changes that Europe is making, but I do not think it is necessarily appropriate to mirror exactly what Europe is doing. The UK should do what is fit for it and its economy and what is appropriate for the structure of its sector. Engagement will be important, but I think that the reason that this debate is happening around reform is very much to give the UK its own flexibility and freedom.

Q11 **Chair:** In your view, how much of the current regime was designed for the EU and is inappropriate for the UK insurance market?

Marjorie Ngwenya: In my view, I would say a large amount of it is appropriate. The areas that are currently under debate by the industry are those that are seen to be least appropriate.

Q12 **Chair:** During the appointment process, did you make any undertakings to the appointment panel, other officials or Government Ministers about how you would perform your role, particularly in relation to Solvency II reform?

Marjorie Ngwenya: I have not made any undertakings to any parties around Solvency II or my performance on that role.

Q13 **Chair:** Aside from Solvency II, which other areas of insurance regulation could the PRA consider reforming?

Marjorie Ngwenya: There are a number of areas that I think the PRA should be looking at, and is looking at, and in particular trying to simplify the regulatory regime so that it can be fit for purpose and proportionate



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for firms, as well as improving the international competitiveness of the UK as a territory, and all of that being done with a view not to undermine, as I mentioned earlier, the safety and soundness. I think there is a lot being done by the PRA, and will be done, around understanding financial risk relating to climate change—a very topical and relevant area. Those would be critical areas for me.

Q14 **Chair:** Finally, what particular risks do you think the insurance industry faces at the moment?

Marjorie Ngwenya: I think there are a number of risks, but I will hone in on the current cost of living challenges that a number of economies are exposed to, coupled with the geopolitical uncertainty. That gives rise to a number of potential risks around the affordability of products, claims inflation and the cost of settling claims, and the expense models that insurers have at their disposal right now. It creates a lot of uncertainty, and the stress testing work that firms have undertaken alongside the PRA will be very informative to show whether or not these risks are material to them and how they might be resolved.

Chair: Thank you very much. I call Anthony Browne.

Q15 **Anthony Browne:** Thank you for your evidence, Marjorie. My question is about the independence of the regulator. There is a lot of discussion and murmuring in the UK about the Government clipping various regulators' wings. Clearly, as a result of Brexit, the Government are transferring a lot of rule-making powers to the regulators. That has been tempered slightly by us overlooking their new powers, but also by the Treasury having possible powers to instruct them to do certain things. On the Monetary Policy Committee—obviously not the PRC—because of inflation there have been various comments about politicians wanting to scrap its independence, which personally I am opposed to. What do you think the relationship should be between the Treasury and the Prudential Regulation Authority and the Prudential Regulation Committee?

Marjorie Ngwenya: I think it is appropriate for the PRA to be accountable to Parliament, and a number of structures already exist to ensure that, including Select Committee inquiries and pre-commencement hearings such as this one. I believe it is important for regulators to maintain their operational independence, and that is a well-established model in the UK and other jurisdictions where I have worked. Any reforms would need to—in my mind—ensure that this principle is not compromised. I do not think there should be undue pressure on regulators to weaken regulatory standards inappropriately, so I would welcome the Bill and what it entails and look to understand that further.

Q16 **Anthony Browne:** You said you would not like undue pressure. I am wondering how you define undue pressure because the Treasury and the PRA do co-ordinate reforms. When does that become undue or inappropriate pressure, as opposed to something that is appropriate?

Marjorie Ngwenya: I think that would be understood through a process of engagement and dialogue. It becomes undue in my mind when it



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undermines the statutory objectives—so, policyholder protection or safety and soundness of the system. To the extent that there are disagreements, understanding what those are and having them debated at the PRC would be appropriate.

Q17 Anthony Browne: I mentioned that there have been reports about unnamed Cabinet Ministers questioning the need for an independent Monetary Policy Committee. Are you concerned that the economic environment will lead to greater pressure on the Bank's independence?

Marjorie Ngwenya: I think that would be a question for a Monetary Policy Committee member. It is not something that I have contemplated. I would, in the first instance, say no at this point, without any further evidence to think otherwise.

Q18 Anthony Browne: If the Treasury did attempt to put undue pressure on you, as you see it, what would you do?

Marjorie Ngwenya: Pressure on the PRC?

Anthony Browne: On you, personally.

