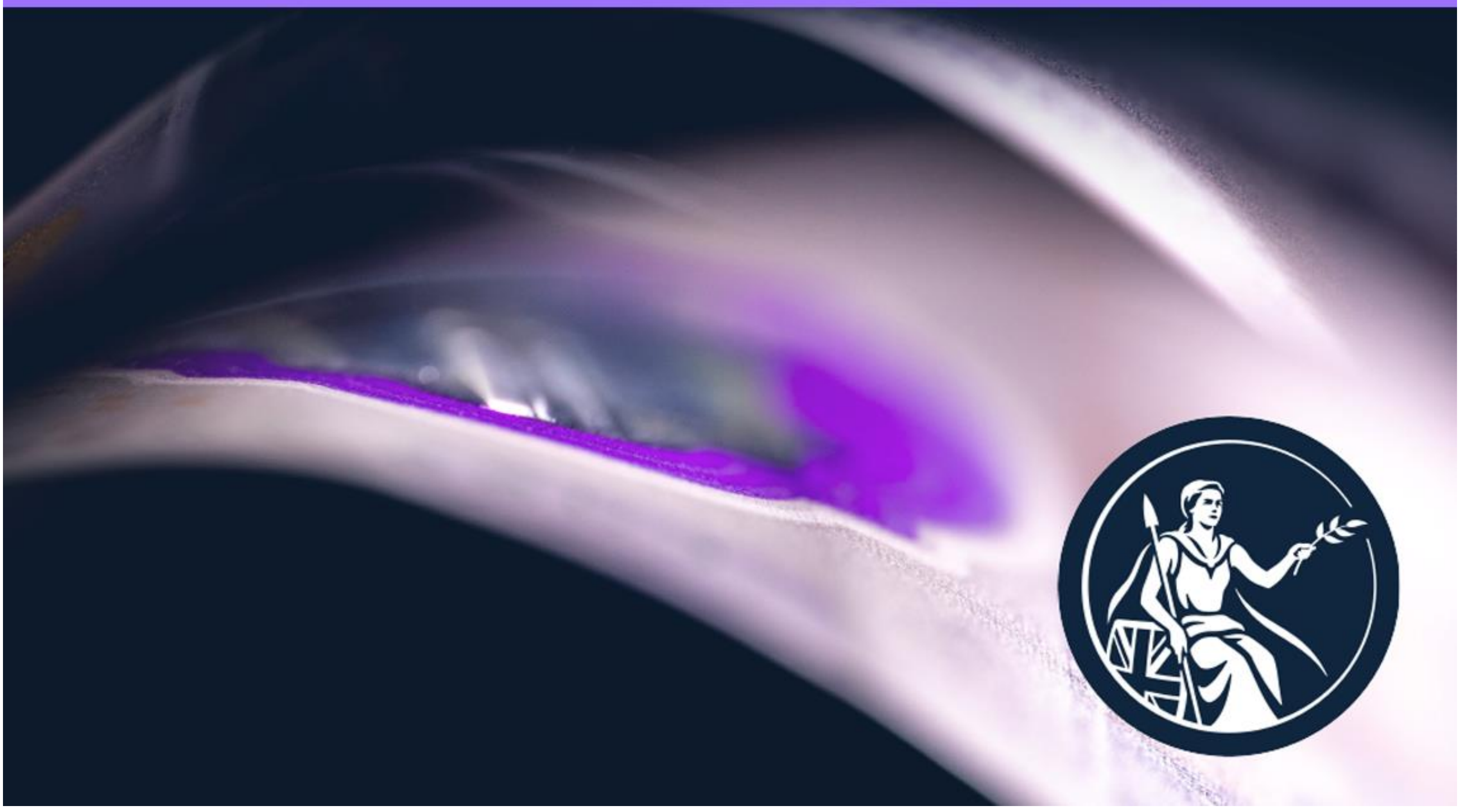
Bank of England PRA

Competitiveness and growth: the PRA's second report

A report on both Prudential Regulation Authority's secondary objectives, covering the period from July 2024 to June 2025

Presented to Parliament on 26 June 2025



Competitiveness and growth: the PRA's second report

A report on both of the Prudential Regulation Authority's secondary objectives, covering the period from July 2024 to June 2025

Presented to Parliament pursuant to section 26 of the Financial Services and Markets Act 2023

Prudential Regulation Authority | 20 Moorgate | London EC2R 6DA

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Foreword by the Chief Executive

Sam Woods
Deputy Governor, Prudential Regulation
Chief Executive of the PRA

This is the PRA's second report setting out how we have advanced our secondary competitiveness and growth objective (SCGO), alongside our secondary competition objective (SCO). Since the last report, published in July 2024, we have continued to make tangible progress in advancing both objectives, and in particular the SCGO which is a more recent addition to our remit.

The SCGO has already made a very significant difference to our policymaking. For example, on the banking side, building on the removal of the 'bonus-cap' we consulted on remuneration reforms that will substantially reduce the period over which senior bankers' bonuses are deferred, making the regime more proportionate and competitive internationally. We also proposed significant simplifications to the prudential regime for small banks, to enhance competition and competitiveness in the UK's banking sector. Finalisation of that framework is dependent on the final implementation of the Basel 3.1 standards, on which we are liaising closely with HM Treasury. On the insurance side, building on our Solvency UK work to simplify overly complex requirements, we have consulted on establishing a 'Matching Adjustment Investment Accelerator' to help firms play a bigger role in investment by speeding up their ability to take decisions. In addition, we have consulted on improving the UK framework for Insurance Special Purpose Vehicles (ISPVs), including simplifying and accelerating the ISPV authorisation process. The collective effect of these actions on competitiveness and growth will continue to build through time.

Last year, the Bank of England's Independent Evaluation Office (IEO) reviewed the PRA's progress in setting itself up for success with respect to the SCGO and found a number of positives including the PRA's approach to training policy staff, the secondary objective gaining traction at all levels of the organisation, and the establishment of rigorous processes to embed the objective in policy-making. The report also provided recommendations for further improvement, and we have taken these on board, accelerating adoption of the SCGO through the organisation. For example, we improved and expanded our training on the SCGO for all staff, we ensured our decision-making committees keep receiving the appropriate support to make SCGO-related decisions, and we reviewed and streamlined some of our regulatory processes to make them more efficient.

In December 2024 the Prime Minister wrote to me to reiterate that growth is the defining mission of the Government and highlight the expectation that the PRA (alongside other regulators) should play a full part in delivering it. In my response, I welcomed the chance to outline the actions the PRA has already taken to facilitate competitiveness and growth, and further actions we could take – including a ‘concierge service’ to assist foreign firms when thinking about locating in the UK and simplifying regulatory data reporting requirements from banks. In June, the House of Lords’ Financial Services and Regulation Committee (FSRC) published a report following their inquiry into the PRA and FCA’s SCGO. I welcome the committee’s report, and we will respond in due course.

I am proud of the efforts of PRA staff to deliver our secondary objectives, as set out in this and the previous report. We have gathered feedback from industry, government, and other stakeholders and thought hard about how we can adapt our regulatory framework to the evolving needs of the UK market. We will keep learning from experience, and I look forward to working with my colleagues on these issues in the year ahead.

26 June 2025

1: Introduction

The Financial Services and Markets Act 2023 (FSMA 2023), which received Royal Assent on 29 June 2023, made significant changes to the UK's regulatory framework for financial services. Among those changes was a new secondary objective for the PRA. The new secondary objective requires the PRA, when discharging its general functions in a way that advances its primary objectives, to act, so far as reasonably possible, in a way that facilitates the international competitiveness of the UK economy (including in particular, the financial services sector through the contribution of PRA-authorised persons) and its growth over the medium to long term. This is subject to aligning with relevant international standards.

Section 26 of FSMA 2023 requires the PRA to make two reports to His Majesty's Treasury (HMT) explaining the action taken to embed the secondary competitiveness and growth objective (SCGO) in its operations, processes and decision-making and how any PRA rules and guidance advance the SCGO. The **first report** was published by the PRA in July 2024. The second report is required to be made to HMT before 29 August 2025 and HMT must lay this before Parliament pursuant to section 26(5) of FSMA 2023.

This is the PRA's second report documenting its action on the SCGO. It covers actions to advance the SCGO made during the period from July 2024 to June 2025, rather than the PRA's forward-looking plans. Information on these plans is available in the PRA **Business Plan 2025/26**. The Business Plan sets out upcoming work such as the simplification of banking data reporting, the implementation of international standards on cryptoasset exposures and the review of the current mutuals landscape in the UK. Some of these initiatives have also been described in the letter that PRA CEO Sam Woods wrote to the **Prime Minister** in January 2025.

Over the past two years the PRA has proactively sought and identified opportunities to advance the SCGO. It has also placed a strong emphasis on embedding the objective in its operations, decision-making and processes. This work has ensured that significant progress has been made in embedding the SCGO in the organisation. The PRA has benefited from the review of the Bank of England's **Independent Evaluation Office** (IEO) on the SCGO. This second annual report showcases the action the PRA has taken over the last year to further advance the SCGO and how it has refined its approach in light of the IEO's recommendations. The report also reflects the approach to policymaking that the PRA finalised with PS3/25 – **The Prudential Regulation Authority's approach to policy** (Policy Approach PS), published in February 2025.

The PRA's SCGO sits within a broader framework of long-standing statutory objectives (as well as regulatory principles and 'have regards'). The PRA's other objectives were unchanged by FSMA 2023. When discharging its general functions, the PRA has a primary objective to so far as reasonably possible to act in a way that promotes the safety and soundness of PRA-authorised persons, and a further primary objective specific to the regulation of insurers to, so far as reasonably possible, contribute to the securing of an appropriate degree of protection for those who are or may become policyholders (the primary objectives). The PRA also has another pre-existing secondary objective, when discharging its general functions in a way that advances its primary objectives, to facilitate effective competition in the markets for services provided by PRA-authorised firms in carrying on regulated activities (the SCO).

The primary objectives rank above the secondary objectives. However, there is a complementary relationship between the primary objectives, the SCO and the SCGO. The PRA's approach to pursuing its primary objectives is grounded in the role a safe and sound financial sector plays in maintaining a strong and dynamic UK economy. Effective competition, by supporting the efficient delivery of vital services, is an important part of this. Additionally, a resilient and dynamic financial services sector can reinforce medium-term growth and contribute towards a competitive UK economy. In a speech in February 2025, Governor **Andrew Bailey** stressed that 'there is not a fundamental trade-off between growth and financial stability. We must always assess the best choices to make in terms of the tools that we use, but the financial crisis demonstrated that there is no sustainable growth without financial stability'.

The PRA's two secondary objectives, despite being complementary, are also distinct – and therefore merit assessment separately. Therefore, like the first report a year ago, this report covers the impacts of the PRA's activities on both the SCGO and the SCO.

The report is structured as follows:

- **Section 2** provides a detailed assessment of how the PRA's rules and policy initiatives have advanced the SCGO and SCO during the period within the scope of the report.
- **Section 3** explains how the PRA is embedding the SCGO in its internal operations, processes and decision-making, and how it is communicating with external stakeholders to provide clarity and insight into its activities. It also details the PRA's actions to implement recommendations made by the IEO.
- **Appendix 1** provides a summary of actions the PRA has taken to implement recommendations made by the IEO.
- **Appendix 2** provides both quantitative and qualitative metrics to help stakeholders understand how the PRA has advanced its SCGO. The list of metrics the PRA reports on was agreed with HMT in 2023.[1] This section shows how each metric has changed since the first report and, for transparency, it includes revisions of some inaccuracies in the metrics previously published.

[1] It takes into account the stakeholder feedback received through HMT's **Financial Services Regulation: Measuring Success – Call for Proposals**.

2: Application of the SCGO and SCO in the work of the PRA

Over the last year, the PRA has made significant progress on ongoing policy reforms, and it has initiated new policy reforms which have a material impact on both its secondary objectives. These initiatives are anchored in the PRA's three regulatory foundations of prudential policymaking. These are unchanged from the first SCGO and SCO report a year ago:

- Maintaining trust among domestic and foreign firms in the PRA and the UK prudential framework;
- Adopting effective regulatory processes and engagement; and
- Taking a responsive and responsibly open approach to UK risks and opportunities.

These foundations are the main areas of direct action the PRA can take to activate the three transmission channels through which the PRA can facilitate competitiveness and growth. The channels are:

- capital allocation;
- ability to sell; and
- ability to attract.

Box 1 presents further details around foundations and channels.

The PRA has finalised a number of key prudential reforms to **maintain trust** in the UK financial system. These initiatives help to maintain a credible regulatory framework, which remains a vital precondition for hosting a global financial centre and for protecting UK financial stability, which was described by the **International Monetary Fund** (IMF) as a global public good. One example is the near-final Basel 3.1 rules, technical standards and policies[2] that enhance resilience of the banking sector and are

[2] Changes to the PRA's accountability framework under FSMA 2023 to add the SCGO as a secondary objective, do not apply when the PRA makes rules, technical standards or policies in connection with PRA consultation paper 16/22 'Implementation of the Basel 3.1 standards' published by the PRA on 30th November 2022. Instead, the previous accountability requirements under the Financial Services and Markets Act 2000 apply under regulation 4 of the **FMSA 2023 (Commencement No. 2 and Transitional Provisions) Regulations 2023**. These provisions were made to enable the timely preparation of the Basel 3.1 rules, as changes to the statutory framework between publication of the consultation paper and making the rules, technical standards and policies would have caused delay.

appropriately tailored to the UK market.[3] Another example is the PRA's work on proportionate new **requirements** for critical third parties (CTP), which aim to manage systemic risks to facilitate the safe adoption of technology and thus promoting technological innovation and growth. Throughout the period, the PRA has aimed to maintain trust by ensuring the PRA's prudential framework is aligned with internationally agreed standards, and that the UK banking system is well capitalised and has high levels of liquidity.

In the past year, the PRA has continued to improve its **regulatory processes** with the aim to lower regulatory costs for firms. These changes should improve the ease of doing business in the UK, and therefore its competitiveness and growth in the medium to long term. In March 2025, the Prime Minister committed to a government wide target of reducing the **administrative cost of regulation** to firms by 25%. Some of the past PRA initiatives have been reducing administrative costs. For example, the PRA has introduced simplifications to the liquidity reporting framework for SDDTs, streamlined significantly the Solvency II tests and standards for Internal Models (IM) approvals and reduced insurance reporting by one third. Firms are already benefiting from these changes.

