Bank of England PRA

The Rt Hon. the Lord Forsyth of Drumlean PC Kt
Chair, Financial Services Regulation Committee
House of Lords
London
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13 August 2025

Dear Lord Forsyth,

I am writing in response to the Financial Services Regulation Committee's (FSRC) report published on 13 June – "Growing pains: clarity and culture change required". I welcome the Committee's report, and appreciated the opportunity to discuss our work to advance the PRA's secondary competitiveness and growth objective (SCGO) at the hearing I attended on 8 January.

The report highlights the important role that regulators can play in supporting the mission of this Government to facilitate competitiveness and growth. I acknowledged this point in my **letter** to the Prime Minister on 15 January, when I highlighted some of the main steps we are taking to support the competitiveness and growth of the UK economy. I also emphasised that we have done so in a way which maintains financial stability, which is a necessary foundation for sustainable economic growth as well as being a pre-requisite for firm safety and soundness, in line with our primary objectives.

The PRA's culture is central to our work in this area, and fully embedding the SCGO into the PRA has therefore been a key priority for me and the rest of the PRA's leadership team since its introduction by Parliament. Our aim in this work is to support responsible risk-taking which in turn underpins innovation and growth.

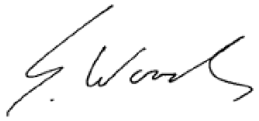
As set out in our latest **SCGO report**, we have undertaken significant changes to achieve this. The Committee's report refers to a 'culture of risk aversion' in the regulators but my own experience is that prudential regulators have to have a very considerable risk appetite in order to take on this line of work. The introduction of our new objective does, however, clearly require a shift in our approach and the changes we have put in place aim to deliver that shift by making sure that all staff understand our approach to the SCGO, and by putting in place internal policies and procedures for policy-making, supervision and authorisation which ensure that competitiveness and growth issues are thoroughly considered at working and senior levels. We are also making important changes to strengthen a culture of operational efficiency and proportionality, as discussed in the Committee's report. I can already see a significant change within the PRA in response to these efforts and am confident that the collective effect of our actions on competitiveness and growth will continue to build through time.

I was pleased to see that the Committee's report recognises progress we have already made in delivering against the SCGO, including for example through initiatives such as the Matching Adjustment (MA) Investment Accelerator and our approach to the implementation of Basel 3.1 and Solvency UK. However, I feel that the report underplays the full significance and impact of the changes we have introduced or have planned. The report cites around a third of our publicly announced SCGO-related initiatives (at the time of publication) and around half of the past initiatives. It omits, for example, our action to remove the Bonus Cap and our current work on shortening bonus deferral periods, both of which have important implications from a SCGO perspective. On the other side of the coin, some of the criticisms directed at the regulators by industry could perhaps be usefully subjected to further scrutiny. Given this, while I very much agree with the Committee's view that the introduction of the SCGO requires a major change of the regulators, in certain areas I do not share fully the report's characterisation of the UK regulatory regime. Where there are such differences of view I have addressed them in the annex to this letter, which provides our response to the Committee's recommendations to the PRA under seven cross-cutting themes.

Since I gave evidence to the Committee alongside my colleague David Bailey, there have been a significant number of developments which I think will make further material contributions to enhancing competitiveness and growth. In particular, on 15 July, the PRA and Bank announced a package of initiatives, as part of the Government's **Financial Services Growth and Competitiveness Strategy**. These initiatives span our policy, supervisory and authorisation responsibilities, and we expect them to have a meaningful impact on the efficiency and proportionality of the UK's regulatory framework and the experience of firms as they engage with us. The package includes significantly accelerated timelines for new firm authorisations, major changes to reduce the burden of the Senior Managers and Certification Regime without diluting accountability, and enhancements to the approval process for internal ratings based (IRB) models. It also includes the announcement of a new unit to support firms scaling up, which we are launching with the FCA, and a new concierge service for international investors in the UK's financial services sector. Many of these initiatives speak directly to issues raised by the Committee in its report and I was pleased to hear you make this point at the Committee's meeting on 16 July.

