

Treasury Committee Pre-Appointment Hearing

Deputy Governor for Prudential Regulation and Chief Executive of the Prudential Regulation Authority

Katharine Braddick — Questionnaire Responses
2 April 2026

Background and Experience

Q1. Do you have any business or financial connections, or other commitments, that potentially give rise to a conflict or perceived conflict of interest in carrying out your duties?

I declared my relevant interests to HM Treasury and the Bank of England as part of the appointment process.

I am in the process of divesting from all shareholdings in Barclays Plc, all of which arose from my prior employment, and this process will be complete well in advance of the commencement of my appointment. The Chair of the Court has written to the committee¹ setting out the arrangements reached between the Bank of England and Barclays in order to close out all financial and contractual obligations arising from my employment. The letter also sets out the time-limited recusal in relation to supervisory or enforcement decisions in relation to Barclays Plc in light of my recent employment. My responsibilities as Deputy Governor for Prudential Regulation with respect to Barclays will be delegated for that period of time to the relevant Executive Director, who will escalate any individual matter if required to the Governor.

As a result of the final payment of salary and share divestment from Barclays, I have temporary high cash balances with the Cooperative Bank which I intend to resolve ahead of taking up my appointment on 1 July 2026 and I will update this declaration when those matters are settled, alongside making the required disclosures to the Bank of England.

I have three current accounts, two in my own name and one jointly held with my spouse. I also have a cash ISA and a stocks and shares ISA, a general investment account and a savings accounts. I have property and contents insurance. I am trustee of an investment fund in the name of my parents and another in the name of my god daughter.

None of my close family work in financial services. My husband is a tax accountant. My daughter's god father is a contractor working on HSBC's recovery and resolution plan and, as a contractor, he serves as a technical advisor with no executive decision-making authority within the firm. Having discussed the relationship with the Bank's Secretary, it was agreed that a declaration of this relationship was sufficient (noting I am of course also bound by the usual obligations of professional secrecy).

By the time of my appointment I will have resigned my role as a non-executive director at the Department of Business and Trade. I intend to retain my roles as Chair of the Lord Mayor's Appeal Advisory Board, a charity. I will also remain a member of the investment sub-committee of the British Museum Board of Trustees. In relation to the latter my role is focused on strategy and oversight, with decision making regarding individual investments

¹ [Correspondence from the Bank of England, relating to the appointment of Katharine Braddick as DGPR and deferred compensation, dated 27 February 2026](#)

delegated to fund managers. On the advice of the Secretary of the Bank, I have however agreed to recuse myself from any discussions relating to which institutions the Museum might place its cash reserves with, given the possibility that would involve discussing firms regulated by the PRA.

Q2. Do you intend to serve out the full term for which you have been appointed?

Yes.

Q3. Please explain how your experience to date has equipped you to fulfil your responsibilities as Deputy Governor for Prudential Regulation and Chief Executive of the Prudential Regulation Authority. Are there any particular areas in which you are lacking experience?

My experience as a regulator, finance ministry official and now at a senior level in banking have all contributed to my understanding of the financial markets and wider system. At the FSA I worked in retail policy making and supervision as general insurance and mortgages were brought into the regime and went on from there to build my understanding of prudential policy making at the PRA as we reformed the banking and insurance regime in the wake of the Global Financial Crisis. At HMT I was responsible for policy across all sectors of UK financial services, retail and wholesale, as well as international trade, considering not only the risks posed to the system but the means by which the industry's competitiveness could be sustained, including through exit from the European Union and thereafter. In my role at Barclays I have been much more directly engaged with the operation of retail and wholesale banking in the UK, US and major Asia Pacific markets, and the connection between those operations and public policy and regulation. In this and previous roles I have been involved with policy making at the domestic level and also with policy makers in key third party jurisdictions – US, EU and the major European Member States, Singapore, Hong Kong and China. In my most recent role I led management of the regulatory relationship with the Federal Reserve, ECB, MAS and HKMA as well as UK regulators and so have direct experience of the supervisory approaches and banking regimes of all the major regulators. I have also participated in G20 policy making as one of the UK members of the Financial Stability Board, alongside the Bank of England and FCA.

I have been a senior leader of teams for nearly twenty years and have created and led teams through organisational change, crisis and creation. My career has provided me the opportunity to experience very different working cultures as well as distinct demands, so that I have a wide variety of approaches and styles to draw on in order to build and motivate teams in a fashion that works usefully with the prevailing organisational culture.