In line with industry feedback, the PRA also proposed key reforms to the UK Insurance Special Purpose Vehicles (UK ISPV) regime to streamline the application process, including expediting the authorisations process for catastrophe bond applications. Moreover, the PRA continues its efforts to reduce regulatory burden for firms through updates to its approach to stress testing. On the insurance side, the PRA has advanced cooperation with the Society of Lloyd's, including making the process for authorising Managing Agents quicker, and coordinating more to ensure effective and efficient oversight of Managing Agents.

A key way in which the PRA can facilitate competitiveness and growth is by **tailoring** its regime to account for the needs of the UK financial sector. The PRA has continued to build the Strong and Simple Framework,[4] to develop rules more appropriate for smaller firms and enhance competition and competitiveness without making the sector more fragile. When finalising the Basel 3.1 reforms, the PRA made important adjustments in response to consultation feedback and evidence, notably in relation to small and medium enterprises (SME) and infrastructure lending. The PRA is also

[3] The PRA published two near-final policy statements that detail how the PRA expects the Basel standards to be implemented.

[4] As with footnote 8, changes to the PRA's accountability framework under FSMA 2023 to add the SCGO as a secondary objective, do not apply when the PRA makes rules, technical standards or policies in connection with CP16/22 – Implementation of the Basel 3.1 standards, published on 30 November 2022. Instead, the previous accountability requirements under the Financial Services and Markets Act 2000 apply under regulation 4 of the **FMSA 2023 (Commencement No. 2 and Transitional Provisions) Regulations 2023**. These provisions were made to enable the timely preparation of the Strong and Simple Framework, as changes to the statutory framework between publication of the consultation paper and making the rules, technical standards and policies would have caused delay.

tailoring securitisation capital requirements to be relatively more sensitive than Basel standards and has introduced further reforms to remuneration rules in the banking sector to ensure the UK continues to attract and retain talent. The PRA has also proposed to indefinitely exempt single-stock equity options and index options from bilateral margining requirements, ensuring the UK remains competitive with other jurisdictions where this activity could otherwise move to, if relative costs increased in the UK. This signals clearly the PRA's commitment to maintaining the UK as a leading global financial services centre, without compromising resilience.

Another way in which the PRA can facilitate competitiveness and growth is by supporting industry **innovation** safely. The PRA continues to encourage the entry of firms with innovative business models through its bank and insurer start-up units and mobilisation regime for insurers. Moreover, the PRA provides support to other areas of the Bank of England in reviewing the evolving risk landscape to ensure that the UK regulatory framework remains suited to support innovation. Recent examples include the Bank of England and FCA's **joint survey** of artificial intelligence and machine learning and the establishment of a Bank of England Artificial Intelligence Consortium. In addition, the PRA has consulted to establish a **Matching Adjustment Investment Accelerator** (MAIA), that would allow MA firms, subject to satisfaction of the MA eligibility criteria, to invest in assets that would support innovation, more easily than under the current framework.

Finally, both the financial services sector and the wider economy benefit from the **openness** of the UK. Attracting foreign capital and businesses to the UK maintains its status as a global financial centre, which is positive for competitiveness and growth. In addition, PRA initiatives that have contributed to the responsible openness of the UK include the updates to its approach to recognised exchanges and the updates to its approach to third country branches and subsidiaries. The PRA also continues to be actively involved in international standard-setting bodies including the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) to keep influencing prudential policy decisions that directly impact the attractiveness of the UK and help ensure international standards reflect UK financial sector needs. The PRA has also supported HMT's financial dialogues with key jurisdictions, for example dialogue with China and Japan.

In the last SCGO report, the PRA made clear that there is a complementary relationship between its secondary objectives in relation to competitiveness and growth and **competition**. Effective competition, by supporting a strong and dynamic UK financial sector, can reinforce the medium to long-term growth of the UK economy. Therefore, many of the reforms that advance the SCO also advance the SCGO. For example, the PRA is continuing to build a simpler but equally resilient prudential framework for small, domestic-focused banks and building societies (Strong and Simple Framework). The Framework aims to support the robustness of these firms while making them more competitive and thus better able to support the economy and its growth.

This section describes in detail the most material and relevant initiatives that have advanced the SCGO and SCO between July 2024 and June 2025.

Implementation of the Basel 3.1 standards

In September 2024, the PRA published the second near-final policy statement PS9/24 – **Implementation of the Basel 3.1 standards near-final part 2** covering the elements of Basel 3.1 that had not been included in the first PS (**PS17/23**) including credit risk, the output floor, and Pillar 3 disclosure and reporting requirements.[5]

The SCGO does not formally apply to the near-final policies, technical standards and rules set out in PS9/24 which were originally consulted on in **CP16/22**. Nevertheless, the considerations of competitiveness and growth and alignment with international standards applied when making these rules and policies.[6] These factors, alongside the standing of the UK as a place for internationally active firms to operate, were fully considered by the PRA in developing its near-final policy, technical standards and rules on the Basel 3.1 standards.

By maintaining confidence in the safety and soundness of PRA-regulated firms through setting risk weights that are neither too low nor too high, the Basel 3.1 reforms aim to promote stable and reliable financing to the UK real economy, thereby supporting UK growth. Through aligning with internationally agreed standards, the PRA rules play an important role in facilitating competitiveness and growth and promoting confidence in the UK as a global financial centre through consistently strong regulatory standards.

In PS9/24, there were a number of areas in which the PRA considered it appropriate to make adjustments to international standards to better tailor Basel 3.1 to the UK context and to facilitate growth and competitiveness. For example, the introduction of the SME and infrastructure lending adjustments, so that the removal of the infrastructure and SME support factors do not result in an increase in overall capital requirements for infrastructure and SME lending. PS9/24 also included lower capital requirements for certain trade finance-related activities, maintaining the level of the existing UK capital requirements regulations (CRR), benefiting the UK's international competitiveness.

In addition to maintaining appropriately strong standards and facilitating growth and competitiveness, these reforms will enhance effective competition by:

- increasing risk-sensitivity under the credit risk standardised approach which will significantly narrow the gap between the standardised and modelled approaches

[5] In consultation with HM Treasury, the PRA has decided to delay the implementation of all parts of the Basel 3.1 package until 1 January 2027.

[6] The have regards under which the Basel 3.1 consultations were prepared are outlined in the Financial Services and Markets Act 2000 disapplying the amendments made by FSMA 2023, as provided in the **FMSA 2023 (Commencement No. 2 and Transitional Provisions) Regulations 2023**, together with the recommendation letter from HM Treasury issued under section 30B of the Bank of England Act 1998.

for determining risk weights, thus supporting competition between larger and smaller firms;

- requiring more robust and prudent modelling practices within the credit risk modelled approach thereby reducing the potential competitive advantage that firms using internal models currently have over firms that are not; and
- promoting a more consistent and level playing field by introducing an output floor, which ensures risk weights for firms using internal models do not fall below a defined percentage of risk weights calculated using standardised approaches.

Strong and Simple

In September 2024, the PRA published CP7/24 – **The Strong and Simple Framework: The simplified capital regime for small domestic deposit takers (SDDT).** CP7/24 set out proposals for simplifying the capital regime for SDDTs without weakening their overall resilience. CP7/24 builds on the final policy definition of an SDDT and the simplifications to **liquidity and disclosure requirements**[7] published in December 2023.

The main aim of the Strong and Simple Framework is to enhance effective competition (advancing the SCO) by enabling a dynamic and diverse banking sector in the UK, without making the sector more fragile, thereby increasing the sector's efficiency and productivity. Through supporting effective competition, the framework should reduce the cost of financial intermediation and improve access to financial services, and by continuing to be risk sensitive the framework should support efficient allocation of capital. The framework is also intended to advance the SCGO as by lowering costs for smaller firms the framework potentially increases incentives for overseas firms to establish banks in the UK and there is evidence that this increased competition can support underserved sectors of the economy, thereby directly improving productivity.

CP7/24 covers the whole 'capital stack'[8] and proposes simplifications to Pillar 1 requirements as well as material simplifications to Pillar 2A requirements and the capital buffer framework for SDDTs. It also includes simplifications to the definition of regulatory capital, simplifications to the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), and to capital reporting requirements. The consultation closed in December 2024.

As of 30 April 2025, there are 52 SDDTs, and firms are already benefiting from the simplifications to liquidity and disclosure requirements that were implemented during 2024.

[7] CP7/24 also includes proposals for additional simplifications to liquidity requirements.

[8] Minimum capital requirements and buffers together make up a firm's 'capital stack'.

New Bank and New Insurer Start-up Units

The PRA is continuing to support new entrants to the UK banking and insurance markets, including those with novel uses of technology and innovative business models, through the PRA's New Bank Start-up and New Insurer Start-Up units.[9] This support includes an optional pre-application stage (comprised of three meetings: initial, feedback and technical challenge) where firms engage with the PRA early on in order to develop their propositions and prepare their applications to set up a new bank or insurer.

In addition to its current mobilisation regime for banks,[10] the PRA has introduced a new mobilisation regime which will facilitate entry and expansion for new insurers. The new regime (effective from 31 December 2024) facilitates entry and expansion for new insurers into the UK market. Newly authorised insurers in mobilisation are offered a period up of 12 months to finish building out their business, including securing additional funding, if required, while operating with business restrictions, proportionate regulatory requirements, and using lower minimum capital requirements.

The PRA considers that its approach to new banks and insurer start-ups advances both the SCGO and the SCO because it encourages the entry of firms with innovative business models, making the UK dynamic place to do business and contributing to its medium to long-term growth.

Remuneration reforms

In November 2024, the PRA and FCA published CP16/24 – **Remuneration reform**. The changes proposed in the CP are intended to simplify the UK remuneration regime and make it more proportionate, enhancing firms' ability to attract and retain talent. The proposals complement previous reforms, including the removal of the bonus cap and include: the reduction of the 7-year bonus deferral period currently applicable to some senior staff to 5 years, reducing the number of staff subject to remuneration rules, and enhancing the link between accountability and remuneration.

These proposals aim to advance the SCGO by maintaining alignment with international principles and standards while adjusting them to the UK context. For example, the

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[9] Since the launch of the New Bank Start-up Unit in 2016, the PRA has authorised 34 UK headquartered banks and 20 overseas subsidiaries and branches. Since the launch of NISU in 2018, the PRA has authorised 35 insurers and of these: 12 are UK headquartered insurers, 6 are Lloyd's managing agents, 11 are overseas subsidiaries or overseas branches, and 6 are insurance special purpose vehicles (ISPVs).

[10] The new mobilisation regime for banks allows a 12-month period for banks to secure required funds and develop required systems, should they wish to adopt that route. The optional mobilisation regime provides additional flexibility within the authorisation process.

deferral changes bring the UK closer in line with other jurisdictions, enhancing firms' ability to attract talent.

These proposals also aim to advance the SCO by reducing the potential high compliance costs associated with the current regime and therefore reducing the barriers to entry across the sector.

Leverage ratio treatment of omnibus account reserves

In July 2024, the PRA published PS14/24 – **Leverage ratio treatment of omnibus account reserves and minor amendments to the leverage ratio framework.** This followed **CP28/23** which proposed to treat reserves held on omnibus accounts[11] the same as reserves held under more traditional arrangements.

The PRA considers its conditions are proportionate, as they are tailored to the risks identified. Omnibus account reserves being treated consistently with traditional individually-held reserves under the leverage ratio removes a potential impediment to the use of omnibus accounts and so may facilitate their adoption.

The new measures advance the SCGO since they facilitate firms' access to the benefits omnibus accounts are expected to deliver, among which are reduced credit risk and improved flexibility to manage intraday liquidity. This may improve the attractiveness of the UK regulatory framework. The PRA considers that the final rules also advance the SCO, as facilitating adoption of omnibus accounts may enhance effective competition among wholesale payment systems, with downstream benefits for firms that use those services (and potentially their customers).

Approach to thresholds in the banking system

The PRA has reviewed some of the thresholds in its regulatory system to ensure they remain proportionate to the needs of the UK banking system to support the sector's competition, competitiveness and growth.

In March 2025, the PRA published CP2/25 – **Leverage Ratio: changes to the retail deposits threshold for application of the requirement**. The CP outlines proposals to increase the retail deposit threshold for application of requirements to £70 billion in retail deposits, as opposed to the current threshold of £50 billion. The proposals could have a positive impact on competition and competitiveness and growth. For example, smaller UK firms would have more scope to grow before becoming subject to the requirement, and lower requirements might translate into additional lending.

[11] Omnibus accounts are an emerging type of account at central banks where the central bank reserves of several participants are co-mingled in a single account. These accounts are expected to bring a range of wholesale settlement benefits.

In November 2024, the PRA contributed to the publication of the **Bank of England's approach to stress testing the UK banking system** which sets out the Bank's approach from 2025 onwards, including a move to a biennial frequency. The approach also includes updated thresholds for participation. These are:

- 5% of aggregate lending to UK households and businesses; or
- systemic importance designation - inclusion decisions are on a case-by-case basis.

The change in frequency and the new thresholds are aimed at reducing the burden placed on participating banks and bring efficiency gains and as a result the PRA assess this will help support the UK banking sector's competitiveness and growth.

Securitisation capital requirements

In October 2024, the PRA published CP13/24 – **Remainder of CRR: Restatement of assimilated law** which included PRA proposals for securitisation capital requirements. This CP built on the feedback received on DP3/23 – **Securitisation: capital requirements** where stakeholders signalled a preference for policy choices tailored to be relatively more risk-sensitive than Basel standards.

These measures are based on the international Basel standards. However, the PRA proposed focused and limited amendments where necessary to achieve a proportionate implementation that advances the SCGO. For example, the adjustments made to the p-factor[12] put UK firms on a similar standing to the EU and US, closing an existing disadvantage and driving UK competitiveness. The PRA also assesses the more risk sensitive p-factor could have a beneficial impact on growth, through making securitisations more favourable and supporting lending to the real economy.