I thank the Committee once again for its report and recommendations. We will provide an update on our work in this area to the Committee, as requested, within twelve months.

Yours sincerely



Sam Woods

Deputy Governor and CEO, Prudential Regulation Authority

Annex: The PRA's response to the FSRC's specific recommendations

<u>Theme 1: Proportionality for domestic lenders</u>

<u>Recommendations</u>

- Paragraph 230 - *'The PRA should consider whether it is appropriate to apply the Basel Framework to all UK domestic lenders or whether a more proportionate and tailored approach could be applied to determining capital requirements for lenders who are not internationally active. The committee considers that such an approach would not be inconsistent with the secondary objective which is stated to be "subject to aligning with relevant international standards". This approach will require supervisors to have an appropriate level of experience and expertise to understand individual firms' businesses and be able to exercise judgment when making supervisory decisions. This approach will also require a culture that is not unduly risk-averse, and which allows, with appropriate safeguards and controls, supervisors to make risk-based decisions'.*

- Paragraph 253 – '*Our recommendations in paragraph 230 apply equally here. The PRA should consider whether it is appropriate to continue to apply Basel standards to UK domestic lenders or whether a more proportionate approach could be applied to determining capital requirements.'*

<u>PRA Response</u>

Proportionality is integral to our approach and we agree that a more proportionate and tailored approach to prudential regulation for non-internationally active firms is appropriate. Using the opportunity FSMA 2023 gives for the PRA to use its rulemaking powers, our Strong and Simple regime delivers this for Small Domestic Deposit Takers (SDDTs), whilst maintaining the resilience of these firms.

For the 54 firms who have already elected to be designated as SDDTs, the regime has delivered a material reduction in liquidity and disclosure requirements.[1] Beyond this we have now proposed material simplifications across all aspects of our capital framework including Pillar 1, Pillar 2A, capital buffers, the calculation of regulatory capital, and a tailored reporting regime for capital for these firms.[2]

In CP7/24, the PRA noted that, as it progresses the implementation of the Strong and Simple framework, it will consider whether to apply any of the proposals for SDDTs to other non-internationally active firms, such as domestic mid-tier firms. In 2023, the PRA held roundtables with mid-tier firms to seek feedback and understand their challenges with the prudential regime. Key areas of concern included: uncertainty arising from

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[1] See PS15/23 – **The Strong and Simple Framework: Scope Criteria, Liquidity and Disclosure Requirements**

[2] See CP7/24 – **The Strong and Simple Framework: The simplified capital regime for Small Domestic Deposit Takers (SDDTs)**

Basel 3.1; challenges around gaining approval for the use of internal ratings based (IRB) models; perceived complexity of the PRA's Pillar 2A methodologies; and the minimum requirements for own funds and eligible liabilities (MREL) threshold. Since then, the PRA and the wider Bank have made significant progress in all of these key areas of concern for mid-tiers. For example, our recent discussion paper **(DP 1/25)** explores potential ways to reduce the barriers that these firms face in gaining approval to use internal models for credit risk. Of course, even with the PRA working at pace, it takes time to finalise new rules and for industry to implement them, but we are making progress.

The Bank of England has also recently **announced** that it will raise the total asset threshold for firms potentially subject to a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) above their minimum capital requirements from £15–25 billion to £25–40 billion.[3] The PRA is also consulting on increasing the Resolution Assessment Framework reporting and disclosure threshold from £50 billion to £100 billion in retail deposits.[4] These changes were designed to keep the resolution framework up to date and proportionate. In doing so they also have benefits for growth and competition. They reflect the fact that smaller and mid-tier firms present lower risks to financial stability than do the largest banks and building societies, whilst maintaining size-appropriate resolvability capabilities.

In addition, as announced in the Government's **Financial Services Growth and Competitiveness Strategy**, we are launching a Scale-Up Unit, working with the FCA, to enhance our engagement with fast-growing, innovative regulated firms.[5] This builds on our support for early-stage innovative firms, including through the joint FCA and PRA New Bank and Insurer Start-up Units.[6,7] We will help firms understand regulatory requirements as they scale, providing clear points of contact and timely access to technical support.

