



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

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Senior managers & certification regime: extension to UK branches of foreign banks

I am writing to you about the Treasury consultation on the possible extension of the senior managers & certification regime (SM&CR) to cover UK branches of all foreign banks and investment firms that are prudentially regulated by the PRA (as well as regulated by the FCA in their conduct of business). I intend to announce the consultation in my Mansion House speech although I expect the formal consultation document will be published in the autumn.

The Financial Services (Banking Reform) Act 2013 made provision for a number of major changes in the way we regulate banks in the UK. These reforms make clear the Government's determination to ensure a decisive break with past practices and create a banking industry in the UK which meets the needs of our economy and complies with the standards that wider society is entitled to expect.

The SM&CR is a key part of those reforms. It will enable us to ensure the highest possible standards of conduct among those who work in our banks, by bringing in a tougher approval regime for senior bankers, the wider application of rules of conduct made by the regulators and formal requirements for banks to certify the suitability of their staff.

It is appropriate, therefore, that the SM&CR should apply to all banks that operate in this country, including foreign banks which operate here through branches.

Nevertheless we have to recognise that the branches of foreign banks operating in the UK are hugely diverse in terms of their size and the nature of activity they undertake. There may therefore be some foreign banks, which undertake very limited or narrow activity in the UK, who may have concerns that the extension of the SM&CR could represent a disproportionate increase in the regulatory burden applying to their UK branches.

It will be important, therefore, that there is a clear public commitment on all our parts to ensuring that the SM&CR will be applied in an appropriate way to UK branches of foreign

banks, in line with the UK's broader approach of proportionate regulation. This implementation will need to take account of the circumstances of foreign branches, including the responsibilities that branch senior managers have and the impact of the branch's activities on the bank or its customers in the UK. Your implementation will also need to fully recognise the UK's obligations under EU law, which may impact on the range of branches that can be brought into scope.

My Treasury colleagues and I are committed to this objective and I am asking now for the PRA and FCA to give similar commitments to the proportionate implementation of the SM&CR in relation to foreign branches.

I am writing in similar terms to the FCA Chairman.


GEORGE OSBORNE