Marjorie Ngwenya: On me, personally. I would be willing to give whatever evidence I am required to give in my role and in being accountable to the Treasury. I would like to have a debate on those points of pressure with my colleagues and understand how we can come to a position that we can agree to and that takes into account whatever assertion is being made by the Treasury, but also one that does not undermine the statutory objectives we have been entrusted with.

Q19 Anthony Browne: Can you say a time when you have been put under undue pressure to do something you felt you should not do professionally? How did you respond to that?

Marjorie Ngwenya: I have had a time when I was asked to approve an appointment that I did not feel was appropriate for a senior management position, and I was able to speak up and share my opinion and my reasons why not. In this event, I was in the minority, so a decision was taken to go ahead, but I had put my voice on the record.

Q20 Anthony Browne: The PRC does not publish its minutes. It is one of the less transparent Bank of England committees, compared to the Monetary Policy Committee, obviously, which publishes its minutes. That makes it difficult for us, as Parliament, to scrutinise the work of the PRC because it is not out there for everyone to see. What do you think the relationship should be between the PRC and Parliament? You touched on it earlier, but could you expand on that?

Marjorie Ngwenya: I think there should be open dialogue between the two. There should be regular touchpoints to share views and understand points of disagreement. I think it is appropriate for a Select Committee to call up members as required to make inquiries as they see fit. There should be openness and transparency around the broad policy issues. I



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think it is appropriate that the PRC does not publish minutes where market-sensitive information or confidential matters are discussed.

Anthony Browne: Okay, those are all my questions. Thank you.

Q21 **Gareth Davies:** I am going to focus on your experience in this section. Can you start by explaining how your previous experience will help you in your work for the PRC?

Marjorie Ngwenya: My previous experience is predominantly in the life insurance sector, with some oversight of general insurance businesses. I have also had roles that involved banking and asset management, so I have a broad understanding of financial services and some understanding of how these models play out on the international stage. I have had senior management experience in the sector, and I now serve as a non-executive director. That gives me an understanding of the governance of firms that are regulated in other territories.

Q22 **Gareth Davies:** What specific experience or skills do you bring to the PRC that it is perhaps lacking at the moment?

Marjorie Ngwenya: I bring a deep background in risk management and actuarial expertise. I would not necessarily say that those skills are lacking on the PRC, but perhaps I would supplement the skills that already exist.

Q23 **Gareth Davies:** Is there anything at all that you may add that is lacking at this point?

Marjorie Ngwenya: It is difficult to say “lacking” because I have not been on the committee yet, but I would say that I bring a more global perspective—a varied background—compared with some of my colleagues. I also have deep insurance expertise.

Q24 **Gareth Davies:** Is there any element of your experience or skills that may be lacking, in terms of adequacy to perform the role that you are being appointed to?

Marjorie Ngwenya: Certainly, I would like to understand the non-insurance aspects of the role better, and banking in particular; I mentioned that I have some expertise, but I would like to deepen that. I have already started that journey by reading, getting up to speed with regulatory developments and having briefings with colleagues at the Bank. I have a raft of meetings set up in preparation for the role.

Q25 **Gareth Davies:** Thank you very much. Let me focus on banking in my last few questions. The PRA is currently consulting on the first stages of its new “strong and simple” approach to regulating banks and building societies. When designing this simpler regime for smaller firms, would you favour streamlining the existing rules or would you suggest that we start with a clean slate and develop more focused rules?

Marjorie Ngwenya: My preference, off the bat, would be to streamline the existing rules so as not to place an undue burden on firms and require them to completely transform their reporting. The problem that is being solved is the complexity of the current regime. It is about simplifying that

while not requiring firms to completely overhaul their systems, information and reporting to satisfy regulators.

Q26 **Gareth Davies:** I get that, but don't you feel that that perhaps lacks a bit of ambition?

Marjorie Ngwenya: Potentially, and I would like to understand a little better what it entails exactly. There is going to be a trade-off between being completely innovative and starting something new, and causing a great deal of disruption and cost to firms by requiring them to comply with a completely new system. Whatever the case is and wherever that balance lands, it is important to advance the safety and soundness principles, as well as, as a secondary aim, enhancing the competition objectives that the Government has asked the PRA to have regard to.

Q27 **Gareth Davies:** You can see that by streamlining, rather than replacing and starting anew, smaller firms will still potentially be burdened with many of the regulations and rules that they have already got.

Marjorie Ngwenya: My understanding is that the aim is not to burden them with the same rules and regulations, but to reduce the burden that is placed on them currently. That could well be achieved by streamlining. I would love to understand the detail of the matter.