Together with changes the PRA has made in other areas (such as the Senior Managers and Certification Regime[8] and remuneration[9]), these initiatives will deliver significant simplifications for banks operating in the UK, while maintaining resilience.

[3] The FSRC's report specifically refers to the previous threshold as disincentivising firm growth (Paragraph 221).

[4] See CP14/25 – **Amendments to Resolution Assessment threshold and Recovery Plans review frequency**

[5] **Financial Services Growth and Competitiveness Strategy**

[6] **New Bank Start-Up Unit**

[7] **New Insurer Start-up Unit**

[8] See CP18/25 – **Review of the Senior Managers and Certification Regime (SM&CR)**

[9] See CP16/24 – **Remuneration reform**

Theme 2: Capital requirements

Recommendations

- Paragraph 231 - *'This is not entirely within the control of the PRA. The Government should work with the Bank of England to review the cumulative impact that the regulatory capital requirements and MREL requirements have on lenders, specifically regarding the cost of lending. This should be done with a view to balancing financial stability and enabling both banks and building societies to lend for productive investment to support growth'.*
- Paragraph 254 - *'We are concerned by evidence which suggested that the UK applies higher risk weightings to lending than competing jurisdictions, such as the EU. The Government should commission the PRA to report on the UK's approach to capital requirements in comparison with competing jurisdictions, as well as to evidence why it considers the current rates to be appropriate'.*

PRA response

We agree it is important to assess whether the overall level of capital supports appropriate lending and economic growth, while also reducing the likelihood and impact of financial crises. Aggregate capital levels have been broadly stable since the end of the phase-in of the post-global financial crisis bank capital framework in 2019, consistent with no significant increases in regulatory requirements since then. While the FPC judges the current level of capital requirements (in the region of 14% of risk-weighted assets) to be broadly appropriate, it has been five years since the FPC's last assessment of the overall level of capital requirements.[10] The FPC has therefore announced work to refresh that assessment and provide an update on this work in the next Financial Stability Report.

The FSRC's report also suggests that the UK applies higher risk weightings to lending than competing jurisdictions, such as the EU (paragraph 254). We do not share this assessment. It is very difficult to compare risk weights across jurisdictions as they should be considered in the context of structural differences and the broader legal framework in each respective jurisdiction. However, our analysis of average risk weights for large firms does not suggest that UK risk weights are higher. For example, our internal analysis indicates that, for large banks, the average risk weight[11] in the UK is 26% compared to 32% in the EU (as at end-2023), whereas risk weights were roughly the same in each jurisdiction ten years ago. Our analysis also indicates that, in aggregate, large banks in the US have higher risk weights than both the EU and UK. It is therefore not obvious to us that UK risk weights are higher than peer jurisdictions, but

[10] **Financial Stability Report December 2019 | Issue No. 46**

[11] Average risk weight is defined as Risk-Weighted Assets / Total assets

we would welcome any analysis on this that the FSRC has available to it, especially given the challenges of comparing risk weights.

Theme 3: Investment

Recommendations

- Paragraph 256 - *'We are concerned by the lack of data on the proportion of total lending made available for productive investment. The Government should work with the Bank of England to research what proportion of total lending is made available for productive investment'*.
- Paragraph 306 - *'Addressing the gap in growth funding will be vital if the UK is to take advantage of its strengths in IP generation for the benefit of economic growth, and resultant job and wealth creation. The Government must set out how the UK's financial services sector can provide more of this financing. The Government, the FCA, and the PRA should engage with industry to identify the key regulatory barriers in this space'*.