My recent experience is more concentrated in banking than insurance, and I would want to refresh my familiarity with current policy and supervisory issues related to the insurance industry as an early priority when I take up this role.

The PRA, PRC and Financial Policy Committee

Q4. What will be your main priorities as Deputy Governor for Prudential Regulation and Chief Executive of the PRA? By what criteria should your record be assessed?

The PRA's primary statutory objectives are the organising principles for this role. The financial system always faces a range of risks but the current environment presents increasing level of dynamic interconnecting risks arising from operational resilience, geo political dynamics, valuation risks, vulnerabilities in market based finance and climate

transition. Maintaining the resilience of regulated firms against those risks is the first obligation.

Alongside that pre-existing set of objectives, there are two areas on which I intend to focus during my term.

- Work to give effect to the PRA's secondary competitiveness and growth objective must continue and deepen. The financial services sector performs important economic functions - the allocation of capital to productive uses, the transfer and pricing of risk, the transformation of short-term savings into long-term investment, the provision of the payment infrastructure and market activities that support the operation of the currency. A deep, well-functioning international financial sector is also a component of the UK's sovereign resilience, contributing capacity to fund public expenditure, support defence and infrastructure investment and support the UK's trade and security relationships.

Regulation affects not just the cost and availability of these services within the UK, but the capacity to attract the investment and talent needed to deliver them competitively in the UK and internationally. The purpose of regulation is not only to prevent negative externalities but to ensure markets deliver effectively for the economy and society; it should also support the sector's ability to grow and compete, in particular where it provides clarity and rigor for the delivery of new and evolving activities.

The PRA provides the framework through which these impacts can be understood and debated, and by which it can be held accountable for the effect of its activity on competitiveness and growth. This work, in cooperation with the FPC, is already underway and will be a high priority for me in this role; I expect this will be an important component of the PRA's wider accountability and credibility for the period of my term. This is a challenging task, one that is being addressed by all the leading financial regulators in the world and it relates not only to policy and rule making but the approach to supervision. My ambition is that the PRA is recognised as an international leader in this regard, seen as succeeding both in supporting the continuing resilience of the sector and in making a demonstrable and appropriate contribution to the ability of the sector to deliver for the UK economy.

- Technological innovation is a significant opportunity for the PRA, offering new means to identify, communicate and supervise risk. As in other businesses and services, the PRA must also ensure it is using technology to improve its resource efficiency as far as possible. This technological uplift parallels the development of the sector we regulate and is essential to keep pace with it; as is the case elsewhere, ensuring effective human oversight of technology will be essential to ensure effectiveness and accountability.

The execution of this change must bring together consideration of the PRA's own operational effectiveness with the change in policy and supervision required by the new and changing risk picture arising from innovation in the sector and economy more broadly and heightened risks arising from the security environment.

The terms by which I will judge my time in the role are:

- whether the PRA has developed and published a credible methodology for execution of the secondary objective and is seen to be accountable for its execution, in other words whether it has acted proportionately and effectively to its output

- success in management of any UK-regulated firm failure in a way that maintains the strength of and confidence in the wider system and protects policyholders. This will always be a core element of the assessment of any tenure in this role
- whether the organisation keeps pace with the structural and technological changes affecting the firms it supervises, using technology to improve risk identification, communication and management and the efficiency of delivery
- that the UK is seen by investors and international markets as a well supervised, reliable and fair jurisdiction in which to do business
- the quality of my own and the PRA's engagement with industry and Parliament.

Q5. What is your overall assessment of the track records of the PRA and the Prudential Regulation Committee (PRC) to date? What are the areas of most success and where is there still the most work to be done?

The PRA was established to address real and serious failures in the pre-crisis supervisory architecture, and it has decisively achieved those objectives. UK banks have significantly strengthened their capital and liquidity positions, resolution planning has improved materially, and the Bank of England's stress testing framework - developed with the PRA's involvement - has become an internationally respected model. It is this success that meant the UK's system has proved resilient to a series of shocks, including but not confined to the Covid 19 shock of March 2020 and the failure of Credit Suisse.

Although the PRC's operation has been, necessarily, less visible to me outside the institution, my impression is that it has supported and enabled this success, providing effective governance of the PRA's decisions by bringing together the expertise of internal executives with independent members who bring senior experience in connected fields, broadening perspective and providing useful challenge.

As noted above, the priority now is to build out the philosophy and framework for execution against the secondary objective, which is necessarily less developed as it was legislated only fairly recently, while maintaining the progress made in building the resilience of the system.

