

Bank of England PRA

Harriett Baldwin
House of Commons
London
SW1A 0AA

Sam Woods
Deputy Governor, Prudential Regulation
CEO, Prudential Regulation Authority
sam.woods@bankofengland.co.uk

Dear Harriett,

18 May 2023

Thank you for your letter of 4 May with your question about changes in our approach to PRA Consultation Papers 4/23 and 5/23.

I can confirm that our approach has not changed. The consultation periods for these papers will end on 30 May, as planned. We will then consider the responses received¹ before bringing recommendations back to the Prudential Regulation Committee (PRC) for policy decisions about the design of the final rules.

Of course, in doing this, we will consider recent events in the banking sector, including the collapse of SVB UK and events involving other US banks, although our analysis suggests SVB UK itself would not have been in scope of Strong and Simple.² We have always been clear that the PRA's Strong and Simple initiative seeks to maintain the resilience of small, domestic banks and building societies in the UK, while using simpler prudential regulation.³ Recent events underline the importance of ensuring that simplifying prudential regulation is not associated with a weakening of resilience standards. These events may provide further insights into how prudential regulation

¹ For more on the PRA's approach to considering consultation responses, see paragraphs 5.49-5.50 in PRA Discussion Paper 4/22, 'The Prudential Regulation Authority's approach to policy'.

² See the Governor's letter to the Treasury Committee on 22 March 2023.

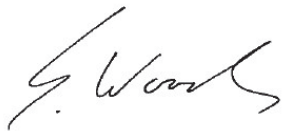
³ See paragraph 1.1 in PRA Discussion Paper 1/21, 'A strong and simple prudential framework for non-systemic banks and building societies'.



can be designed to combine strength with simplicity and the Committee can be assured that any such insights will be taken into account as we develop the policy.

When we have finalised these policies, I would be very happy to write to the Sub-Committee on Financial Services Regulations with the policy statements that will explain how we considered the consultation responses and any lessons learnt from recent events. I and the team here are also ready to engage with you further in the meantime if that would be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Woods', written in a cursive style.

Sam Woods

Deputy Governor and CEO, Prudential Regulation Authority