The proposals further advance the SCGO and the SCO by outlining adjustments that reduce the disparity in treatment of securitisations by smaller and larger firms. For example, they propose to bring the SEC-SA[13] capital requirements closer to the SEC-IRBA.[14] This can make securitisation an economically viable mechanism of risk transfer for a wider range of firms.

[12] In securitisation calculations, the p-factor acts as a smoothing parameter, reducing sudden increases in securitisation capital requirements in response to small changes in the credit risk capital charge for underlying exposures.

[13] SEC-SA refers to the standardised approach to securitisation requirements.

[14] SEC-IRBA refers to the internal ratings-based approach to securitisation requirements.

Insurance Special Purpose Vehicles (ISPV)

In November 2024, the PRA published CP15/24 – **Proposed changes to the UK Insurance Special Purpose Vehicles (UK ISPV) regulatory framework**.

Specifically, the PRA's proposed reforms would allow for a wider range of transaction structures in the UK regime, would improve the application process and would also reduce costs for applicants. For example, the proposals include a new accelerated pathway for certain UK ISPV complete applications (eg some types of catastrophe bonds) which meet the criteria set out in the PRA's proposed new statement of policy – **The PRA's approach to authorising and supervising UK insurance special purpose vehicles**. Under the accelerated pathway, in collaboration with the FCA, the PRA proposes to consider applications and, where satisfied they meet the requirements, issue approvals within 10 working days (rather than the current 4-6 week process) of an application being submitted to the PRA and deemed complete.

These proposals advance the SCGO by making the UK ISPV regulatory framework more attractive globally and therefore making it more desirable to establish UK ISPVs and providing diversification and additional sources of capital and reinsurance capacity.

Additionally, these proposals advance the SCO because they facilitate and promote the establishment of UK ISPVs, by making it simpler for UK ISPV sponsors to apply for authorisation. This helps to create a more level playing field for UK ISPVs within the international Insurance Linked Security (ILS) market.

Solvency UK: streamlined reforms, Matching adjustment and the investment accelerator

In November 2024, the PRA published PS15/24 – **Review of Solvency II: Restatement of assimilated law** which marked the conclusion of the PRA's phased consultation approach to the Solvency II Review and builds on prior PRA publications.[15] Those reforms and restatement of assimilated law provide a new regulatory framework for advancing the PRA's primary objectives, and one that is more tailored to the UK insurance market, for example through allowing firms to add assets with highly predictable cashflows into their MA portfolios and streamlining of internal model tests. They advance the SCGO by providing a more simplified, streamlined, and flexible regulatory regime, which will encourage entry into the UK insurance market.

In June 2024 the PRA published reforms to the Matching Adjustment (MA) in PS10/24 – **Review of Solvency II: Reform of the Matching Adjustment.** The MA reforms

[15] See PS2/24 – **Review of Solvency II: Adapting to the UK insurance market**, and PS3/24 – **Review of Solvency II: Reporting and disclosure phase 2 near-final**. These reforms built on consultations published by the PRA in June 2023 (CP12/23 – **Review of Solvency II: Adapting to the UK insurance market**) and November 2022 (CP14/22 – **Review of Solvency II: Reporting phase 2**).

advance the PRA's SCGO by widening the potential range of assets that firms can invest in within an MA portfolio, and will allow broader and quicker investment by firms. They also improve industry responsiveness to risk and enhance firms' responsibility for risk management, within the government's legislative framework on the MA. The PRA is starting to see firms taking advantage of these reforms and is processing firms' MA applications in line with its updated review approach, including streamlining reviews where possible. In line with the Chancellor's Mansion House speech in November 2024, the PRA is also working with the National Wealth Fund (NWF) and HMT to help crowd in insurers' investment in UK productive assets.

In April 2025, the PRA outlined proposals for a new Matching Adjustment Investment Accelerator (MAIA) in CP7/25 – **Matching Adjustment Investment Accelerator**. This builds on the PRA's engagement with industry during the development of PS10/24. The proposed MAIA framework would enable firms to hold a limited quantity of MA eligible assets in an MA portfolio for a 24-month period prior to submitting an application to the PRA. The PRA expects this proposal to advance the SCGO by allowing insurers to expedite certain investments, and thereby make a greater contribution to the medium and long-term growth of the UK economy.

Working effectively with Society of Lloyd's

The PRA and the Society of Lloyd's (Lloyd's) have an important role in regulating the Lloyd's market, and work closely together supported by a public Cooperation Agreement. Lloyd's managing agents are PRA-authorised firms, and the PRA supervises the Lloyd's market to the same standards as regulated firms in the insurance market outside Lloyd's. Lloyd's also provides oversight over Managing Agents and, in recent years, has implemented its Principles Based Oversight framework.

The PRA has considered carefully how it can advance its current cooperation with Lloyd's in line with its general approach to risk-based supervision and to reflect changes in Lloyd's oversight. For example, the PRA is working with Lloyd's and the FCA on how it can make the process for authorising Managing Agents quicker, and how it can coordinate more with Lloyd's to leverage their work and ensure oversight of Managing Agents is effective and efficient. To support this, the PRA has modified its approach to the impact categorisation of Managing Agents.

These changes advance the SCGO as they aim to enhance effective engagement mechanisms, reduce duplication and regulatory for the Lloyd's Market, without compromising prudential standards.

Recognised exchanges

In March 2025, the PRA published CP3/25 – **Recognised exchanges policy and transfer of main indices** which outlines the PRA's proposals to identify recognised exchanges or assets traded on such exchanges.

The UK CRR[16] permits a preferential prudential treatment for certain exposures traded on recognised exchanges. The PRA is being granted powers by HMT to define 'recognised exchanges', and the PRA proposes to set out criteria for firms to identify them, subject to consultation. The PRA is proposing a risk-sensitive approach for the identification of an asset being held or traded on a recognised exchange beyond the current levels.

The proposal is expected to increase the availability of a risk-sensitive prudential treatment associated with an asset being traded on a recognised exchange beyond the current levels, which should facilitate international competitiveness and the relative standing of the UK financial sector by contributing to level the international playing field. In addition, the proposal may result in a greater proportion of equity exposures receiving the lower 250% risk weight under the SA than would be the case under its near-final rules published alongside PS9/24. This proposed amendment is more closely aligned to the approaches taken in other major jurisdictions.

Indefinite exemption for equity options

In March 2025, the PRA and FCA published CP5/25 – **Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251** proposing to amend Binding Technical Standards (BTS) 2016/2251 to implement an indefinite exemption for single-stock equity options and index options from the UK bilateral margining requirements. A temporary exemption of equity options from the bilateral margining requirements is currently in place and set to expire in January 2026.

The proposal is consistent with the approach taken by a number of jurisdictions internationally. It advances the SCGO because allowing the exemption to expire could lead to an increase in costs for trading and a shift in activity to other, lower regulated jurisdictions, thus reducing the standing of the UK as a global financial centre.

Operational resilience: critical third parties

In November 2024, the PRA published PS16/24 – **Operational resilience: Critical third parties to the UK financial sector** which provides feedback to responses received to the preceding consultation paper **CP26/23** and also contains the final policy for critical third parties (CTPs).

The overall objective of the PS is to manage risks to the stability of, or confidence in, the UK financial system that may arise due to a failure or disruption in the services that a CTP provides to firms. Failure to manage these risks could have significant consequences for the UK financial system, and therefore economic growth.

[16] CRR refers to the Capital Requirements Regulation. The CRR is EU originating legislation, which the UK assimilated into UK law following the UK's EU departure and is thereafter referred to as UK CRR.

The use of CTPs can provide substantial benefits including cost reduction, efficiency and overall resilience. Firms and financial market infrastructures increasingly rely on a small number of third parties to support aspects of their operations, and this system-wide concentration could create risks to financial stability. The PRA, working jointly with the Bank of England, FCA, and HMT, has introduced proportionate new requirements and expectations to mitigate these systemic risks.

By improving cooperation among CTPs, firms and the regulators and strengthening the operational resilience of the financial system, these requirements and expectations should facilitate the safe adoption of technology and other third-party services by firms. This advances the SCGO as it can have positive effects on technological innovation.

Collaboration with the wider Bank on innovation

The PRA is committed to support the safe adoption of technological innovations by industry. For example in In July 2024, the PRA held a **pilot roundtable on innovation** in order to gather views from firms regarding the interaction between innovation and prudential regulation in insurance and banking.

In addition to this, the PRA collaborates on a regular basis with the rest of the Bank on innovation topics and this helps the PRA to keep under active review innovations and changing risks to make sure they are covered by the regulatory regime, increasing confidence and supporting growth. There have been a number of initiatives in this area:

- In November 2024, the Bank of England and the FCA published the **third survey of artificial intelligence and machine learning in UK financial services** which aims to further the Bank and FCA's understanding of AI in financial services.
- The Bank of England is also establishing an **Artificial Intelligence Consortium** which will act as a platform for public-private engagement to gather input from stakeholders on the capabilities, development and use of AI in UK financial services. One of the key aims of this Consortium is to inform the Bank's approach to addressing risks and challenges, and promoting the safe adoption of AI.
- In July 2024, the Bank of England published a discussion paper on its **approach to innovation in money and payments** which present risks and opportunities for central banks' monetary and financial stability objectives. The paper considered the payments landscape in the round including: retail and wholesale payments; central bank, commercial bank and other privately issued money; and domestic and international contexts.

Third country branches and subsidiaries

In July 2024, the PRA published CP11/24 – **International firms: Updates to SS5/21 and branch reporting** which set out updates to the PRA's approach to supervising international banks with activities in the UK, in line with its principle of responsible openness towards international business. The PRA's openness to international business is a vital ingredient underpinning competitiveness and growth, attracting foreign capital to the UK.

In May 2025, the PRA published an updated version of **SS5/21** with an accompanying policy statement (PS6/25 – **International firms: Updates to SS5/21 and branch reporting**) and reporting rule changes. The PRA has made updates to its approach and expectations for branches operating in the UK to address gaps in the framework revealed by events surrounding Silicon Valley Bank UK (SVB UK), calibrated in a way which limits impacts on the PRA's existing branch population.

The targeted and proportionate approach taken supports the SCGO, by continuing to allow firms to rely on their global affiliates and resources and giving firms flexibility in how they structure their UK operations. The PRA has also taken steps to simplify elements of branch reporting in response to industry feedback on burdens and increased two of the existing key thresholds related to FSCS covered deposits to take account of inflation since these were originally set. This provides scope for branches operating in the UK to accept increased deposits and grow their business accordingly.

In addition, the PRA's booking proposals, published alongside the branch risk appetite work in SS5/21, advances responsible openness and UK competitiveness for wholesale banking through acceptance of a range of booking structures and allowing firms to use their international resources. International engagement

Memoranda of Understanding

The PRA enters into Memoranda of Understanding (MoUs) with third country (and sub-national) regulatory authorities to facilitate supervisory cooperation and therefore the ability of financial services firms to branch into the UK. This contributes to the responsible openness of the UK and therefore it advances the SCGO. A prerequisite for these supervisory cooperation MoUs is an assessment of the other party's legal protections for confidential information. MoUs accordingly allow for the exchange of supervisory relevant information for third country branches and subsidiaries based in the UK as well as UK branches and subsidiaries in other countries.

The PRA currently has 80 international MoUs across 50 countries, including those with EU and EEA Member States, institutions (ECB, EBA, EIOPA), and as a signatory to the IAIS multilateral MoU for insurance. The PRA continues to make progress in seeking to establish new MoUs, having concluded a number of assessments of prospective counterparties' legal protections for confidential information. The PRA also cooperates closely on a bilateral basis with supervisors in other jurisdictions. For example, the PRA meets with counterparts from the Single Supervisory Mechanism (SSM) in the ECB and the Federal Reserve (US) monthly, to discuss supervisory cooperation and topics of mutual interest including market developments and those firms who operate in multiple jurisdictions, and attaches significant importance to these relationships. The PRA's supervisory engagement involves participation in supervisory colleges and establishing co-operation agreements which facilitate day-to-day supervision.

Collaboration with HMT on international matters

The PRA continues to support HMT's financial dialogues with key jurisdictions, for example including those with China and Japan. Along with colleagues from the Bank of England, the PRA is supporting HMT on the Berne Financial Services Agreement and remains ready to input into other assessments of jurisdictions' regulatory frameworks. The PRA is also providing ongoing technical assistance to HMT on the financial services elements of the Free Trade Agreements (FTAs) the UK is pursuing. These initiatives link directly to the PRA's SCGO, for example through contributing to responsible openness, through facilitating a global level playing field and positioning the UK as a global financial centre.

Influencing international regulatory standards

As set out in the **PRC's response to HMT's November 2024 PRC recommendations letter**, the PRA continues to play a leading role in influencing international regulatory standards, and participates actively in global standard-setting bodies such as the BCBS, the IAIS and the Financial Stability Board (FSB).

Taking part in the work of international standard-setting bodies enables the PRA to take an active role in shaping international prudential standards. Besides enhancing global financial stability, aligned standards also help internationally active firms reduce the expense of having to adapt to a patchwork of local standards, and contributes to the SCGO.

During 2024/25, the PRA attended and contributed to meetings of the Basel Committee on Banking Supervision (BCBS) and International Association of Insurance Supervisors (IAIS). Over this period, the BCBS and IAIS covered a wide range of issues. The PRA's work with the BCBS contributed to the publication of guidelines for counterparty credit risk management, cryptoasset standards and principles for the sound management of third-party risk. The PRA's work with the IAIS has helped shape the development of Insurance Core Principles (ICPs) for all insurers, and the Insurance Capital Standard (ICS) for internationally active insurance groups, and collaboration with these bodies has helped advance the PRA's broader strategy to address the risks arising from firms' use of funded reinsurance. Senior PRA officials also engaged in other international fora, such as the Financial Stability Board (FSB), and in regular bilateral exchanges and regulatory dialogues with their counterparts in other jurisdictions.

Box 1: Summary of PRA's approach to the SCGO

The PRA's SCGO is engaged when it is performing its general functions in pursuit of the primary objectives. The PRA's general functions are making rules and technical standards, preparing and issuing codes, and determining general policy and principles for the performance of functions under the Financial Services and Markets Act 2000. There are certain cases where the secondary objectives do not apply; for example, when the PRA takes firm-specific actions which are not an exercise of general functions.