PRA Response

We agree that investment should be a key topic for research, and that there is an evidence gap around the impact of regulation on the provision of finance. The **Bank of England Agenda for Research, 2025-2028** sets out key areas on which we intend to conduct further analytical work, including examining the impact of regulations on credit supply and the potential effects of regulation on the cost and availability of financial products available to firms and households. We have already started to conduct this research, building on previous work by the Bank, HM Treasury and FCA-led Productive Finance Working Group. Much of our work in this area to date has focused on SMEs, as they face greater barriers to accessing credit than larger firms but typically account for over half of private sector output growth per year.[12] For example, in 2023 the Bank worked with the Department for Business and Trade to survey around 3,000 small and medium-sized enterprises (SMEs) to identify barriers to accessing finance.[13]

Furthermore, the FPC will continue to build on this by considering barriers to access to external finance for SMEs. This follows the Chancellor's request in the **remit letter** to the FPC to assess and identify areas where there is potential to increase the ability of the financial system to contribute to sustainable economic growth without undermining financial stability. In April 2025, the FPC asked Bank staff to undertake work to meet this request and to update the Committee over the course of the year.[14] Initially, the FPC will consider the supply of long-term capital for investment which supports growth, and what actions might improve the flow or type of finance to high potential SMEs looking to scale up, such as the supply of debt or equity. As part of this work, Bank

[12] Box B, FPC **Financial Stability Report**, July 2025
[13] **Identifying barriers to productive investment and external finance: a survey of UK SMEs**
[14] **Financial Policy Committee Record – April 2025**

staff, in conjunction with HM Treasury, will engage industry to understand further the key barriers to finance, and we intend to publish updates on staff analysis in the coming months.

We have also taken concrete steps to support finance for SMEs and investment, including tailoring the Basel 3.1 standards to the UK financial system, where evidence suggested this was appropriate. In particular, we have tailored the requirements for lending to SME and infrastructure projects to ensure that there is no increase in overall capital requirements for SME and infrastructure exposures.[15] In addition, the PRA is working with HMT to support the innovation and growth of the UK insurance captives market, which includes proposed legislation to enable insurance captives to be established within protected cell companies (PCCs) which can widen access to the benefits of captives by providing a more affordable route for SMEs.[16] We have also provided more flexibility in the Matching Adjustment under Solvency UK for firms to invest in a wide range of opportunities[17]; we are consulting on the Matching Adjustment Investment Accelerator[18] which is designed to enable insurers to take advantage of investment opportunities more quickly; and we are working with the National Wealth Fund to support the crowding in of funds to UK investments.

Theme 4: Compliance costs

Recommendations

- Paragraph 62 - *'The FCA and the PRA should work with their respective CBA Panels to develop a rigorous approach to assessing the cumulative burden of compliance, accounting for monetary and resource demands'.*

- Paragraph 63 - *'To improve regulatory decision-making, we recommend that the FCA and the PRA, in conjunction with their respective CBA Panels, create a joint cost of compliance working group to study how the regulators may develop their understanding of cumulative compliance cost and integrate this into their CBA process'*.

- Paragraph 64 - *'Assessment of the costs and resource demands that regulatory reforms impose on firms should not be limited to the CBA carried out during the consultation period. We recommend that the FCA and the PRA include an assessment of actual costs imposed after the implementation of large-scale regulatory reforms as part of their post-implementation reviews'*.

PRA Response

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[15] See PS9/24 – **Implementation of the Basel 3.1 standards near-final part 2**
[16] **Joint statement by the PRA and FCA on HM Treasury's captive insurance consultation response**
[17] See PS10/24 – **Review of Solvency II: Reform of the Matching Adjustment**
[18] See CP7/25 – **Matching Adjustment Investment Accelerator**

We have a published methodology for assessing potential compliance costs when developing policy.[19] We continue to improve and refine this methodology and gather information and evidence on costs, including with input from the PRA's CBA Panel. When developing new policy, our CBA considers the impacts of both the rules already in place and the rules being proposed. The former enables us to consider the appropriate counterfactual on which to assess the expected incremental effects. Our assessment of compliance costs alongside the expected benefits of prospective new rules informs the calibration of our policies.

We have considered the feasibility, costs, and proportionality of further work to understand and assess the cumulative burden of compliance and discussed this with the PRA's CBA Panel and the FCA. Such an exercise would be complex and resource-intensive, including for firms whom we would rely on to provide data and evidence. We are therefore reflecting as to whether it is appropriate to take further work forward on this. In the meantime, we will continue to focus on providing high quality CBA, including input from the CBA Panel, on new proposals.