Q28 **Gareth Davies:** The PRA, as I understand it, has indicated that the bonus cap on banks could increase prudential risks for firms. Do you believe that the cap on bonuses at banks should be removed?

Marjorie Ngwenya: I believe that remuneration models should be reviewed to see whether that could be the case. The concern, as I understand it, is if you cap the bonus pay, then you are likely to increase the base pay for your material risk-takers. That makes the business models of these banks less flexible and would give them difficulty in a downturn around flexing their model to survive that, so that presents a safety and soundness risk.

Gareth Davies: Thank you very much.

Q29 **Kevin Hollinrake:** Touching on experience again and your experience in terms of the UK financial sector, is it right that it has been quite some years since you have operated in that sector?

Marjorie Ngwenya: That is right. It has been a few years since I have had a direct role in a commercial firm in the UK. However, my time as Institute and Faculty of Actuaries president in 2017-18 and my eight years on the council kept me close to developments in the UK market. Adding to that, the UK has a prominent role on the global financial services stage, which has been observable both through my time in the country and outside, and I have been keeping up to speed with developments through publications on the Bank of England website and through other PRA speeches, business plans, annual reports and so on.

Q30 **Kevin Hollinrake:** Do you think that might cause you some problems, both in terms of understanding and credibility around these areas?

Marjorie Ngwenya: I think it means that there is a bit more of a learning curve. I don't think that there would be a credibility challenge, to the extent that I am doing the necessary to keep myself up to speed and showing competence in those areas as well.

Q31 **Kevin Hollinrake:** For the last five years, I think you have been a coach?

Marjorie Ngwenya: That is right.

Q32 **Kevin Hollinrake:** What particular areas have you been coaching? What specifically have you been coaching as a coaching consultant?

Marjorie Ngwenya: Executive leadership coaching.

Q33 **Kevin Hollinrake:** So you have not been coaching specifically in financial services?

Marjorie Ngwenya: Not specifically financial services. It is more around leadership and personal mastery.

Q34 **Kevin Hollinrake:** Have you not been directly involved in financial services over that five-year period at all?

Marjorie Ngwenya: I have absolutely been involved. I have been a non-executive director for financial services firms throughout that time.

Q35 **Kevin Hollinrake:** In terms of objectives, which you mentioned a couple of times, there is obviously this new secondary objective that has been brought in covering international competitiveness and economic growth, which is quite different from the current competition objective that is more about domestic competition. Have you picked up a sense of any tension between the Bank of England and the Treasury over this?

Marjorie Ngwenya: I have picked up some debate in the press, certainly around the appropriateness of such a secondary objective. My sense is, once again, if having such an objective does not undermine the statutory objectives, then it would seem a positive thing to put the UK on an internationally competitive stage. The standards that the UK current holds are highly regarded internationally, which already promotes the same, and I am not clear, at this point, whether the PRA has sufficient resources to be able to consider that new objective. That is something I would like to get closer to as well.

Q36 **Kevin Hollinrake:** The current Governor of the Bank of England, Andrew Bailey, said in a speech in 2019, which you are probably aware of, that: "Before the financial crisis, the Financial Services Authority was required...to consider the UK's competitiveness and things did not end well, for anyone, including the FSA." Aren't we running the same risk again?

Marjorie Ngwenya: We would run that risk, I think, to the extent that we would compromise standards. To the extent that prudential standards can be kept at their high level and are not compromised by adopting that secondary objective, then I don't think that we would be putting ourselves in the same place that we were prior to the financial crisis.



Q37 **Kevin Hollinrake:** Why do you think that? What was different about the requirement to look at competitiveness before? Why won't this new secondary objective mean the same thing?

Marjorie Ngwenya: The setting up of the Prudential Regulation Authority as a separate establishment and the way that it has been run, with the reforms that have taken place since the crisis, mean that it is very clear what the primary objectives are and that they will be put first before any others. There is perhaps a hierarchy to be considered in the decisions that the PRC or the PRA will be making.

Q38 **Kevin Hollinrake:** The Government now intend to legislate—in the financial services and markets Bill, I think—to allow them to question regulators' decisions. So, if the regulator is not sufficiently in favour of competitiveness in the view of the Treasury, I guess, it could ask the regulator to think again. Is there not a chance here that we will, one way or another, put competitiveness before stability?