The PRA's approach to the SCGO[17] is built around three transmission channels and three regulatory foundations that can affect competitiveness and growth. The transmission channels through which the PRA can facilitate competitiveness and growth are:

- **Capital allocation:** The PRA can contribute to productivity in the UK economy by facilitating the efficient allocation of capital by PRA-regulated firms. This channel is well aligned with the secondary competition objective given that facilitating competition helps efficient capital allocation.
- **Ability to sell:** The PRA's activities can affect regulated firms' ability to compete in international markets, and thereby their ability to undertake cross-border activities.
- **Ability to attract:** The PRA's activities can affect how attractive the UK is as a location in which foreign firms choose to locate parts of their business, which can support investment in the UK and economic growth.

The PRA can activate the three transmission channels by focussing on the things it can control, which are the three regulatory foundations:

- **Foundation 1 – Maintaining trust among domestic and foreign firms in the PRA and UK prudential framework.** This includes policies promoting strong prudential standards appropriately calibrated for the UK and alignment with international standards. Building trust in the UK's prudential regime makes the UK an attractive destination for international firms, which supports growth and competitiveness.
- **Foundation 2 – Adopting effective regulatory processes and engagement.** This includes the efficient handling of regulatory processes, including

[17] The PRA developed this approach in consultation with its stakeholders through DP4/22 – **The Prudential Regulation Authority's future approach to policy** and CP27/23 – **The Prudential Regulation Authority's approach to policy**, and published its final framework in the PS3/25 – **The Prudential Regulation Authority's approach to policy**.

authorisations and data collections, as well as facilitating the accessibility the PRA Rulebook to reduce the operating costs of firms.

- **Foundation 3 – Taking a responsive and responsibly open approach to UK risks and opportunities**. This includes making rules and tailoring policy to account effectively for the needs of the UK. It also means responding faster to emerging risks and opportunities in the UK financial sector, for example by using regulatory tools to support innovation safely.

On 17 March 2025, HM Treasury published the Regulatory Action Plan[18] which outlined an overhaul of the regulatory system to reduce barriers to growth. The three main barriers to growth it identified are:

1. Complexity and burden of regulation
2. Uncertainty in the regulatory system
3. Excessive risk aversion in the system

The PRA's approach (its transmission channels and regulatory foundations) entail and aid the PRA in addressing these barriers across various initiatives. The PRA will use its approach to the SCGO to anchor policy prioritisation in support of the Chancellor's Action Plan to reduce barriers to growth.

[18] A new approach to ensure regulators and regulation support growth.

3: Implementing and embedding the SCGO

Since the first report on the SCGO, the PRA has taken further, significant steps to implement and embed the SCGO internally and to communicate its approach to stakeholders. This section sets out the work the PRA has undertaken, including in response to recommendations made by the IEO.[19] The SCGO sits alongside the SCO, which was introduced in 2014. The two secondary objectives have equal standing. As the PRA has previously described the way the SCO has been implemented in its past **Annual Competition Reports**, this section focuses solely on the more recently established SCGO.

External communication of the PRA's approach to the SCGO

Since the last report, the PRA has taken further action to provide external stakeholders with clarity on its approach to the SCGO (See Box 1 for a summary of the PRA's approach to the SCGO). The PRA has communicated the developments in its approach primarily through the publication of the Policy Approach PS, which clarified points of ambiguity highlighted by the IEO.[20]

For example, the Policy Approach PS clarified how the PRA defines its proactive approach to the SCGO. This means that the PRA actively looks for opportunities to facilitate the UK's competitiveness and growth in its regulatory framework. Where there is opportunity to do so, subject to advancing its primary objectives, the PRA will: i) prioritise additional work to pursue the SCGO, ii) maintain thought leadership on competitiveness and growth issues, including by investing in research, industry engagement and internal analysis; and iii) engage in international fora, to influence international policymaking and the setting of international standards.

Further, the Policy Approach PS clarifies that the PRA can still take policy action to advance its secondary objectives, even where the impact of the policy reduces or raises prudential standards, or has a neutral impact, provided the new or updated policy advances the PRA's primary objectives overall. The PRA is expected to ensure, as far as is reasonably possible, that the new or amended policy advances the safety

[19] In December 2023, Bank of England's IEO evaluated whether the PRA is 'set up for success' with respect to the SCGO. The report found numerous positives, but also provided recommendations to further improve the PRA's approach. For the full report see **IEO evaluation of the PRA's approach to the secondary competitiveness and growth objective**.

[20] For a full summary of the IEO's recommendations, and the PRA's actions against each recommendation since July 2024, see Appendix 1.

and soundness of regulated firms and (where relevant) contributes to securing an appropriate degree of protection of insurance policyholders.

The PRA has also continued to share its approach externally through published letters outlining its work on the SCGO.

- **PRA recommendation letter response** – the Governor of the Bank of England, Andrew Bailey, responded to the Chancellor of the Exchequer's **recommendations letter** to the Prudential Regulation Committee (PRC) in December 2024. The response recognised the important role the PRA has to play in supporting growth, and set out a range of initiatives it is undertaking in support of that goal.

- **PRA response to the Prime Minister's letter on growth** – In January 2025, PRA CEO Sam Woods **wrote to the Prime Minister** setting out actions the PRA has recently taken to advance competitiveness and growth. The letter also sets out further actions the PRA intends to take to support competitiveness and growth. A detailed description of these initiatives can be found in the PRA Business Plan 2025/26. The letter also outlined less developed initiatives that the PRA could take forward to support growth, subject to discussions with HMT and the Department for Business and Trade. Proposals included a 'concierge service' for new inbound foreign firms, rationalising the number of 'have regards' for UK financial service regulators, and looking for potential overlaps between the reporting requirements of the PRA and other regulators.

The PRA has provided external stakeholders with updates on its SCGO work through speeches made by senior leaders of the PRA. For example, PRA CEO Sam Woods addressed the Annual City Banquet at the Mansion House in October 2024 with a speech entitled '**Competing for Growth**'. The speech stressed that the PRA has been rewired internally to successfully implement the SCGO.

Additionally, two speeches that outlined work we had completed to enhance competitiveness and growth in the banking sector were delivered over the past year. David Bailey, Executive Director of Prudential Policy, gave a speech explaining how the Strong & Simple regime will deliver targeted and proportionate changes to **simplify the capital regime for small banks and building societies**. The Director of Prudential Policy, Phil Evans, gave a speech on a **balanced approach to finishing Basel 3.1** in the UK, which explained why the package of reforms is needed and the substantive changes made in the near-final policy compared with the original consultation paper.

On insurance, Gareth Truran, the Executive Director for Insurance Supervision, spoke on **reforms to Solvency II**, in particular the Matching Adjustment (MA) reforms which have significant benefits for facilitating investment in productive assets and sustainable growth. Shoib Khan, Director of Insurance Supervision, provided further detail on how the PRA is delivering the SCGO in the insurance sector, explaining that the PRA is taking a differentiated approach to different segments of the **insurance market**.

Embedding and culture

In the first year the SCGO was in force, the PRA undertook significant internal changes to embed the SCGO into its ways of working.[21] These changes aimed to ensure that all relevant staff understand the PRA's approach to the SCGO, and that the correct mechanisms are in place to ensure that competitiveness and growth issues are routinely and consistently considered at working and senior levels. In the second year, the PRA has been focused on consolidating and building on the internal changes made, in line with IEO recommendations.

The PRA rolled out updated training for policy staff to clarify outstanding ambiguities highlighted by the IEO, and support decision-makers. The updated training clarified the scope of application of secondary objectives and provided practical case studies to help explain how the SCGO relates to: (i) primary objectives; (ii) relevant international standards; and (iii) existing standards.

The PRA has also rolled out tailored training for non-policy staff, including supervision directorates and authorisations, to provide clarity on their role in supporting and advancing the SCGO. The training focused on recognising cases in which the SCGO applies (those cases where the PRA exercises its general functions), as well as reinforcing the importance of intelligence sharing within the PRA on SCGO-related issues.

In line with recommendations made by the IEO, the PRA has been focusing on ensuring consistent and confident understanding of its approach to the SCGO amongst its decision-making committees. In October 2024, the PRA surveyed members of PRC and SRPC to see whether they feel appropriately supported when making SCGO judgements. The PRA also committed, in line with IEO recommendations, to report to PRC twice a year on work that is underway with respect to advancing the SCGO.

A key way in which the PRA can advance competitiveness and growth is through being an efficient regulator and ensuring effective regulatory processes. As such, the PRA has undertaken a review of its key supervisory decision-making frameworks to increase its operational effectiveness. Changes implemented following the review include lowering the level of seniority at which certain decisions can be made and allowing greater discretion for some decisions on authorisation cases. These changes allow the PRA to respond and react to regulated firms more quickly.

Stakeholder engagement on the SCGO

The PRA values engagement with stakeholders and has been refining its ability to gather industry perspectives to inform policymaking. The PRA has extensive

[21] See section 2 of **Competitiveness and growth: embedding the PRA's new secondary objective** for a full summary of initiatives the PRA undertook.

mechanisms for industry to provide feedback and inform the PRA's approach and policy, including a dedicated email address[22] for stakeholders to provide continuous feedback. The PRA utilises regular supervisory engagement and events, such as roundtables, with groups of firms and trade associations to gather their input on a range of issues. This includes feedback on how the PRA can further its work on the SCGO.

The PRA has held a number of events to engage stakeholders on a variety of topics to inform its approach. Some examples of the PRA's engagement with stakeholders include:

- **Pilot roundtable on innovation** – In July 2024, the PRA held a **roundtable** to gather industry views regarding the interaction between innovation and prudential regulation. It also gathered feedback on how the PRA can best work with industry to facilitate innovation for the benefit of the wider UK economy.

- **Subject Expert Groups (SEGs)** – The PRA has established **SEGs** to collect feedback on policy development in different areas, such as insurance Matching Adjustments (MA). The outcomes of the SEG led the PRA to consider a 'MA Investment Accelerator' for policy development, which the PRA launched its **consultation** on in April 2025.

- **Basel 3.1 roundtables** – The PRA held several engagements with key stakeholders as it finalised its policy and rules to implement the Basel 3.1 standards. This included a joint PRA and HM Treasury roundtable, on the day of publication of the near final Basel 3.1 rules in September 2024, with the UK's largest deposit-takers to discuss the banking reforms and some of the changes the PRA made to the original proposals in light of the feedback received. The PRA also held a number of other roundtables hosted by trade associations to answer firm queries.

- **New Bank Start-up and New Insurer Start-up Unit roundtables** – In November 2024, the PRA held an industry event on our New Insurer Start-up Unit, which highlighted how it can support prospective new insurers during the authorisations process.

- **Internal Ratings Based (IRB) roundtables** – In July 2024 the PRA held a roundtable on the IRB approach for wholesale exposure, and another roundtable on the IRB approach for mortgage exposure in September 2024. The PRA provided clarifications on specific topics as requested by the industry and presented on common cross-firm modelling issues.

[22] Stakeholders can reach out to the PRA with feedback on rule reviews by emailing the PRA's dedicated rule review mailbox: **rule_review@bankofengland.co.uk**.

- **PRA innovation week** – In November 2024, the PRA hosted a flagship conference to inform staff about technological developments in industry, leveraging industry insights. The conference included six events, five panels of industry leaders and a keynote speech, discussing the impact of technological advances and initiatives across the financial sector, including AI, fintech and payments innovation.

In line with the IEO recommendations, the PRA has developed internal aggregation mechanisms to allow SCGO-related feedback coming from external stakeholders to flow effectively from supervisory areas to policy areas and feed into the policy pipeline.

Research agenda

The PRA has used research to inform its understanding of how prudential regulation can support competitiveness and growth. In line with IEO recommendations, the PRA is committed to support further research to deepen its understanding in this area.

The PRA previously signalled its intent to fill research gaps in the literature and has recently launched a number of initiatives to stimulate research on competitiveness and growth-related topics. Specifically, growth and competitiveness have been made priority topics in the **Bank of England Agenda for Research 2025/28** and the Bank has ringfenced resources for projects related to the intersection between regulation and competitiveness and growth.

The Bank currently has a number of ongoing research projects at various stages of development. This includes a Bank Staff Working Paper published in December 2024 on **regulatory stringency as a competitive tool for financial centres** which used a game-theoretic model to show that when two financial regulators – both with stability and growth objectives – compete to attract banks, some competitive deregulation can arise when the relatively stability-focused regulator becomes more growth focused or more banks become internationally mobile, but not a race-to-the-bottom if the cost of bank failure is deemed large (see Box 2).

As committed to in response to the IEO's recommendations, the PRA has developed a 'research incubator' for a network of academics interested in competitiveness and growth. This has been developed by a specialist senior advisor who is dedicated to providing support, challenge and advice on SCGO (and SCO) issues. The new senior advisor brings external experience from academia and regulation. 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 provided opportunities for collaborative research.

Box 2: What happens to regulation stringency when financial regulators also care about growth?

Several global financial centres, including London, Hong Kong and Singapore, are overseen by financial regulators with an objective on competitiveness and growth. One recent study by **Canon, Tanaka and Thanassoulis (2024)** develops a game-theoretic model to examine what happens to regulatory stringency when multiple regulators have such an objective.

They demonstrate that, when regulators compete for mobile banks, it can lead to 'competitive deregulation', whereby the regulatory stringency is driven below the levels which regulators would choose if no bank were internationally mobile. But a 'race-to-the-bottom', whereby the regulators set the stringency at levels that maximise bank profits, will not arise if the social costs of bank failure are deemed by the regulators to be large.

Their analysis implies that setting global regulatory standards would help limit the extent of competitive deregulation, although there will be practical challenges in agreeing on and enforcing such standards across all regulatory dimensions. It also suggests there will be less need for financial regulators to use regulatory stringency to attract financial institutions if they become committed to staying in the country because it is attractive in other dimensions. This calls for a comprehensive strategy, which takes into account both regulatory and non-regulatory measures, to maintain both competitiveness and stability of the UK as a global financial centre. Given evolving literature in this area, further research is needed to inform this policy discussion.