Q6. What is your assessment of the PRA's approach to implementing its secondary competition and competitiveness objectives, and its response to the Government's calls for a greater focus on growth?

As noted above, the secondary objective took effect only relatively recently and good progress has been made in building out the approach to its delivery. Indeed, the work to devise the Strong and Simple regime for smaller banks predates the secondary competitiveness objective, indicating that the mindset required to deliver against the secondary objective builds on pre-existing approaches and thinking in the PRA. The work done alongside the FPC and published in the December FSR demonstrated a serious and thorough going attempt to create a baseline for understanding the competitiveness of the UK regime alongside other jurisdictions and the industry engagement to develop this work in recent months has been, in my experience, open and constructive. These are valuable and important foundations for the work to come.

The PRA has also demonstrated progress on firm authorisations, an important area of delivery for innovation in the industry, the new mobilisation regime for insurers, and the New Insurer Start-up Unit all representing meaningful steps toward a more accessible market entry process. The concierge service for international investors and the accelerated ISPV approval pathway are useful innovations that will further support not only the process for

market entrants but give a clear signal of the regulators' preparedness to engage constructively in support of that.

The need for the PRA to be accountable for, and to support understanding of, the relationship between its regime and the economic contribution of the financial services sector to the UK economy will not diminish and so the task in this respect seems to me to parallel the very substantial and world-leading work the PRA undertook in the wake of the financial crisis to build the framework for financial stability.

It will be an early priority for me to engage on the development of the next iteration of the PRA strategy, drawing on feedback from the industry and work that I know is already underway in the PRA, and building on the FPC and PRA work in respect of capital requirements on which the FPC will provide an update in its July FSR. My intention is that the strategy will set out the PRA's approach to building out the methodology for delivery of the secondary objective, alongside programmes of work on technological uplift inside the PRA and the external risk landscape. This work will of course be informed by the government's legislation, when it is forthcoming, requiring the regulators to set out their long term strategies, as discussed in the HM Treasury consultation of 2025 following the Chancellor's Mansion House speech.

Q7. What is your assessment of the track record of the Financial Policy Committee and its relationship with the PRA and PRC?

The FPC has successfully filled a gap in responsibility for monitoring system wide risk that was exposed in the financial crisis. Its work on the countercyclical capital buffer, system-wide stress testing, and housing market interventions through loan-to-value and loan-to-income limits has been both rigorous and carefully considered.

From outside the institution it seems to me that the structural relationship between the FPC, PRC and PRA is well-designed and supports decision making that is both joined up and strategic.

Both PRA and FPC now face systemic risks that do not fit neatly into the traditional model — including the systemic implications of AI, cloud concentration, and the growing scale of non-bank financial intermediation. I expect to continue to work constructively with the FPC on those questions, as my predecessor has done.

Q8. Are you content with how the PRA, PRC and FPC explain their decisions, and the public's understanding of their respective roles?

The institutional architecture is somewhat complex; the MPC, FPC, PRC and PRA each have distinct mandates and decision-making processes that interconnect in ways which require some explanation. There is therefore a continuing obligation for the authorities to ensure that those who hold them to account are well informed about their responsibilities, priorities and ways of working so that they can be held accountable in a way that upholds confidence in the financial system. In its work to sight journalists on FSR publications and indeed in the publication of its meetings records, it is clear the FPC's intent is to ensure transparency of its deliberations and risk analysis.

The PRA's roles and powers are conferred by Parliament and their legitimacy relies, among other things, on the extent to which the PRA is seen to be playing its role in addressing the issues most important to the government's agenda. I am keen for the PRA to lend its capability, where it can and its mandate permits, to the government's public policy objectives; I see this as a component of ensuring there is public confidence in the role and relevance of the organisation.

A central part of my role will be to represent the PRA publicly, including to this Committee, to industry and internationally. The requirement is not only to explain and be challenged on the PRA's work but to seek out different perspectives and approaches to deepen and strengthen the organisation's insight.

Regulatory and Policy Issues

Q9. How might the war in Iran affect UK financial stability and the safety and soundness of firms regulated by the PRA?

Direct exposures of most UK-regulated firms to Iran are limited by the longstanding sanctions regime, but the conflict creates several indirect transmission channels, which may themselves interact. UK firms with material Middle Eastern sovereign or equity exposures, or with regional operations, are more directly affected.