Marjorie Ngwenya: Thinking of the remit of the PRC and the PRA, it would be remiss to put competitiveness before safety and soundness—as far as the PRA is concerned. I can understand the desire of Government to want to put that as a priority. I think there is a dialogue to be had about what that means in practice and how the two are traded off, coming to an understanding of how the mechanisms that are being proposed might work without undermining the operational independence of the PRA.

Q39 **Kevin Hollinrake:** Are you not worried at all about a weakening of standards and a race to the bottom?

Marjorie Ngwenya: At this point I am not worried, because I would be speculating on what the Bill contains. However, the way that I would see it is that, as the PRA deliberates and does its work, it would put safety and soundness first, and it would not compromise that for the sake of weakening standards to get a different outcome.

Q40 **Kevin Hollinrake:** With respect, is it not your job to be worried about those kinds of things? Should a regulator not be worried that political influence always has—or can have—an impact on different parts of our economy and different sectors? Is it not the PRA and the PRC's responsibility to be concerned and to guard against undue influence?

Marjorie Ngwenya: Absolutely. What I was trying to say was that I have no basis for concern at this point, without seeing what the Bill contains. However, my role on the PRC will be primarily to ensure that decisions are being made in the interest of safety and standards and of policyholder protection, while having those debates around how the other have-regards are taken into consideration without undermining that.

Q41 **Kevin Hollinrake:** Okay. After the three extra secondary objectives were introduced, the PRA will have a general objective, the insurance objective, three secondary objectives—competition, competitiveness, economic growth—and eight aspects of Government economic policy for which it should "have regard". Is there not a chance that we will end up not seeing the wood for the trees?



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Marjorie Ngwenya: I think that is a possible risk, which comes back to the question I had earlier about whether the PRA is sufficiently organised and resourced to respond to all those different responsibilities, which might well compete. I have not seen this play out in practice, because I have not yet had my first meeting, but I am interested to see how debate and conversations trade off those various aspects, while making sure that the statutory objectives are upheld.

Q42 **Kevin Hollinrake:** Where they do compete, what comes first? How do you disentangle them? How do you stay focused on the right thing? I am sure they will always get tangled up in some form or other.

Marjorie Ngwenya: Primary for me would be safety and soundness, and policyholder protection, for as long as those remain the PRA's statutory objectives.

Q43 **Kevin Hollinrake:** My final question: when you take up this new role, will you be based in the UK, or will you just come to the UK some of the time?

Marjorie Ngwenya: I will be spending a lot of time in the UK, but I will not be based in the UK.

Q44 **Kevin Hollinrake:** You will be based in South Africa—if you don't mind me asking. Is that right?

Marjorie Ngwenya: I am based in South Africa presently, and I am in the process of a relocation to Canada.

Kevin Hollinrake: Canada. Okay, thank you.

Q45 **Harriett Baldwin:** Marjorie, I want to focus on your conflicts of interest, if any, in your appointment. Clearly, you are on the board of an organisation that is in the same sector. I appreciate it is not currently regulated by the PRA, as it is in a different country, but I wondered if you could foresee any circumstances where your current non-executive role could cause a conflict of interest.

Marjorie Ngwenya: Not at this point. I have considered this in some detail and at some length, and I do not see any potential conflicts in that regard at this point. I have a conversation with the Bank's Secretary later this week to talk about the consideration of conflicts in general, and should any conflict arise, or should a potential conflict present itself, I would be taking that up with the Bank's Secretary.

Q46 **Harriett Baldwin:** As I understand it, Tangerine Financial does not operate in the UK, but I believe it was incorporated in the UK last year, is that correct?

Marjorie Ngwenya: That is correct.

Q47 **Harriett Baldwin:** Do you know why it was incorporated in the UK?

Marjorie Ngwenya: The UK is an attractive country for setting up a business, in terms of its governance. It is a neutral headquarters for a



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pan-African financial services business that will be invested in different territories, so it is a good place for a holding company.

Q48 **Harriett Baldwin:** But there are no plans at this point in time, as far as you are aware, to carry out regulated activities in the UK?

Marjorie Ngwenya: No. Solely in Africa.

Q49 **Harriett Baldwin:** You mentioned that you had had a discussion with the Secretary about potential conflicts of interest arising. Can you tell the Committee what was said, in terms of when you would need to state that you had a conflict of interest?

Marjorie Ngwenya: I am going to be having the conversation with the Bank's Secretary later this week, so it has not yet taken place.

Q50 **Harriett Baldwin:** Would you be able to share the conclusions of that in a note with the Committee?

Marjorie Ngwenya: Absolutely.

Q51 **Harriett Baldwin:** That is great, thank you.