Appendix 1: Progress on implementing IEO recommendations

Table 1: PRA's actions delivered against IEO recommendations

IEO recommendation	PRA actions against the IEO's recommendations since July 2024
Theme 1: Clarifying the PRA's vision and desired culture for supporting competitiveness and growth across all its activity	
Recommendation 1: Further clarify the PRA's vision for advancing competitiveness and growth, including how it will affect policymaking priorities.	• The PRA published the Policy Approach PS in February 2025. The Policy Approach PS clarified what it means for the PRA to take a proactive approach to the SCGO, and the PRA's approach to policy prioritisation.
Recommendation 2: Set out the culture and behaviour the PRA wants (and does not want) in its day-to-day activities, to support the SCGO.	• The Policy Approach PS clarified what the PRA will, and will not do, to advance the SCGO. • The PRA clarified its approach through several speeches made by senior PRA officials.
Theme 2: Ensuring staff across the PRA have a consistent understanding of the new objective, and what they have to do to support it	
Recommendation 3: Extend a version of training to supervisors and authorisation teams, making clear what they are (and are not) expected to do to advance the new objective.	• The PRA rolled out tailored training for supervisors and authorisation teams to provide clarity on their role in supporting and advancing the SCGO.
Recommendation 4: Update training for policy teams and other key contributors to clarify ambiguities and facilitate consistent application of the SCGO.	• The PRA rolled out updated SCGO training for policy teams. • In October 2024, the PRA's main decision-making committees (PRC and SRPC) were surveyed to see if they feel appropriately supported to make judgements on the

	SCGO. Feedback received from members of the committees was largely positive, but also identified some areas for improvement; for example, presentation and communication of the SCGO analysis as part of policy development. These areas for further improvement were fed back to all policy staff to ensure decision makers are consistently supported across all policy issues.
Theme 3: Harnessing intelligence from inside and outside the Bank	
Recommendation 5: A team should champion the SCGO, co-ordinating and building on existing networks so that intelligence from inside and outside the Bank informs policymaking.	• The PRA has relaunched the internal team that provides expertise on secondary objectives to include reference to the SCGO. • The PRA has set up cross-PRA networks to facilitate knowledge sharing which informs policymaking.
Recommendation 6: Further refine external engagement mechanisms to facilitate effective feedback through the policy cycle and heighten transparency of decision-making.	• The PRA has held useful structured external engagements with stakeholders (see examples in ‘external engagement’ section above). • The PRA has ensured that SCGO-related feedback received by supervisors is fed into the policy process.
Recommendation 7: Support further research and use reviews of rules to deepen understanding of how regulation influences competitiveness and growth.	• Competitiveness and growth are research priorities in the Bank of England Agenda for Research (BEAR), including the Research Hub, and the PRA Research Agenda 2023+. • The Bank has a number of ongoing research projects at various stages of development. This includes a Bank staff working paper published in December 2024 on regulatory stringency as a competitive tool for financial centres. • The PRA has established a research incubator of academics interested in competitiveness and growth. The first research incubator event will be held in October in conjunction with the London

	School of Economics Growth Co-Lab and Economics Conservatory.
Theme 4: Refining transparency and oversight mechanisms to build trust in the PRA's approach	
Recommendation 8: The PRA should periodically review its external reporting on how it has advanced the SCGO.	• The PRA is committed to keeping our metrics under review to ensure they remain recognised as 'world leading'.[23] • This report includes information on steps the PRA have taken to improve external engagement and reporting.
Recommendation 9: Strengthen governance reporting to ensure PRA leadership has sufficient oversight of how the SCGO is being embedded.	• The PRA has committed to report to PRC at least twice a year on the work that is underway with respect to advancing the SCGO. This commitment was met in the reporting period. • The PRA has introduced mechanisms to ensure that policy papers for decision-making committees give the SCGO appropriate prominence.

[23]A **report published by TheCityUK in April 2024** found that the PRA's metrics 'provide world-leading transparency and accountability'.

Appendix 2: Accountability of the PRA for delivery of the SCGO

The PRA is committed to being transparent and accountable for its actions to advance its secondary objectives, and reporting against appropriately selected metrics is an important part of this.

This section presents both quantitative and qualitative metrics that help monitor the PRA's performance against its SCGO. As the second SCGO report published by the PRA, it reflects the progress made over the past year in embedding its new objective. Metrics are grouped under the three regulatory foundations outlined in Section 2. It is important to bear in mind that the metrics, while covering a very important part of the PRA's performance under the SCGO, do not cover all of the PRA's achievements.

The PRA outlined its approach to accountability in relation to the SCGO in CP27/23 – **The Prudential Regulation Authority's approach to policy** and presented a list of SCGO metrics in Appendix 2 of the CP including metrics that have been agreed with HMT.[24] It takes into account the stakeholder feedback received through **HMT's Financial Services Regulation: Measuring Success – Call for Proposals**, which was focused exclusively on the newly established SCGO. Therefore, this section focuses solely on SCGO and not the SCO.[25]

The table below summarises the quantitative element of all metrics presented in this Appendix. The rest of the Appendix sets out a comprehensive qualitative description of each metric and a comparison with last year's numbers (2023/24 numbers).

The PRA produced this set of metrics last year for the first time. Throughout the course of the year, it has assessed the metrics and the data used to produce them, including through a review carried out by its internal audit function, and found areas for improvement. The methodology for producing some of the metrics has therefore been refined. This led to updates to some of the 2023/24 numbers, which are set out in the relevant footnotes on pages 52 and 71-76.

[24] The PRA's final approach to the SCGO was published in February 2025 PS3/25 – **The Prudential Regulation Authority's approach to policy**.

[25] The PRA has published a number of quantitative and qualitative metrics to monitor its progress against the SCO in its previous Annual Competition Reports, which can be accessed on **the webpage about the PRA's two secondary objectives**.

Foundation 1 – Maintaining trust among domestic and foreign firms in the PRA and UK prudential framework

Outcome	Metric	Aims	2024/25 results (2023/24 results in parenthesis when available)
Appropriately calibrated standards and alignment with international standards	**Financial Sector Assessment Programme (FSAP) assessment**	PRA prudential framework is seen as aligned with internationally agreed standards	The FSAP assessment undertaken by the IMF in 2022 outlines that the UK regulatory framework meets international agreed standards. The IMF recommended that the UK continues to be aligned in the future. The assessment includes a detailed assessment of the IAIS Insurance Core Principles (ICPs) which shows that 17 ICPs were found to have been observed, six largely observed, and only one partly observed.
	Regulatory Consistency Assessment Programme (RCAP) assessment	PRA prudential framework is aligned with the minimum regulatory standards agreed by the Basel Committee on Banking Standards (BCBS) standards	According to the BCBS, the UK has adopted 30 out of 31 Basel III standards as of 2024 Q3 (23 in 2023 Q3). The latest RCAP jurisdictional assessments on compliance for the UK were undertaken when the UK was an EU member state (and is therefore out of date). The compliance of the UK regulatory framework with Basel standards for Net Stable Funding Ratio (NSFR) and large exposures will be assessed in 2025.

	Banking Resilience • CET1 Capital Ratios • Liquidity Coverage Ratio (LCR)	The UK banking system is well capitalised and has high levels of liquidity	In November 2024, the Financial Policy Committee (FPC) assessed that the UK banking system is well capitalised and has sufficient levels of liquidity. The **Financial Stability Report** (FSR) and **The countercyclical capital buffer (CCyB)** core indicators[26] show that CET1 Capital Ratios are: • As of 2024 Q3, 15.0% for major UK banks (14.8% in 2023 Q3) • As of 2024 Q2, 18.5% for small and medium-sized banks (18.5% in 2023 Q3)[27] The **Financial Stability Report** (FSR) shows that, as of 2024 Q3, the LCR is: • 151% for major UK banks (149% in 2023 Q3) • 269% for small and medium-sized banks (260% in 2023 Q3)

[26] Produced by the FPC.

[27] The **Financial Stability Report (November 2024)**, provided CET1 figures up to Q2 2024 because final Q3 results for all UK banks were not available at the time of the FPC's Q4 meeting on 15 November. The CET1 2024 Q3 figure for major banks was published with **The countercyclical capital buffer (CCyB)** core indicators, alongside the **FPC Record of April 2025**. The CET1 Q3 2024 figure for small and medium-sized banks have not been prepared for publication, but aggregate system wide figures have been published here: **Banking sector regulatory capital – 2024 Q3**.

	Insurance Resilience • SCR Coverage Ratio (50th percentile) • Tier 1 Capital (as % of total capital)	The UK insurance sector is well capitalised	**Insurance aggregate data quarterly report** show that, as of 2024 Q3, the Solvency Capital Requirement (SCR) is: • 215.4% for the life insurance sector (211.6% in 2023 Q3) • 217.2% for the non-life insurance sector (223.5% in 2023 Q3) Insurance aggregate data quarterly reports show that, as of 2024 Q3, Tier 1 Capital is: • 92.2% for the life insurance sector (92.8% in 2023 Q3) • 88.4% for the non-life insurance sector (86.8% in 2023 Q3)
	Qualitative summary of impacts of cost-benefit analyses (CBAs)	The PRA is undertaking high-quality CBAs to inform its policy initiatives	Between 1 March 2024 – 28 February 2025, the PRA: • Published 16 CPs, 14 of them included CBAs (22 CBAs[28] were published in the previous financial year).[29] • 43% of CBAs included some level of quantification (ie monetary estimates) of costs and/or benefits (41% in 2023/24).

[28] This figure has been updated with respect to last year's report.

[29] Some policies are exempt from the formal CBA mandate under FSMA, section138J(6) (eg, PRA levies) or cover topics on the PRA's approaches to policy, rule review and enforcement, which do not directly deal with rules advancing the PRA's objectives. 2 CPs were exempt from including a section on CBA. CP4.24 – **Regulated fees and levies: Rates proposals for 2024/25** is exempt as the PRA is not required to conduct a CBA on consultations related to draft fee rates. **CP10/24 – Updates to the UK policy framework for capital buffers** was also except because the proposals did not increase costs to firms**.**

Trust of firms in the prudential framework	**Prudential framework fostering trust in regulated firms** (PRA annual firm feedback survey Aug – Sept 2024)[30] • Q16 – 'The PRA's regulatory framework fosters trust in PRA-regulated firms'	PRA regulatory framework fosters trust in PRA-regulated firms	In the 2024 firm feedback survey:[31] • Q16: 93.7% of respondents either agreed or strongly agreed, that the PRA's regulatory framework fosters trust in PRA regulated firms

[30] The PRA runs an annual firm feedback survey on the effectiveness and quality of the supervisory framework and approach. The 2024 results included a new question that aimed to understand firms' trust in the regulatory framework. Question 16 was not in the 2023 firm feedback survey, therefore the comparison with last year's numbers is not available.

[31] The 2024 Firm Feedback survey was sent to a significantly higher number of PRA-regulated firms than in 2023. The number of firms responding (302) was around twice the number in 2023.

Foundation 2 – Adopting effective regulatory processes and engagement

<table>
<tr><th>Outcome</th><th>Metric</th><th>Aim</th><th>2024/25 results (2023/24 results in parenthesis when available)</th></tr>
<tr>
<td>PRA operational efficiency</td>
<td>Time taken to complete authorisations as reported in the PRA Authorisations Performance Report:

for new firms, variation of permission, change in control, senior managers

Other metrics monitored in the PRA Authorisations Performance Report:
Number of refusals and withdrawals for new firms’</td>
<td>> 98% of cases closed within relevant statutory service standard[32]</td>
<td>
<table>
<tr><th>Authorisations</th><th>Number of cases</th><th>% cases closed within statutory service</th><th>No. of refusals</th><th>No. of withdrawals</th></tr>
<tr><td>Authorisations of new firms</td><td>13 (15)</td><td>85%[33] (93%)</td><td>0 (0)</td><td>3 (4)</td></tr>
<tr><td>Variation of permission</td><td>177 (153)</td><td>100% (100%)</td><td>-</td><td>-</td></tr>
<tr><td>Change in control</td><td>51 (68)</td><td>100% (100%)</td><td>-</td><td>-</td></tr>
<tr><td>Senior managers</td><td>1120 (1225)</td><td>100% (95%)</td><td>0 (0)</td><td>60 (71)</td></tr>
</table>
New entrants to UK market: 10 (11 in 2023/24)
</td>
</tr>
</table>

[32] The PRA aims to close at least 98% within relevant statutory service standard. It would not be sensible to have a 100% aim, as there are some cases which are so complex where it would not be helpful to enforce the statutory timeline. Between 1 March 2024 and 28 February 2025 99.7% of authorisations were completed on time on average (total number of cases on time / total cases – see PRA **Authorisations Performance Report Q4 2024/25**). The PRA does not set aims for other measures related to authorisations such as number of determinations, refusals, withdrawals and entry/exit from the UK market, given these are not within the PRA’s control and are highly dependent on external factors.

[33] During 2024/25, there were 2 new firm authorisations (of a total of 13) where the statutory timeline was not enforced due to complex or unique circumstances.

	authorisations and senior managers • Number of new and cancelled firms from UK market • Number of new domestic vs overseas firms authorised **PRA FTE headcount, by area**		• Exits from the UK market: 48 (86 in 2023/24) • Total number of firms authorised: 10 (11 in 2023/24) ○ UK firms/groups: 4 (3 in 2023/24) ○ Part of an overseas group: 4 (3 in 2023/24) ○ Branches: 2 (5 in 2023/24) • PRA headcount: ○ Prudential policy: 284 (270 in 2023/24) ○ Insurance supervision: 292 (305 in 2023/24) ○ Authorisations, RegTech and international supervision: 280 (283 in 2023/24) ○ UK deposit takers supervision: 287 (280 in 2023/24) ○ Supervisory risk specialists: 238 (231 in 2023/24) ○ PRA strategy, risk & operations: 145 (122 in 2023/24) ○ PRA's central team: 5 (5 in 2023/24) ○ Aggregate total headcount: 1530 (1496 in 2023/24) • Enforcement: 30 (28 in 2023/24)
Accessibility and efficiency of the PRA rulebook	**Satisfaction of firms on accessibility of prudential policy, rules and requirements**	Firms are largely satisfied with the accessibility of the PRA Rulebook	In the 2024 firm feedback survey: • Q13: 87.4% of respondents either agreed, or strongly agreed, that the rules that apply to their firm are accessible and clear (87.7% in 2023).

