

Bank of England PRA

Harriett Baldwin MP

Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

Antony Jenkins CBE

PRC External Member,
Prudential Regulation Authority

4 March 2024

Dear Harriett,

Thank you for your letter dated 26th February regarding my reappointment to the Prudential Regulation Committee. I have noted my answers to the additional questions below.

A. I have noted the publication of the Bank's Register of Interests and your interests as noted in that document. Please can you confirm that that is an up-to-date description of your current interests?

- Given the interests and other commitments you have declared, and that recusals are being used as a mitigation strategy, can you provide us with an estimate of how much of the Prudential Regulation Committee's work you are unable to contribute towards?*

I can confirm that the Bank's Register of Interests is an up-to-date description of my current interests.

10x Banking is involved in provision of cloud native core banking services to large and medium sized banks globally. We currently operate in a number of countries including the UK, Australia and South Africa. Although we have opportunity in the UK, the vast majority of our work is outside the UK, and presently 10x only serves one Bank/PRA-regulated firm.



As a consequence, I am required to recuse myself in appropriate circumstances, for example on the topic of cloud computing; I would also be recused from certain firm-specific issues where 10x serves, or is in active discussions with, Bank/PRA-regulated firms.

To give you a sense of what this means in practice, over the course of 2023, I was recused from all or part of just under 10% of the PRC's discussions. In other cases, I have received redacted copies of papers where necessary to ensure I am still able to contribute to the Committee's work.

- *Given the other commitments you have declared to us, please can you describe to us the time required of you to work on the Prudential Regulation Committee, and how you have managed that in relation to your other commitments?*

Upon my initial appointment, I committed to reduce my other interests which I have done. This allows me to devote a significant amount proportion of my time to the PRA.

The PRC is a considerable time commitment, anchored around approximately 20 meetings a year each of which is approximately 3 to 4 hours long. Significant preparation is required for these meetings including reading extensive briefing papers which can range from 4-600 pages for each meeting as well as in person meetings with departments within the PRA as required.

I have a high degree of control over the scheduling of my other commitments and prioritise the work of the PRA for diary management.

B. You state in your questionnaire that "I believe that having made considerable progress on re-regulation post the GFC which has been further advanced by the implementation of Basel 3.1, there remains work to do around return on equity."

- *How far has Basel 3.1 been implemented? What work would you like to see on the return on equity?*

We are currently in the final stages of the policy making on Basel 3.1, having published the consultation paper¹ and the first policy statement², and the TSC spent time on important aspects of this package at a recent hearing with PRA witnesses.

There will then be a period of implementation which will likely take several years.

The question of return on equity is primarily one for the boards of banks as stewards of the investment made by shareholders.

This requires the optimisation of capital allocation versus the return that any particular activity can generate. This return itself is a product of the revenue generated versus the cost to deliver that revenue.

From a safety and soundness perspective, return on equity is important because it influences firms' ability to raise capital. Of course, we should also be cautious if firms

¹ CP 16/22 – Implementation of the Basel 3.1 Standards

² PS 17/23 – Implementation of the Basel 3.1 standards near-final part 1

are making excessive returns as this might indicate excessive risk versus capital allocated.

The work I would like to see is that PRA regulated firms ensure that their return on equity exceeds the cost of capital over time. The PRA and PRC must ensure that this activity has sufficient focus within the firms.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Antony Jenkins', with a horizontal line drawn underneath the name.

Antony Jenkins
PRC External Member