



Sub-Committee on Financial Services Regulations

House of Commons, Committee Office, London SW1A 0AA

Tel 020 7219 5769 Email treascom@parliament.uk Website www.parliament.uk/treascom

Sam Woods
Deputy Governor for Prudential Regulation
Prudential Regulation Authority
via email

10 August 2022

Dear Sam,

The Strong and Simple Framework consultation

On 20 July, the Treasury Committee Sub-Committee on Financial Services Regulations held its inaugural meeting, taking oral evidence on the Prudential Regulation Authority's [Strong and Simple Framework consultation](#). We took evidence from two 'challenger' banks, and representatives from the banking industry and the building society sector.

During the session, witnesses raised the following concerns:

- The lack of clarity on what the PRA's overall strategy would be when developing the Strong and Simple Framework meant that firms did not know whether the Simplifier-firm regime thresholds were appropriate.
- The £15 billion balance sheet cap on the Simplifier-firm regime should be—at least—brought into line with the minimum requirement for own funds and eligible liabilities (MREL) £25 billion balance sheet threshold, to prevent additional complexity.
- By setting upper limit thresholds within the Strong and Simple Framework, cliff-edges are being created, and it is not yet clear how firms would transition between layers within the framework.
- The requirement for 85% of a firm's obligors to be based in the UK in order for a firm to qualify for the Simplifier-firm regime may lead to existing customers who live abroad being de-banked by their lender, or prospective customers living abroad having fewer lenders from which to secure a mortgage or loan.

Please can you set out your views on these concerns.

In line with the Committee's usual practice, I will be placing this letter and your response in the public domain. I would be grateful for a reply by 2 September 2022.

With best wishes,

Rt Hon. Mel Stride MP
Chair of the Treasury Committee