



**BANK OF ENGLAND**

**Mark Carney**  
Governor

The Rt Hon Sajid Javid  
Chancellor of the Exchequer  
11 Downing Street  
London  
SW1A 2AA

16 December 2019

*Dear Chancellor,*

As Chair of the Prudential Regulation Committee (PRC), I am responding to your letter of 4 November that sets out your recommendations to the Committee.

The PRA's objectives are to promote the safety and soundness of the firms it regulates, contribute to the securing of an appropriate degree of protection for insurance policyholders, and – secondary to both – facilitate effective competition in relevant markets. As you note in your letter, the pursuit of these objectives contributes to financial stability in the UK, which is an essential pre-requisite for strong, sustainable and balanced economic growth.

Over the period since the Government's last remit letter, the PRA has continued to ensure that the UK banking and insurance sectors are well-capitalised and have sufficient liquidity. We have also completed the vast majority of post-crisis reforms. By rolling out the Senior Managers and Certification Regime (SM&CR) to all PRA-regulated firms, we strengthened both individual accountability and collective responsibility among boards. We have completed ring-fencing reforms to protect UK retail banking from the risks that come with wholesale banking activity. We are on track to embed operational resilience within our supervisory framework, and will consult on policy later this year.

In pursuit of our secondary competition objective, we have taken numerous actions to reduce barriers to entry by smoothing the authorisation process and applying proportionality in prudential requirements. Building on the success of the New Banks Start-up Unit, we introduced the New Insurer Start-up Unit. Our attention is shifting to the next set of questions in this area: assessing whether there are any unwarranted regulatory barriers to growth once firms have entered the market. We are currently consulting on proposals that aim to smooth the path of capital requirements for growing credit unions.

Consistent with our statutory duties, the PRC will take into account the Government's economic programme and the recommendations set out in the annex to your letter on matters to which the PRA should have regard when exercising its general functions.

*Yours faithfully,*