The most significant near-term effect is the negative supply shock to the global economy and in particular energy price and government bond yield volatility. This feeds through to the banking system via monetary policy effects, increased credit risk and the effect of challenges to pricing. More broadly, risk-off moves in global markets triggered by escalation in the region have knock-on effects for asset valuations, collateral values and funding conditions. Overall the likelihood that multiple vulnerabilities interact and/or crystallise together has increased, with amplified and more complex effects for financial stability. The scale and nature of these impacts depend on the duration and effects of the conflict itself.

There are also direct effects for the London insurance market given its pre eminence in marine risk, and arising from simultaneous stress across marine, political violence, trade credit and political risk.

Cyber and operational resilience is a further consideration. Heightened state-sponsored cyber activity in connection with the conflict could affect UK financial infrastructure.

Finally, there are compliance implications around sanctions. Firms with complex correspondent banking or trade finance networks need to ensure screening processes keep pace with evolving designations and secondary sanctions risk. This is a matter for FCA and OFSI, of course, but coordination with PRA is a component of the UK's approach in this respect.

Q10. Beyond the war in Iran, what do you view as the main risks both to UK financial stability and the safety and soundness of firms regulated by the PRA?

I would identify five areas of particular concern, noting that they could all interact with the risks and vulnerabilities identified under Q9 above.

- Macro-financial risks from geopolitical fragmentation and sovereign debt pressures. Unpredictable exogenous events have generated a series of stress events in markets in recent years and months and this continues. The UK's position as an open economy with a large financial sector makes it particularly exposed to these dynamics.
- Vulnerabilities in market-based finance. As reflected in recent FSRs, opacity, interconnectedness and potential weaknesses in underwriting, alongside the scale of leverage, make this an area of significant potential vulnerability affecting banks and insurers, with correlation to other areas of risk listed here and multiple potential means of transmission into the regulated system.

- AI-related asset valuation risk. A correction in AI asset valuations could generate credit losses with broader financial stability implications; there has also been some worsening in investor sentiment towards companies whose business models could be negatively affected by AI. This is distinct from the operational and model risk dimensions of AI adoption, which I address in response to Question 13.
- Operational resilience, including cyber threats and concentration risk in critical third-party providers. These risks, which potentially interact, are exacerbated both by the pace of technological change in execution across the sector and by the security context. The PRA's critical third-party oversight regime, provided for in the Financial Services and Markets Act 2023, is an important strengthening of the framework.

Looking ahead, innovation in digital assets and payments will bring significant change to the operation of markets, with new risk effects for the financial system, and I expect to work closely with the Deputy Governor for Financial Stability and with the FCA to ensure the PRA's risk monitoring and analysis keeps pace with these developments.

Q11. What is your assessment of the competitiveness and growth performance of the UK's financial services sector?

London remains a leading centre for foreign exchange, over-the-counter derivatives and international banking, and the sector makes a substantial contribution to the UK economy.

There are, however, genuine and continuing competitive pressures. A number of firms have relocated activities or legal entities to other European centres following Brexit, particularly where EU market access requires it. More broadly, the UK faces strong competition from the US and Asia-Pacific jurisdictions that are investing in financial sector capacity as a component of economic and strategic policy. Competitiveness in financial services is also not only, or always, a matter of regulatory cost but the ability to attract and retain the investment and talent needed to maintain a resilient and innovative domestic sector and an internationally attractive financial centre. That depends on whether regulation is seen as coherent, proportionate and predictable, as well as on the broader economic and policy environment.

Regulatory calibration is one factor among many that affects competitiveness and its effects in particular sub sectors or business models can be idiosyncratic. This creates a tension between achieving competitiveness and ensuring a level playing field domestically and with other jurisdictions that the PRA has always had to balance. This is not only a matter of concrete policy decisions but of the way the regulatory approach is understood and perceived, not least overseas. The connection between the specifics of the PRA's activity and what is often termed the 'narrative' needs to be actively monitored and managed by the PRA; it is one of the ways in which its regime has an impact for stability, growth and competitiveness.

Q12. To what extent is culture in financial firms relevant to the objectives of the PRA?

The PRA's focus is safety and soundness rather than retail conduct, which is primarily the FCA's territory under the SMCR. But a culture in which internal challenge is discouraged, risk-taking is systematically underpriced, or short-term incentives consistently outweigh long-term risk management considerations is directly relevant to whether a firm is likely to remain safe and sound over time.