	(PRA annual firm feedback survey Aug – Sept 2024) • Q13 – 'The relevant prudential rules that apply to my firm are accessible and clear'		
	Satisfaction of proportionality, effectiveness, and how regulator actions affect attractiveness of the UK[34] (PRA annual firm feedback survey Aug – Sept 2024)	Firms are largely satisfied with the proportionality and effectiveness of the PRA Rulebook	In the 2024 firm feedback survey: Q14: 90.4% Respondents either agreed, or strongly agreed, that the rules the PRA is clear in its reasons for new and revised policy (89.3% in 2023). Q17: 57.3% of respondents either agree, or strongly agree that the PRA's actions, effectiveness, and approach to proportionality, make the UK a more attractive place to do business.

[34] The 2024 results included a new question that aimed to understand the satisfaction of firms regarding proportionality, effectiveness of the regulatory framework and how regulator action affect attractiveness of the UK. Question 17 was not in the 2023 firm feedback survey, therefore the comparison with last year's numbers is not available.

	Q14 - 'The PRA is clear in its reasons for new and revised policy' Q17 – 'The PRA's action, effectiveness and approach to proportionality make the UK an attractive place to do business'		
	'Dashboard' showing at which stage of consultation or implementation initiatives are at	Biannual publication of PRA's regulatory pipeline	This information can be found in the **Regulatory Initiatives Forum Grid** (The Grid).
Efficiency of regulatory requests	**Data streamlined as part of PRA initiatives**	Reduction in low value reporting burden over time	• In the first report, the PRA set out the data requests streamlined as part of the Solvency II review (**PS2/24**). • In September 2024, the PRA consulted on proposals to descope SDDTs from having to report a number of templates, and simplifying a number of reporting templates for them. • Looking forward, the PRA has committed to reviewing how it can further streamline reporting requirements in the banking sector.

<table>
<tr>
<td></td>
<td>Regular reporting data requests
Number of requests
Average time given to firms to respond</td>
<td rowspan="2">Modernise regulatory reporting to reduce unnecessary burden on firms, by, eg:
Better alignment of data collections with the needs of day-to-day PRA activities.
Better integration and streamlining of</td>
<td>
<table>
<tr><th>Annual regular data reporting requests (as of 31 December 2024)[35]</th><th>Number of templates[36]</th><th>Weighted average time to respond (business days)[37]</th><th>95th percentile time to respond (business days)</th></tr>
<tr><td>Deposit takers[38]</td><td>880 (872)</td><td>25 (25)</td><td>45 (45)</td></tr>
<tr><td>Insurers</td><td>326 (429)</td><td>66 (62)</td><td>130 (100)</td></tr>
<tr><td>Credit unions</td><td>15 (15)</td><td>61 (61)</td><td>182 (182)</td></tr>
</table>
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</tr>
<tr>
<td></td>
<td>Ad hoc data requests
Number of requests</td>
<td>
<table>
<tr><th>Ad hoc data requests (Mar 2024-Feb 2025)[39]</th><th>Number of requests</th><th>Weighted average time to respond (business days)</th></tr>
</table>
</td>
</tr>
</table>

[35] The **first report,** published last year, presented the figures for regular reporting as of 31 Dec 2023. The numbers presented in this report have been updated to reflect changes in the methodology to present a more meaningful comparison with last year's numbers.

[36] Considering the requirements in PRA Rulebook as of 31 December 2024.

[37] The PRA rulebook sets fixed submission timelines, depending on the resources required to provide the template requested. Numbers are rounded to the nearest integer.

[38] This corresponds to credit institutions and designated investment entities.

[39] The **first report** presented figures for 2023/24 ad-hoc data requests. The methodology to calculate the 2024/25 number has been updated, broadening the scope for 2024/25 to ensure that this metric is as comprehensive as possible. The numbers for 2023/24 have also been updated to reflect the updated methodology, allowing for a more meaningful comparison over the years.

<table>
<tr>
<td></td>
<td>

- Average time given to firms to respond

</td>
<td>PRA data collection, including looking to cut unused collections, standardising definitions across collections, removing duplicative data requests.

Ensuring the PRA has the data needed to carry out any future policymaking responsibilities</td>
<td>
<table>
<tr><td>Deposit takers</td><td>84 (73)</td><td>31 (18)</td></tr>
<tr><td>Insurers</td><td>11 (15)</td><td>27 (35)</td></tr>
<tr><td>Both</td><td>2 (4)</td><td>43 (27)</td></tr>
</table>
</td>
</tr>
<tr>
<td>Effective stakeholder engagement with firms</td>
<td>Satisfaction of firms based on interactions with the regulators

(PRA annual firm feedback survey Aug – Sept 2024)</td>
<td>Firms are broadly satisfied with their interactions with the PRA</td>
<td>In the 2024 firm feedback survey:
• Q5: 98.3% of respondents either agreed, or strongly agreed, that their firm has an effective relationship with the PRA (94.2% in 2023).
• Q6: 95.3% of respondents either agreed, or strongly agreed, that their firm has access to the right people at the PRA (93.5% in 2023).
• Q7: 94.4% of respondents either agreed, or strongly agreed, that communication from PRA supervisors is</td>
</tr>
</table>

	• Q5 - 'My firm has an effective relationship with the PRA.' • Q6 – 'My firm has adequate access to the right people at the PRA.' • Q7 – 'Communication from PRA supervisors is clear, timely and appropriate for my firm.'		clear, timely and appropriate for their firm (90.2% in 2023).

Foundation 3 – Taking a responsive and responsibly open approach to UK risks and opportunities

Outcome	Metric	Aim	2024/25 results (2023/24 results in parenthesis when available)
Innovation	**Regulatory initiatives that are designed to facilitate innovation**	PRA prudential framework facilitates safe innovation	The PRA has consulted on two policies designed to facilitate innovation in the last year: • The Matching Adjustment Investment Accelerator (MAIA) which will enable insurers to invest quickly in new asset features including productive assets. • The proposed changes to the UK Insurance Special Purpose Vehicle (UK ISPV) regulatory framework which will support and

			facilitate innovation in the Insurance Linked Securities (ILS) market. The PRA has taken forward two non-policy initiatives to engage with industry on innovation: • PRA pilot roundtable in July 2024 • PRA Innovation Week in November 2024 The PRA published two regulatory initiatives designed to facilitate innovation in 2023/24: • Joint feedback statement to a discussion paper on artificial intelligence and machine learning in financial services • ‘Dear CEO’ letter on innovations in the use by deposit-takers of deposits, e-money, and regulated stablecoins
Responsible openness	**UK banks’ exposure to foreign jurisdictions**	PRA prudential framework is responsibly open to cross-border business	On average over 2024: • 47.0% of UK banks’ total assets are held by non-UK households, businesses, and other monetary and financial institutions (45.9% in 2023). • 39.4% of total liabilities held by UK banks that are from non-UK households, non-UK businesses and other non-UK MFIs (38.8% in 2023).

Foundation 1 – Maintaining trust among domestic and foreign firms in the PRA and UK prudential framework

Metrics under foundation 1 measure whether standards are appropriately calibrated, and their degree of alignment with international standards.

Appropriately calibrated standards and alignment with international standards[40]

Financial Sector Assessment Program (FSAP) assessment

The International Monetary Fund (IMF) delivered its **five-yearly FSAP of the UK** in February 2022. The PRA responded to the IMF's assessment in its **2022 Annual Report**. The assessment covers a range of sectors and responsibilities falling under the PRA and Bank's remit, including whether the PRA's prudential framework is aligned with internationally agreed standards.

The FSAP assessment outlines that the UK regulatory framework meets internationally agreed standards. The assessment recognises that in the banking sector 'the post Brexit challenge will include streamlining the prudential framework while continuing to meet internationally agreed standards'. The assessment also includes a 'Detailed assessment of the IAIS Insurance Core Principles (ICPs)'. The outcome of this detailed assessment is that 'the United Kingdom has a highly developed framework for insurance supervision implemented by highly sophisticated regulators': 17 ICPs were found to have been observed, six largely observed, and only one partly observed. Also, in the insurance sector, the IMF recommends that, post-Brexit, the UK should not reduce these high standards.

The PRA is implementing, where it deems appropriate, the recommendations made by the IMF as part of its review. Any actions taken by the PRA in response will be assessed as part of the IMF's next review UK FSAP assessment, which is expected in 2026/27.

An update on the PRA's progress against the recommendations was **published by the IMF** in July 2024.

Regulatory Consistency Assessment Programme (RCAP) assessment

The BCBS evaluates the consistency and completeness of adopted standards through jurisdictional assessments. The latest RCAP jurisdictional assessments on compliance

[40] External assessments of the UK's alignment with international standards are provided through the IMF FSAP and the BCBS RCAP reviews. It should be noted that the ratings may not be directly comparable to those of other jurisdictions and are a function of the assessment methodology employed.

for the UK were undertaken when the UK was an EU member state (and is therefore out of date). The **compliance** of the UK regulatory framework with Basel standards for Net Stable Funding Ratio and large exposures will be assessed in 2025 H2.

In addition to the RCAP assessment, the BCBS carries out periodic monitoring of the timeliness of implementation of Basel standards. The most recent monitoring exercise was carried out in 2024 Q3 and was based on information from member jurisdictions. At that point, the UK had fully adopted 30 out of 31 Basel standards, with work to implement the Basel crypto standards (due to commence in 2026) at a similar stage of development to other jurisdictions. The timeliness of UK implementation of Basel standards is consistent with other comparable jurisdictions such as the EU, Canada, Hong Kong, Singapore, and Switzerland.[41]

Banking resilience

The PRA maintains strong prudential standards to help ensure that the UK banking system is well capitalised and has sufficient levels of liquidity to withstand periods of stress. The resilience of the UK banking sector is a key component of the trust that domestic and foreign firms have in the PRA and UK prudential framework.

The table below reports information on banking resilience sourced from the **Financial Stability Reports (FSRs)** and other relevant FPC publications like **The countercyclical capital buffer (CCyB)** indicators.[42] The FSRs set out the Financial Policy Committee's (FPC) view on the stability of the UK financial system.

In November 2024, the FPC assessed that the UK banking system is well capitalised, with an aggregate Common Equity Tier 1 CET1 capital ratio of 14.8% for major UK banks and 18.1% for small and medium-sized UK banks, as of 2024 Q2. As of 2024 Q3, the ratio for the major UK banks had increased to 15.0%.[43] The FPC also assessed that the UK banking system has maintained high levels of liquidity, with the aggregate three-month moving average Liquidity Coverage Ratio (LCR) for major UK banks, and small and medium-sized UK banks at 151% and 269%, respectively, as of 2024 Q3.

[41] As of 2024 Q3, the EU, Canada & Switzerland had fully adopted 30 out of 31 standards, Hong Kong had fully adopted 29 out of 30, and Singapore had fully adopted 28 out of 29 applicable standards.

[42] Numbers have been updated to include data that was not available at the FSR data cut-off (including CET1 ratios for 2024 Q3) and may therefore differ from the previously published figures.

[43] The **Financial Stability Report (November 2024)**, provided CET1 figures up to Q2 2024 because final Q3 results for all UK banks were not available at the time of the FPC's Q4 meeting on 15 November. The CET1 2024 Q3 figure for major banks was published with **The countercyclical capital buffer (CCyB)** core indicators, alongside the **FPC Record of April 2025.** The CET1 Q3 2024 figure for small and medium-sized banks has not been prepared for publication, but aggregate system wide figures have been published here: **Banking sector regulatory capital – 2024 Q3**.

Table 2: Banking resilience (major UK banks)[44]

	Major UK banks				
	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Common Equity Tier 1 (CET1) Capital Ratios (%)	15.0	14.8	14.7	14.7	14.8
Liquidity Coverage Ratio (LCR) (%) – 3-month moving average	151	150	150	149	149

Table 3: Banking resilience (small and medium-sized UK banks)[45]

	Small and medium-sized UK banks				
	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Common Equity Tier 1 (CET1) Capital Ratios (%)	N/A	18.1	17.7	N/A	18.5
Liquidity Coverage Ratio (LCR) (%) – 3-month moving average unless stated otherwise	269	N/A	260[46]	N/A	260[47]

[44] The figures are sourced from the 'Countercyclical capital buffer core indicators' spreadsheet available here: **The countercyclical capital buffer (CCyB)** published alongside the **FPC Record of April 2025**.

[45] The figures are sourced from the **Financial Stability Report – November 2024, Financial Stability Report – June 2024** and **Financial Stability Report – December 2023**. The CET1 Q3 2024 figure for small and medium-sized banks has not been prepared for publication, but aggregate system wide figures have been published here: **Banking sector regulatory capital – 2024 Q3**.

[46] This is the spot value as of March 2024.

[47] This is the spot value as of September 2023.

Insurance resilience

Similarly, the PRA maintains strong prudential standards in the UK insurance sector to help ensure its resilience and thereby maintain trust in the PRA and UK prudential framework. The PRA aims to ensure that the UK life and non-life insurance sectors are well capitalised, as measured by aggregate Solvency Capital Requirement (SCR) coverage ratios and the percentage of total capital that is Tier 1.

The table below reports information on insurance resilience sourced from the Bank's and the PRA's **Insurance aggregate data quarterly report**. As of 2024 Q3, the average SCR coverage ratios in the life and non-life insurance sectors measured 215.4% and 217.2%, respectively. In the same period, Tier 1 capital formed 92.2% and 88.5% in the life and non-life sectors, respectively.