I understand that your primary role is executive coaching.

Marjorie Ngwenya: My primary role is my non-executive directorships at this point, with the PRC having high priority, and in fact a greater time requirement than those when I come on board. The executive coaching and consulting are activities that I do flexibly around the capacity that I have.

Q52 **Harriett Baldwin:** Could you anticipate a situation where someone who was retaining your services for executive coaching was someone who was running or involved with a regulated entity for the PRA, and what would you do about it?

Marjorie Ngwenya: In the first instance, I would want to pick that up with the Bank's Secretary later this week around the potential for that arising, and what would need to happen. I would not want to place myself in a situation where I would create conflict, knowingly or unknowingly, with this role.

Q53 **Harriett Baldwin:** It would be helpful to the Committee for you to set out, when you have that meeting, the kinds of things that would cause a conflict, and that you have agreed caused a conflict, so that we can feel comfortable that if, for example, the chief executive of a PRA-regulated entity hired you in your other capacity as a coach, the Committee would be alerted to it.

Marjorie Ngwenya: Absolutely.

Q54 **Harriett Baldwin:** In terms of your time commitments, can you summarise how much you believe your time commitment will be for the PRC work, and how much your time commitment will be for your other tasks?



Marjorie Ngwenya: For the work on the PRC, I have got an estimate of about two days a week, on average. It could be more, it could be less, but that is certainly my understanding. My commercial roles—on the boards for Tangerine Life and Tangerine Financial—both take approximately half a day a week, so a day in total. I have less than half a day a week for the charity roles that I play, and that is usually weekend or evening time as we rely on volunteers who typically have other jobs. As I mentioned, my consulting and coaching work is subordinate in the sense that it is flexible and fits around my standing commitments.

Q55 **Harriett Baldwin:** Currently, as far as you are aware, on your roster of clients for your coaching work, there is no client who runs a regulated entity for the PRC?

Marjorie Ngwenya: That is correct.

Q56 **Harriett Baldwin:** I guess my remaining questions would be on how quickly you would feel you needed to alert the Secretary if something happened—for example, if Tangerine were to be acquired by a regulated entity, if you were to be retained by someone who might be in an executive role in a regulated entity, or if Tangerine decided to carry out regulated activities in the UK. It would be really helpful if you could jointly agree on some wording and share that with the Committee to reassure us that those kinds of conflicts of interest would be drawn to the Committee's attention and dealt with.

Marjorie Ngwenya: Yes, I can certainly do that. I would want to stay in dialogue with the Bank's Secretary around that and alert the Bank as soon as I am aware of any potential conflict of that nature.

Harriett Baldwin: Super. Thank you.

Q57 **Chair:** I have a couple more questions before we conclude. How involved do you think the PRA should be in promoting diversity and inclusion in firms? How do you think that would further its statutory objectives?

Marjorie Ngwenya: I think the PRA plays an important role in signalling the importance of this issue. I am pleased to see the work that it is doing, particularly the discussion paper that was issued around this time last year, which sought views on how to accelerate the pace of meaningful change. There was a survey that was followed up on, and there is a consultation paper that will be due next quarter, I believe. For me, there is a clear link to the safety and soundness objectives, in the sense that diversity helps to bring a mix of views and experience to the table. Together with creating an inclusive culture, that means that views or concerns can be aired and listened to. Through this, there is better decision making, better risk management and less group-think, which, as we know, was problematic in the 2008 crisis. I think diversity and inclusion is important for supporting the culture of organisations and ultimately hearing voices heard that might be flagging risks that could undermine safety and soundness.

Q58 **Chair:** Thank you. One last question. In your written submission, you



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mentioned the Climate Change Committee's warning that the UK's strategy to decarbonise the economy will not deliver net zero emissions in 2050 if the progress continues on its current trajectory and that it needs a wide economic response. You have also talked about the role of the PRA and its work internationally as well. What do you think it needs to do going forward to help make an even bigger contribution to addressing this challenge we face and the need for even speedier action?

Marjorie Ngwenya: I think this is an area where there is a lot of uncertainty as to how climate scenarios could emerge. I believe it was doing leading work on the global stage with the climate biennial exploratory scenarios. It was the first regulator to do something like that. I think there is a role for the PRA to play in educating the industry and consolidating the lessons from the firms it regulates, as well as interactions with its peers. Because this is such a developing area, as much information as possible will be helpful in shaping what best practice looks like.

Chair: Thank you very much. That concludes this session.