



BANK OF ENGLAND

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Governor

The Rt Hon George Osborne
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HM Treasury
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Senior managers & certification regime: extension to UK branches of foreign banks

Thank you for your letter of 12 June regarding the Treasury's intention to consult on extending the senior managers and certification regime (SM&CR) to UK branches of foreign banks.

It is vital that senior managers of banks should be held individually accountable for their decisions, regardless of the type of institution they work in. The Bank therefore welcomes your proposal to apply the new regime beyond just UK-incorporated banks.

The Prudential Regulation Authority (PRA) already has plans to issue a consultation paper this summer covering proposals for implementing the SM&CR. This consultation will now also include specific proposals relating to UK branches of foreign-owned banks.

You noted the need to ensure that the SM&CR is extended in a proportionate way. As you know, the PRA is legally required to have regard to the proportionality of any burden or restriction that it imposes in the course of discharging its duties. Ensuring that our actions are proportionate is always at the forefront of our minds in shaping our approach to regulation. Our proposals for the SM&CR for UK-incorporated banks will therefore be proportionate and our approach to any extension of the regime will be the same. I envisage that our proposals for extending the senior managers regime will be informed by our general approach to supervising branches which was set out earlier this year, and reflects the different nature of prudential risk posed by a branch compared to a UK-incorporated bank.

As you also recognised, the UK's obligations under EU law put certain constraints on the PRA's ability to apply the SM&CR to branches. The PRA is not able to apply such a regime to branches of banks that are incorporated in EEA member countries, as prudential supervision of such branches remains the responsibility of the home supervisory authority. We will therefore consult only on extending the regime to branches of non-EEA banks operating in the UK.

Bank of England staff will continue to work with Treasury officials on the commencement of the relevant legislation to ensure a smooth transition into the new regime.

Yours sincerely