Table 4: Insurance resilience (life insurance sector)

Life insurance sector					
	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Solvency Capital Requirement (SCR) coverage ratio (50th percentile) (%)	215.4	216.0	222.4	208.8	211.6
Tier 1 Capital (as % of total capital)	92.2	92.7	92.8	92.7	92.8

Table 5: Insurance resilience (non-life insurance sector)

Non-life insurance sector					
	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Solvency Capital Requirement (SCR) coverage ratio (50th percentile) (%)	217.2	221.7	221.1	224.6	225.6[48]
Tier 1 Capital (as % of total capital)	88.5	87.7	87.0	87.0	86.8

Qualitative summary of impacts of cost-benefit analyses (CBAs)

The PRA aims to undertake high-quality CBAs to inform its policy initiatives. Between 1 March 2024 and 28 February 2025, the PRA published 16 CPs (26 in the previous financial year), of which 14 (22[49] in the previous financial year) included a section on CBA. 2 CPs were exempt from including a section on CBA.[50]

Since publishing the first report on SCGO in July 2024, the PRA established the CBA Panel as required by section 138JA of the Financial Services and Markets Act 2000. The Panel supports increased transparency and scrutiny of the PRA's and the Bank's policymaking by providing regular, independent input into CBAs. The Panel may also provide recommendations for how the PRA and Bank can improve their overall methodology and approach to CBA. The Panel will publish its Annual Report alongside this report and the PRA Annual Report. The Panel's Annual Report outlines its first-

[48] The figure reported in the **first report** was 223.5. It has been revised due to resubmissions from PRA-regulated entities which were captured after the date of publication (not a change in methodology).

[49] The figure reported in the **first report** was 19. It has been corrected after a data quality review (not a change in methodology).

[50] Some policies are exempt from the formal CBA mandate under FSMA, section138J(6) (eg, PRA levies) or cover topics on the PRA's approaches to policy, rule review and enforcement, which do not directly deal with rules advancing the PRA's objectives. 2 CPs were exempt from including a section on CBA. CP4/24 – **Regulated fees and levies: Rates proposal for 2024/25** is exempt as the PRA is not required to conduct a CBA on consultations related to draft fee rates. CP10/25 – **Updates to the UK policy framework for capital buffers** was also except because the proposals did not increase costs to firms.

year activities, including its consideration of the PRA's and Bank's overall CBA approaches as well as the individual CBAs prepared by the PRA and the Bank.

All 14 CBAs published in the 2024/25 financial year included a qualitative analysis of the costs together with the benefits that are expected to arise under the proposed rules. In addition, in 43% of cases, where it was reasonable and practicable to do so, CBAs included some level of quantification (ie monetary estimates) of costs and/or benefits (41% last year). Of this latter group, 3 CBAs included a quantification of both costs and benefits (6 last year). They are reported in the table below.

Table 6: Summary of three CBAs with quantification of both costs and benefits published in the 2024/25 financial year

	Key benefits	Key costs
CP7/24 – **The Strong and Simple Framework: The simplified capital regime for Small Domestic Deposit Takers (SDDTs)** **Description of policy:** the PRA's Strong and Simple initiative seeks to simplify the prudential framework for small domestic-focused banks and building societies, while maintaining resilience. Phase 2 proposes to simplify all elements of the capital stack.	Quantified benefits: • Enabling SDDT to reallocate resources from capital and business planning to higher-value activities: **£6.3 million p.a.** in total for all SDDT-eligible firms. • Reducing SDDTs' cost of capital: **£3.9 million to £13.5 million p.a**. in total for all SDDT-eligible firms • Reducing reporting requirements on SDDTs and reducing the frequency with which firms provide their internal capital and liquidity assessments (respectively the ICAAP and ILAAP) to the PRA: **£2 million to £6.9 million p.a.** in total for all SDDT-eligible firms. Qualitatively assessed benefits: • Reducing potential barriers to entry to the UK banking sector, facilitating effective competition. • Supporting firm resilience because accurate and appropriate risk measurement and capture help ensure firms have levels of capital commensurate to the risks they face. • Limiting the extent to which measurement of RWAs diverges between SDDTs and large firms using internal models, supporting competition.	• Total quantified one-off costs and annual ongoing costs of implementing Basel 3.1 requirements for Credit and Operational Risk: **£7.9 million and £1.3 million** respectively total for all SDDT-eligible firms. • One-off cost to the PRA of implementing the simplified regime of **£4 million.**

CP16/24 – **Remuneration reform**
 	
Description of policy: proposals to amend rules and expectations on deferral of variable remuneration, relating to Material Risk Takers (MRT) identification and MRT proportionality thresholds, as well as improving the link between remuneration and individual accountability.
	Quantified benefits:
	• Reduction of operational compliance costs for firms: **c. £55 million (present value)** over 10 years across the industry.
	Qualitatively assessed benefits
	• Improved staff attraction and retention
	• Prudential benefits from:
	  ○ Better risk management through use of MRT identification as a risk management tool
	  ○ Discouraging MRTs from taking excessive risks.
	  ○ Better risk-reward alignment as a greater proportion of MRTs' total pay may be subject to downward adjustments.
		• One-off costs**: c. £5 million** in total for all affected firms.
		However, some of this is discretionary: firms will incur only if the cost outweighs the benefit of doing so.
		• Potential erosion of remuneration and risk-taking alignment. However, this can be mitigated by some existing tools (eg, clawback requirements).

CP19/24 – **Closing liquidity reporting gaps and streamlining Standard Formula reporting** **Description of policy:** proposals to close liquidity reporting gaps for large insurance firms with significant exposure to derivatives	Quantified benefits: • Removing the SF.01 submission: between **£30,000 and £111,000** per firm per year depending on the complexity and size of firm. Qualitatively assessed benefits: • Introducing liquidity reporting requirements will result in: ○ Better monitoring of liquidity risk.	• Limited overhead costs for affected firms to maintain the capability to produce the Standard Formula Solvency Capital Requirement. • One-off costs from liquidity reporting: **c. £11 million** in total for the firms affected by the proposals.

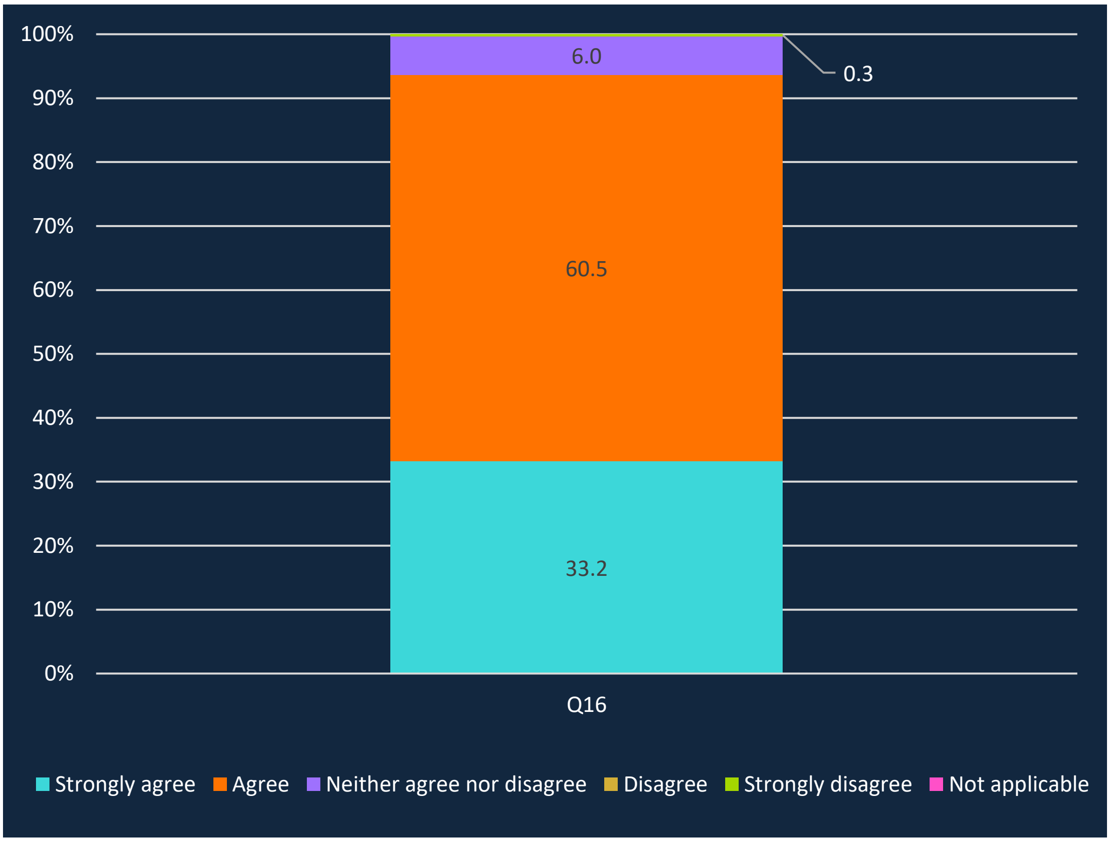
or securities involved in lending or repurchase agreements, as well as removing he expectation for life insurers with internal model (IM) permissions to annually submit the SF.01 template (standard formula – SF– reporting)	○ More effective supervision of liquidity risk. ○ Potential to reduce costs of failure that would be very substantial and could negatively impact policyholders and the FSCS. ○ Potential to reduce cost from fire sales of assets or defaults on contractual derivative obligations. Further qualitatively assessed benefits: ○ Reduction in ad-hoc supervisory engagement in liquidity risk. ○ Greater UK competitiveness by increasing compliance with international standards. ○ Improvements in liquidity data available to firms.	• Ongoing costs from liquidity reporting: **c. £3.6 million** annually in total for all affected firms. • One-off cost of less than £500,000 to the PRA for implementing this project.

Prudential framework fostering trust in regulated firms

The PRA runs an annual firm feedback survey on the effectiveness and quality of its supervisory framework and approach. The 2024 firm feedback survey, survey, which ran from August – September 2024, was sent to a significantly higher number of PRA-regulated firms than in 2023. The number of firms that responded (302) was around twice the number in 2023. Results from the 2024 survey included a new question that aimed to understand firms' trust in the regulatory framework. The full 2024 survey results will be made available on the Bank's website in due course.

Figure 1 presents the results to question 16: 'The PRA's regulatory framework fosters trust in PRA-regulated firms.'

Figure 1: Responses to Q16 of the 2024 PRA firm feedback survey



The PRA aims for its regulatory framework to foster trust in the firms it regulates. The results show that:

- 93.7% of respondents either agreed or strongly agreed, that the PRA's regulatory framework fosters trust in PRA regulated firms.

Foundation 2 – Adopting effective regulatory processes and engagement

Metrics under foundation 2 measure PRA operational efficiency, the accessibility and efficiency of the Rulebook, the efficiency of regulatory requests and the effectiveness of stakeholder engagement with firms.

PRA operational efficiency

The PRA **Authorisations Performance Report** is a quarterly publication of performance metrics on authorisation activity, including data on the average time to determination of outcome. The tables below report information published in the **PRA Authorisations Performance Report Q4 2024/25**, covering the year-to-date figures for the 2024/25 financial year. The PRA aims to close at least 98% of cases within relevant statutory service standards.

The PRA also monitors the number of determinations, refusals, withdrawals, and entries/exits from the UK market.[51] This is not a 100% aim, as there are some cases which are complex or subject to unique circumstances where it would not be helpful to enforce the statutory timeline. For case types where volumes are very small, this can on occasion result in individual cases over the deadline resulting in a breach of the 98% target. Between 1 March 2024 and 28 February 2025, across all transaction types, 99.7% of cases were completed on time.

The PRA does not set aims for other measures related to authorisations such as number of determinations, refusals, withdrawals and entry/exit from the UK market, given these are not within the PRA's control and are highly dependent on external factors.

[51] The PRA does not set aims for other measures related to authorisations such as the number of determinations, refusals, withdrawals and entries/exits from the UK market, given these are not within the PRA's control and are highly dependent on external factors.

Time taken to complete authorisations

Table 7: Time taken to complete authorisations for the 2024/25 financial year (2023/24 numbers in brackets)

Process	Relevant statutory service standard	Total number of cases closed	Time to close cases (days)			% of cases closed within statutory service standard
			Lower quartile (25th percentile)	Median (50th percentile)	Upper quartile (75th percentile)	
All firms						
New authorisations	Within six months of a complete application, or within 12 months of receipt of an incomplete application	13 (15)	330 (217)	348 (328)	357 (354)	85%[52] (93%)
Variation of permission (excluding own initiative)	Within six months of a complete application, or within 12 months of receipt of an incomplete application	177 (153)	16 (14)	35 (34)	133 (141)	100% (100%)
Change in control	Within two working	51 (68)	23 (20)	36 (39)	42 (54)	100% (100%)

52 During 2024/25, there were 2 new firm authorisations (of a total of 13) where the statutory timeline was not enforced due to complex or unique circumstances.

	days of making the decision (and in any event no later than within 60 working days of acknowledgement of receipt of application)					
Senior managers regime (forms A & E)	Within three months of receipt of application	1,120 (1,225)	44 (37)	60 (61)	74 (81)	100% (95%)
Deposit-taking firms						
New authorisations	Within six months of a complete application, or within 12 months of receipt of an incomplete application	7 (4)	-	344 (342)	-	86% (100%)
Variation of permission (Excluding Own Initiative)	Within six months of a complete application, or within 12 months of receipt of an incomplete application	131 (124)	15 (13)	28 (24)	101 (132)	100% (100%)

Change in control	Within two working days of making the decision (and in any event no later than within 60 working days of acknowledgement of receipt application)	23 (25)	35 (25)	41 (44)	46 (58)	100% (100%)
Senior managers regime (forms A & E)	Within three months of receipt of application	611 (612)	44 (38)	60 (63)	75 (81)	100% (94%)
Insurance firms						
New authorisations	Within six months of a complete application, or within 12 months of receipt of an incomplete application	6 (11)	- (217)	353 (304)	- (353)	83% (91%)
Variation of permission (excluding own initiative)	Within six months of a complete application, or within 12 months of receipt of an	46 (29)	33 (43)	64 (104)	155 (175)	100% (100%)

	incomplete application					
Change in control	Within two working days of making the decision (and in any event no later than within 60 working days of acknowledgement of receipt application)	28 (43)	19 (20)	25 (39)	40 (54)	100% (100%)
Senior managers regime (forms A & E)	Within three months of receipt of application	509 (613)	43 (37)	60 (58)	73 (80)	100% (96%)

Other metrics monitored in the PRA Authorisations Report

Table 8: Total number of refusals and withdrawals for the 2024/25 financial year and 2023/24 financial year

Process	Firm type	Total # cases closed		Of which # refusals		Of which # withdrawals	
		2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
New Firm Authorisation	Deposit-Taking Firms	7	4	0	0	2	1
New Firm Authorisation	Insurance Firms	6	11	0	0	1	3
Senior Managers Regime	Deposit-Taking Firms	611	612	0	0	45	50
Senior-Managers Regime	Insurance Firms	509	613	0	0	15	21

Table 9: Refusals reasons for the 2024/25 financial year and 2023/24 financial year

Refusal reasons	
2024/25	2023/24
N/A – no refusals	N/A – no refusals

Table 10: Number of new and cancelled firms from the UK market for the 2024/25 financial year and 2023/24 financial year[53]

Process	Total number of firms					
	All		Deposit-takers		Insurers	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
New entrants to UK market (New Firm Authorisations)	10	11	5	3	5	8
Exits from the UK market (Cancellations)	48	86	33	42	15	44

[53] Authorisation figures do not include third-country branches that were already operating in the UK via the Temporary Permissions Regime and which received a Part IV permission during this period. However, cancellation figures do include branches that were in the Temporary Permissions Regime which cancelled their permission or moved into contractual run-off.

