Bank of England PRA

The Lord Pitt-Watson
Parliamentary Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Katharine Braddick CB
Deputy Governor, Prudential Regulation
CEO, Prudential Regulation Authority

3 September 2026

Dear Lord Pitt-Watson,

Financial Services and Markets Bill 2026: PRA accountability, scrutiny and proportionality

I am writing to you in your role as HM Treasury's Parliamentary Secretary about the Financial Services and Markets Bill entering Report stage. Nikhil Rathi is also writing separately on behalf of the Financial Conduct Authority.

My team has worked closely with HM Treasury colleagues as they developed the Bill, and the PRA and the Bank support the Bill's aims of ensuring that we can discharge our responsibilities efficiently and proportionately, while remaining subject to effective accountability and scrutiny.

Members of the House of Lords have raised concerns regarding regulators' accountability and proportionality of regulation in relation to some of the proposals in the Bill. This letter sets out our approach to accountability and actions the PRA will take in recognition of the concerns members have raised.

Accountability is critical to the FSMA model of regulation

Accountability is crucial for the democratic legitimacy of the regulatory regime. It is also fundamental to supporting widespread understanding of the regime, which is necessary for confidence.

Parliament holds us to account for achieving our statutory objectives of safety and soundness, policyholder protection, competition, and international competitiveness and growth. Supporting effective parliamentary scrutiny is therefore a priority for the PRA, and we remain committed to providing the information or other assistance needed to help Parliament fulfil this role. We recognise that aspects of the regime and its implementation are highly technical and that this requires us to be particularly attentive to providing clear explanations of our work and the intentions that inform our decision making.

The role of the PRA's proposed long-term strategy in facilitating accountability

The Bill proposes that the PRA produces a long-term strategy at least once every five years. This strategy, which will replace our annual business plan, will set out the multi-year strategic programme that supports delivery of our objectives. This approach will enable scrutiny not only of individual decisions and initiatives but of the aggregate coherence and effect of those decisions over the longer term, including how we have considered our 'have regards'.

We therefore support this proposal on the basis that it will provide stakeholders including Parliament with a clearer, longer horizon view of our priorities, and provide context to the PRA's wider range of policy and other publications. We are considering how we will develop the strategy and its key metrics, involve our main stakeholders (including Parliament) in its development, how we will report on its delivery, and how we will ensure the strategy is regularly reviewed and remains fit for purpose over time.

As we develop and implement the strategy, existing channels of engagement with Parliament and other stakeholders will naturally provide opportunities to discuss major themes, priorities and emerging issues, helping ensure the strategy remains relevant and effective over time. As required under legislation, we will continue to publish our Annual Report, setting out the outcomes we have delivered and relevant metrics previously agreed through discussions with HM Treasury, so that Parliament and other stakeholders can assess our performance against our strategy on a yearly basis as well as over time.

In addition, the Court of the Bank of England has recently decided to strengthen further the independence of the reviews it commissions on matters pertaining to the Bank. Whilst Court has commissioned reviews from preeminent external experts previously, over the past decade many of these have been produced by the Bank's internal Independent Evaluation Office (IEO). Court now intends to move toward a model where it commissions external, independent experts to lead these reviews. The PRA and its proposed long-term strategy will be within the purview of this evaluation mechanism. Court will normally expect to publish any reviews it commissions through this new model, allowing Parliamentarians and the public to scrutinise their rigour and value appropriately. We will, as always, notify Committees of the publication of any published reviews to aid scrutiny.

Supporting accountability further

We propose the following additional steps for the PRA in respect of our accountability:

- Dedicated engagement regarding PRA strategies and annual reports: We would welcome the opportunity to engage Parliamentary Committees regarding the strategy and our annual reports, either through a dedicated hearing in line with existing practice for the Bank's Financial Stability Report (FSR) and the Monetary Policy Report (MPR), or alternatively via a letter to Committee Chairs alongside the publication of these documents;

- Topical updates to Committees: To facilitate Parliament's scrutiny of the PRA's work, we would be happy to provide written updates or arrange briefings for Committees on topical or thematic areas of interest;

- Enhanced transparency initiatives: We will provide additional information in our Annual Report about the PRA's performance against its statutory objectives and how we have approached proportionality in how we have supervised firms. We will also provide further information regarding evaluations the PRA has conducted of its policies and rules to provide greater clarity on its statutory obligation to keep its rules under review. Information on these evaluations will be published in the Annual Report. We will also incorporate evaluation as a topic in the semi-annual meetings I have with the Economic Secretary to the Treasury where we discuss the PRA's progress against its objectives.

Proportionality is key to the PRA's approach

Proportionality is a core principle of our policymaking framework and approach; the PRA has taken significant steps to enhance proportionality over recent years.

This has included implementing our Strong and Simple framework for small, domestic-focused deposit takers (SDDTs) which has significantly simplified the regulatory regime for these firms. So far, over 65 banks and building societies have opted to become an SDDT to avail themselves of the benefits of the regime, out of around 80 firms that the PRA estimates are eligible. We have also materially reduced reporting for insurers as part of our Solvency UK reforms – by around a third on average, and more for the larger firms. Our ongoing work to streamline reporting requirements through the Future Banking Data review seeks to enhance proportionality and aims to remove unnecessary reporting costs for banks too. We have already deleted 37 underused templates for banks resulting in annual estimated savings of £26mn across industry, and plan more rationalisation in this financial year. Finally, we also continue to work with government and the FCA to reduce the regulatory burden of the Senior Managers & Certification Regime (SM&CR) by 50%.

In the coming months, I will set out in more detail how the PRA will further embed its secondary competitiveness and growth objective, including consideration of proportionality, into its approach to policy and supervision. We look forward to discussing the PRA's approach to proportionality as part of the potential dedicated hearings on our long-term strategy or Annual Report mentioned above.

Accountability and proportionality will remain central to the PRA's regulatory framework and to our approach. The proposed long-term strategy and additional proposals set out in this letter will complement existing scrutiny mechanisms and support effective oversight of the PRA's work. They will also strengthen transparency and provide Parliament, other stakeholders and the public with a clearer basis on which to assess our work, while preserving our ability to act swiftly and efficiently to advance our objectives, including by enabling sustainable growth.

I am copying this letter to Baroness Noakes, Chair of the House of Lords Financial Services Regulation Committee as well as Dame Meg Hillier MP, Chair of the House of Commons Treasury Select Committee, given their interest in these matters.

I am grateful for Parliament's important work in holding the PRA to account for delivering its objectives, and stand ready to discuss any of the issues or proposals contained in this letter with you or other members of the House should you wish.

Yours sincerely

Katharine Braddick CB
Deputy Governor and CEO, Prudential Regulation Authority

cc: The Baroness Noakes DBE, Chair of the House of Lords Financial Services Regulation Committee

cc: Dame Meg Hillier MP, Chair of the House of Commons Treasury Select Committee