The financial crisis, the LIBOR and FX manipulation cases, and more recent control failures at significant institutions all had cultural dimensions: incentive structures, governance weaknesses and norms that affected whether risk was accurately identified and properly managed. Those failures were material to safety and soundness, not only to conduct in the narrower sense.

From my own experience I know that the PRA's supervisory assessments consider senior management effectiveness, board functioning and the quality of internal challenge in a serious and ongoing way and this should continue.

I place significant weight on culture in my own leadership. Fostering an environment in which challenge and dissenting analysis reach decision-makers is important to the quality of outcomes. I would try to reflect that in the PRA's supervisory expectations and in its own internal culture.

Q13. What is your assessment of the impacts of technological innovation, including in artificial intelligence, on financial stability and the safety and soundness of firms the PRA regulates, and how these are balanced against the opportunities for growth and competitiveness?

Technological innovation, including but not confined to AI, is generating both significant opportunities and new categories of risk for financial firms.

AI can improve risk management, compliance and fraud detection within firms, potentially reducing the cost of financial services and improving their quality, particularly where it replaces reliance on manual process. It also has potential to improve the quality and efficiency of supervision itself, including through better analysis of the data firms submit to the PRA that then support the ongoing work of supervisors. AI can also enable UK firms to offer improved client service in respect of accuracy, cost and speed, particularly in wholesale markets. The issue of improved service for retail customers arising from AI is for the FCA but, insofar as it improves firms' understanding and management of their risk and customers, and supports their business model execution, it could benefit resilience.

AI introduces new forms of model risk. Where large language models or machine learning systems are deployed in credit underwriting, fraud detection or trading, failures can be opaque, potentially correlated across firms using the same third-party models, and difficult to test using conventional stress-testing approaches. The concentration of AI infrastructure in a small number of hyperscale providers also creates systemic risk considerations analogous to broader cloud dependency.

I do not yet have insight into the PRA's approach to these risks but I anticipate that it is developing its own analytical capabilities to assess these use risks and test firms' internal risk management and controls, in concert with the FCA and FPC.

The Bank's established thought leadership role in the international standard setting framework also supports its ability to develop common approaches that reduce the risk of competitive distortion from divergent national frameworks and ensures the UK moves at the vanguard in addressing this area of risk.

There is clearly an opportunity here for regulation to play an enabling role in the development of the UK's competitive strengths in this area and I would expect to work with the FPC, FCA and HM Treasury to play a role in an ambitious UK agenda to achieve international success in this field.

Q14. What is your assessment of the risks to financial services arising from climate change and what the PRA is doing to ameliorate those risks? What role can and/or should the PRC and PRA play in promoting the transition to net zero carbon emissions?

Climate change creates two distinct financial risk categories for regulated firms: physical risk from the direct impacts of climate change on assets, collateral and operations; and transition risk from the financial consequences of the policy, technology and behavioural changes associated with decarbonisation. Both are relevant to safety and soundness and the PRA

has already done significant work in this area, principally by means of the 2021 Exploratory Scenario and the expectations in SS5/25, which continue to inform supervisory activity.

The PRA does not have a mandate to promote the transition but to ensure that climate-related financial risks are adequately reflected in firms' capital and risk management frameworks, and that disclosure is transparent. Going beyond that mandate would risk undermining the PRA's credibility and creating market distortions. Decisions about which activities should be financed, and on what terms, are for firms, markets and, where appropriate, Government policy, not for the prudential regulator.

International coordination is important to ensure that the development of climate risk frameworks does not create competitive distortions from inconsistent national approaches.

Q15. How should the PRA ensure the operational resilience of the firms it is responsible for?

The PRA's operational resilience framework, developed through SS1/21, is well-designed in its approach and has, insofar as I can see from outside the institution, already improved the general standard of preparation in the industry. Ensuring this trajectory sustains and is embedded will be an ongoing requirement for supervisors.

Within this overall risk category, cyber risk requires sustained focus. The threat environment is worsening, driven by state-sponsored actors, criminal ransomware groups, and the expanding attack surface created by digital transformation and AI adoption. Elevated geopolitical tensions, as noted above, also increase the likelihood of state-sponsored cyberattacks targeting financial infrastructure. CBEST assessments are a valuable supervisory tool and will need to keep pace with the evolution of the threat landscape.

The critical third-party oversight regime provided for in the Financial Services and Markets Act 2023 needs to be implemented effectively and at pace and I know HM Treasury is focusing on this. The PRA, working with the FCA and the Bank, needs to use these new powers purposefully and I am confident that is the intention.