As part of reviewing our rules we consider on a case-by-case basis whether to include an assessment of actual costs imposed after the implementation of a reform. We carefully prioritise the rules we choose to review and the cost assessments we do. We seek to balance the value to be gained from these exercises alongside the delivery of our wider statutory obligations and the burden of seeking cost information from firms.

We are reducing administrative costs for business in light of the government's commitment to reduce these costs for businesses by 25% by the end of the Parliament. As part of this we are taking steps to make the key drivers of operational compliance costs as efficient and proportionate as possible, for example through our plans to reform the Senior Manager's Regime[20], including reducing authorisation timelines and to reduce reporting requirements for banks.

Theme 5: Operational effectiveness & authorisations

Recommendations

- Paragraph 92 - *'The FCA and PRA must work to reduce authorisation timelines. This should be accompanied by a renewed cultural focus on consistent improvement of operational efficiency across all levels of the organisation'*.

- Paragraph 93 - *'The Government should review the statutory operating service metrics for the FCA and PRA to ensure they are in line with comparative jurisdictions'*.

- Paragraph 94 - *'There is an apparent discrepancy between the progress that the FCA and PRA report on the efficiency of authorisations and the experience of*

[19] See **The Prudential Regulation Authority's approach to cost benefit analysis**
[20] See CP18/25 – **Review of the Senior Managers and Certification Regime (SM&CR)**

firms going through those processes. The FCA and PRA should collect and publish further data in this regard'.

- Paragraph 106 - *'The potential for regulatory and supervisory technology to automate compliance and improve the regulators' ability to fulfil their functions is compelling. The FCA and the PRA must review their operational processes and rule-making functions to explore how they might make better use of regulatory and supervisory technology'*.
- Paragraph 255 - *'The PRA should examine its process for approving IRB models and seek to make that process quicker and less costly for firms'*.

PRA Response

We agree that driving improvements to our operational effectiveness can support activity in the markets we regulate, and that efficient handling of regulatory processes can reduce operational costs for firms. We therefore announced, including in the Government's **Financial Services Growth and Competitiveness Strategy**, that we will be reducing timelines and streamlining processes for authorisations in a number of areas.

In January, we **reported** that we had improved our handling of authorisations to the point of 100% compliance with our targets. We intend to continue making positive progress on our handling of authorisation processes, and we worked with the Government and FCA on the recent announcement of new, shorter deadlines for decisions on authorisations and approvals. The Government will shorten the statutory deadlines for new firm authorisation decisions, changes of permission, and the appointment of senior managers. Alongside this, we have set out new non-statutory targets in a **letter to the Chancellor** that go beyond the deadlines in legislation where possible. Taken together, these changes will promote substantially quicker determinations of applications for firms in the UK, providing more certainty for firms. This should increase the attractiveness of the UK as a place to do business, supporting growth.

We have also been working with the FCA and the Society of Lloyd's to streamline the process of regulatory approval for Lloyd's managing agents.[21] The new approach will deliver a quicker and clearer process for applicants, which should reduce the timeframe for authorisation. This is part of a wider programme of work between the three organisations to improve effectiveness, efficiency and reduce duplication in oversight of the Lloyd's market, helping to attract insurance businesses to the UK.

The FSRC's report critiques the number of insurance special purpose vehicles (ISPVs) authorised across jurisdictions by comparing the UK to Singapore. However, it is important to recognise key differences in the respective ISPV schemes. For example,

[21] See **Lloyd's managing agent authorisation process to be streamlined to support growth**

Singapore has a grant scheme for insurance linked securities which funds 100% of upfront issuance costs of catastrophe bonds in Singapore, up to S$2 million. A scheme like this is not available within the UK or within the remit of the PRA to provide. The report also cites eighteen ISPVs approved in Singapore compared to five in the UK (paragraph 88) as an example of slow authorisation processes in the UK. However, following changes made by the PRA in 2022, 20 transactions have occurred in the UK (via two vehicles), raising over $2bn. These were conducted on a post-transaction notification basis – so most transactions did not need our approval, a process which we consider to be proportionate in this area. We also consulted on further reforms to the UK regime in November 2024 and implemented the final policy in July 2025.[22,23] This includes a commitment to approve certain UK ISPVs (eg standard catastrophe bonds which meet the relevant criteria) in 10 working days from receipt of a complete application, which is designed to facilitate more transactions.

We recognise and are embracing the potential of using regulatory and supervisory technology to enhance supervision and policymaking. Following a multi-year digital skills programme, we are now embedding RegTech into our supervisory processes, including tools like supervisory dashboards and analytics products powered by the latest technology advancements, including Generative AI. We continue to work with the FCA and others to explore how these technologies can support rule-making and operational efficiency. Our approach to RegTech also helps our front-line staff to have informed engagement with industry about innovations, which we think supports the adoption of technologies such as AI in the financial services sector.

On IRB model approvals, as set out in the Government's **Financial Services Growth and Competitiveness Strategy** we have updated our process for approving IRB models, such as enhancing our pre-application engagement, completing documentation quality checks within four weeks and reviewing complete applications within six months. For first-time applicants, we will provide clear account managers, and we will commit to the target of taking final decisions on well-developed, complete applications requiring minimal remediation within 18 months. These updates will support banks, and in particular mid-sized banks, in scaling up. This is an inherently challenging area due to the technical complexity involved and the high stakes, given that approved models effectively set the capital requirements for firms for relevant parts of their businesses. So we should not expect model approval processes to be light-touch or easy – but we believe that these changes in our approach should reduce some frictions without compromising standards.

[22] See CP15/24 – **Proposed changes to the UK Insurance Special Purpose Vehicles (UK ISPV) regulatory framework**
[23] See PS9/25 – **Changes to the UK ISPV regulatory framework**

Theme 6: Quality of supervision

Recommendations

- Paragraph 130 - *'The FCA and PRA must do more to improve supervisory staff's practical understanding of financial services firms. We recommend that the FCA and PRA explore developing a formal secondment system to both send supervisory staff out to regulated financial services firms, and to bring employees from regulated firms in. We recognise that there are practical issues to consider—regulatory capture must be avoided, and commercial confidentiality must be protected—but appropriate protections could be put in place'*.
- Paragraph 131 - *'The FCA and PRA should review the compensation they offer to staff with a view to introducing appropriate incentives to help to attract talent with a practitioner's background in regulated financial services sectors'*.
- Paragraph 132 - *'The FCA and PRA must review how their supervisory staff are deployed to ensure greater consistency in the staffing of supervisory teams and to address reports of frequent rotation amongst supervisors'*.

PRA Response

High quality supervision is important both for advancing our objectives, and the ability of firms to operative effectively and with confidence. In our **latest firm feedback survey**, over 95% of respondents agreed that the PRA has an appropriate understanding of the sector and firms' business models, over 95% agreed that their firm has access to the right people at the PRA, and over 98% agreed that their firm has an effective relationship with the PRA. There is of course a risk that firms' responses are overly positive, but we take some comfort from these results, while continuing to invest in the skills, experience and knowledge of our supervisory staff on an ongoing basis as outlined further on in this section.

We agree it is important for supervisors to have a practical understanding of financial services firms, and many supervisors have experience working in industry. We already use secondments to other organisations, such as firms, other regulators and central banks, and host secondees from regulated firms, to facilitate knowledge-sharing. We will consider the recommendations on secondments further, noting the potential practical issues involved.

To complement secondments to other organisations, we have an ongoing focus on keeping the expertise, skills and experience of our supervisors up to date. We have relaunched our formal learning framework, developed by subject matter experts, and make use of our most senior advisers – who are usually very experienced industry practitioners – in informal learning opportunities. We are also reassessing our criteria for recruitment to emphasise up-to-date industry experience.

On staff compensation, the PRA's compensation arrangements are set within the Bank's pay framework. We annually review salaries for all roles, including supervisory ones. This ensures that they are benchmarked correctly against the market and peer organisations. The Committee is right in pointing to the challenges the PRA can sometimes face in attracting senior talent from industry given the large difference in pay levels. However, we do not think it would be appropriate for us, as a public sector employer, to attempt to match private sector financial services pay scales in a broad way – instead we need to make sure that our overall employment offer, including the interest of the work and motivation of working in the public interest, is competitive.

On the deployment of supervisors, we currently monitor supervisory 'tenure' and operate a policy of rotating managerial supervisors after a maximum of five years to avoid regulatory capture. We recognise that those at lower grades tend to move more quickly to gain experience and career progression opportunities; this is something that management teams monitor closely.

Theme 7: Growth and performance metrics

Recommendations

- *Paragraph 331 - 'A comprehensive review and revision of the secondary objective metrics is required. This should be commenced as soon as possible after the publication of the regulators' second secondary objective progress reports, due by summer 2025. As part of this review, HM Treasury and the regulators should prioritise introducing more granularity to the metrics, ensuring there is enhanced transparency around the operational effectiveness of the regulators which better reflects the experience of firms of all sizes'.*

- Paragraph 333 - *'HM Treasury should undertake dedicated research, in collaboration with the FCA and PRA, on how the UK regulators' performance can be effectively measured against their international counterparts. Failing to do so will leave a significant gap in our understanding of how the international competitiveness element of the secondary objective is being advanced'*.

PRA Response

One of the key messages we took from the Committee's report is that the link between financial services regulation and growth in the wider economy is not yet fully understood. We agree, would welcome further research and have various initiatives underway to facilitate this happening. As the research becomes clearer, we will be able to refine the focus of our activities onto those things that most effectively drive growth and competitiveness in the wider economy.

Our existing metrics are based on the available research into the drivers of growth. From this, we have developed a range of qualitative and quantitative metrics regarding factors which influence growth which are within the PRA's control. We have agreed these through detailed and thorough discussions with HM Treasury, also incorporating the feedback received from stakeholders through **HM Treasury's Call for Proposals** during the passage of the Financial Services and Markets Bill in 2023. These include the speed of authorisation, efficiency of data requests, our alignment with international standards, and firm feedback. A **report** published by TheCityUK in April 2024 found that the PRA's metrics "provide world-leading transparency and accountability". We plan to keep our metrics under review, and to keep pace with good practice.

On international comparisons, the TheCityUK report also highlighted "practical and conceptual limitations of directly comparing regulators' operational outputs across jurisdictions". This was also acknowledged by HM Treasury in its response to its **Call for Proposals** on metrics in 2023: "Direct comparison with international counterparts is currently difficult, as other jurisdictions may not publish related data or published data may not be directly comparable."

We consider the approach taken in other jurisdictions on a case-by-case basis when we develop and update our policies. We prioritise comparisons with jurisdictions that are comparable and that host global financial centres, as this ensures we maintain strong and consistently implemented international standards. However, we also consider the context of the issue, and the relevant geographic market(s) expected to be affected. This means that jurisdictions with smaller financial centres are relevant in some circumstances.

To fill research gaps in the literature on competitiveness and growth-related topics – which underpins our metrics – we have launched several initiatives to stimulate research. As set out under Theme 2 above, growth and competitiveness have been made priority topics in the **Bank of England Agenda for Research, 2025-2028** and the Bank has ringfenced resources for projects related to the intersection between regulation and competitiveness and growth. For example, we are undertaking research to better understand how regulatory complexity (a key component of the cost of regulation) in the UK compares with other jurisdictions.

We have also developed a 'research incubator' for a network of academics interested in competitiveness and growth. This has been developed by an externally recruited specialist senior advisor who is dedicated to supporting work on our secondary objectives. The first research incubator event will be held in October in conjunction with the London School of Economics Growth Co-Lab and Economics Conservatory. It will engage leading academics and experts in the field of competitiveness and growth, encouraging discussion with PRA economists on conceptual themes related to the SCGO, and provide opportunities for collaborative research, to answer questions such as how prudential regulation affects finance to the real economy, and how provision of finance in turn drives growth. Although research delivers insights gradually and not necessarily in a linear fashion, we hope that in time this work will contribute to filling the evidence gap highlighted in the Committee's report.

In the meantime, we welcome the eight key metrics introduced in the Government's **Financial Services Growth and Competitiveness Strategy**, that will measure the success of work to increase growth and competitiveness in the sector across industry, the government and regulators.