Table 11: Number of new domestic vs overseas firms authorised for the 2024/25 financial year and 2023/24 financial year

Firm type	Total # new firms		Of the new firms, how many are UK firms/groups		Of the new firms, how many are part of an overseas group		Of the new firms, how many are branches	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Deposit-taking firms	5	3	3	1	0	1	2	1
Insurance firms	5	8	1	2	4	2	0	4
All	10	11						

PRA FTE headcount, by area:

The table below shows the average BAU FTE headcount for each area of the PRA for the 2024/25 financial year and the 2023/24 financial year.

Table 12: PRA average BAU FTE headcount by area for the 2024/25 financial year and 2023/24 financial year

PRA Area	FTE headcount		Percentage[54]	
	2024/25	2023/24	2024/25	2023/24
Prudential Policy	284	270	19%	18%
Insurance Supervision	292	305	19%	20%

[54] Percentage figures have been rounded to the nearest whole number.

Authorisations, RegTech and International Supervision	280	283	18%	19%
UK Deposit-Takers Supervision	287	280	19%	19%
Supervisory Risk Specialists	238	231	16%	15%
PRA Strategy, Risk & Operations	145	122	9%	8%
PRA central team[55]	5	5	0%	0%
PRA aggregate total headcount	1530	1496	100%	100%

The PRA also draws on wider services, for example, from the Technology Directorate and the Legal Directorate, that are shared with other parts of the Bank of England. The Enforcement and Litigation Division within the Legal Directorate leads on the enforcement of PRA's statutory powers. In the 2024/25 financial year, there were 30 FTEs working on the enforcement of PRA's statutory powers (compared to 28 in the 2023/24 year).

Accessibility and efficiency of the PRA Rulebook

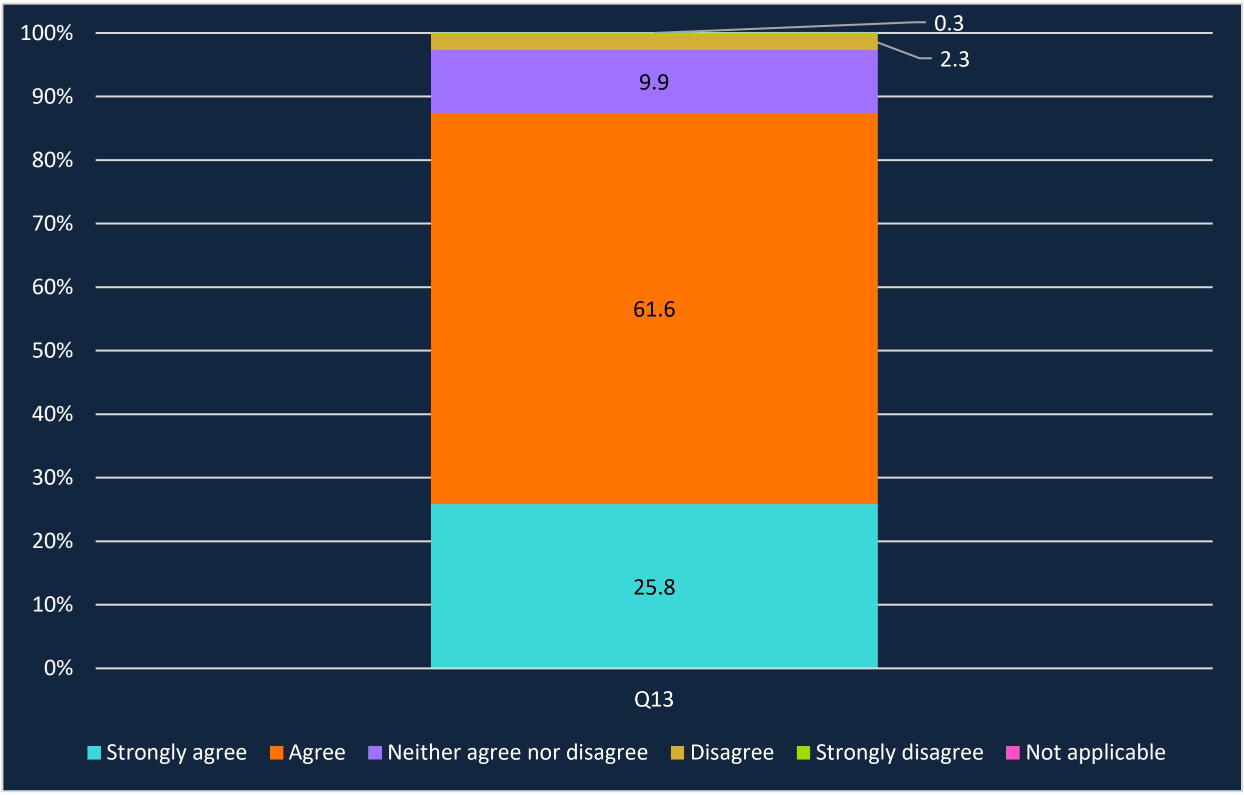
Satisfaction of firms with accessibility of prudential policy, rules, and requirements

The results from the 2024 annual firm feedback survey (mentioned previously) also includes questions that are helpful to understand the satisfaction of firms with accessibility of prudential policy, rules, and requirements.

Figure 2 presents the results question 13: **'**The relevant rules that apply to my firm are accessible and clear.'

[55] Figures for the PRA's central team were not included in the first report but have been included this year for accuracy.

Figure 2: Responses to Q13 of the 2024 PRA firm feedback survey



The PRA aims to have firms largely satisfied with the accessibility of the PRA Rulebook. The latest results show that:

- 87.4% of respondents either agreed, or strongly agreed, that the rules that apply to their firm are accessible and clear in 2024. This is down slightly from 87.7% in 2023.

Satisfaction on proportionality, effectiveness, and how regulator actions affect attractiveness of the UK

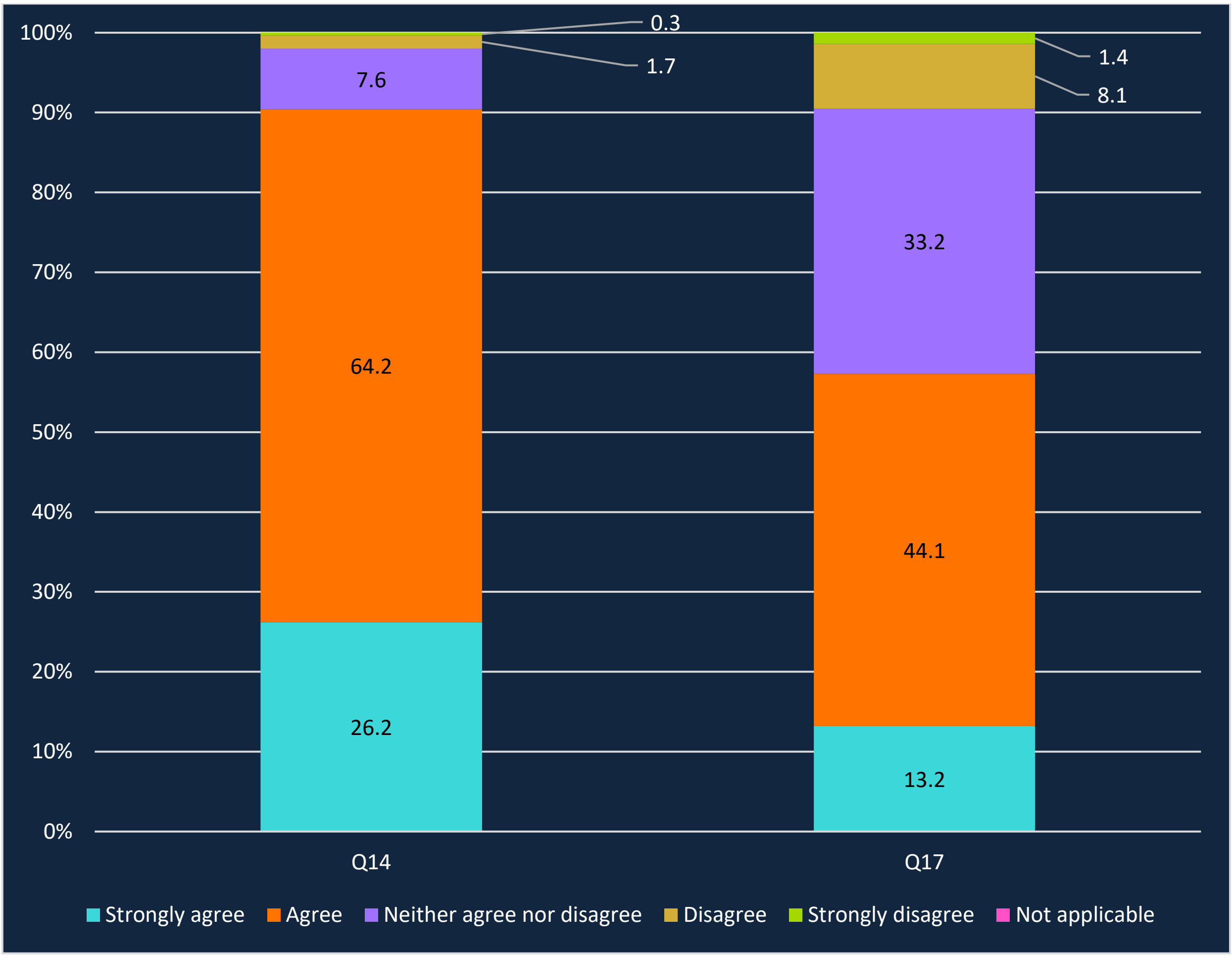
The 2024 results included a new question that aimed to understand the satisfaction of firms regarding proportionality, effectiveness of the regulatory framework and how regulator action affect attractiveness of the UK.[56]

Figure 3 presents the results to the following survey questions:

- Question 14: 'The PRA is clear in its reasons for new and revised policy'.
- Question 17: 'The PRA's action, effectiveness and approach to proportionality make the UK an attractive place to do business'.

[56] Question 17 was not in the 2023 firm feedback survey and has been included as an addition to the 2024 firm feedback survey. Therefore, the results cannot be found in the first SCGO report.

Figure 3: Responses to Q14 and Q17 of the 2024 PRA firm feedback survey



The PRA aims to have firms broadly satisfied with their interactions with the PRA. The results show that:

- 90.4% of respondents either agreed, or strongly agreed, that the PRA is clear in its reasons for new and revised policy. This is up from 89.3% in 2023.
- 57.3% of respondents either agree, or strongly agree that the PRA's actions, effectiveness, and approach to proportionality, make the UK a more attractive place to do business.

'Dashboard' showing at which stage of consultation or implementation initiatives are at

This information can be found in the **Regulatory Initiatives Grid**. The Grid is a publication that sets out the regulatory pipeline to help stakeholders plan for initiatives that may have a significant operational impact on them. It is published by the Financial Services Regulatory Initiatives Forum, which comprises several UK authorities, including the Bank/PRA and FCA, with HMT attending as an observer member. The Grid is normally published on a biannual basis where possible.

Efficiency of regulatory requests

The data the PRA requests from firms to support policy development not only facilitates responsive and dynamic policymaking but is also necessary for the PRA to meet its accountability requirements. The PRA aims to modernise regulatory reporting to reduce unnecessary burden on firms by, for example, better aligning data collection with the needs of day-to-day PRA activities; better integrating and streamlining PRA data collection (including by looking to cut unused collections, standardising definitions across collections, and removing duplicative data requests); and ensuring the PRA has the data needed to carry out any future policymaking responsibilities.

The PRA gathers data from firms through the regular reporting requirements set out in the Rulebook and through ad hoc data requests. To provide transparency on the efficiency of these requests, this section reports how much data has been streamlined as part of PRA initiatives and the number of data requests (both regular reporting and ad hoc requests) and the time given to respond across deposit-takers and insurers.[57]

[57] Mean and 95th percentile time is not an applicable measure for all data requests. In these cases, the PRA has provided an alternative relevant time metric.

Data streamlined as part of PRA initiatives

In the first report, the PRA detailed data streamlined as part of the Solvency II review (**PS2/24**) which included a net removal of 107 templates, around one third of the required templates. In the last year, the PRA has been focused on the successful implementation of this policy. This can be seen in Table 14 of this report, which presents the number of templates collected in a year for insurance firms.

In the past year, the PRA has been developing other policy packages that are enabling it to reduce regulatory reporting costs for firms. For example, in September 2024, the PRA consulted on proposals for a simplified capital regime for Small Domestic Deposit Takers (SDDTs) as part of its Strong and Simple initiative, including proposals to descope SDDTs from having to report a number of templates, and **simplifying a number of reporting templates** for them. These proposals build on simplifications already in place for SDDTs for liquidity and disclosure, including reduced liquidity reporting for these firms.

Looking forward, the PRA has committed to reviewing how it can further streamline reporting requirements in the banking sector. It intends to consult on proposals for the deletion of certain underused or duplicative whole templates later this year. The PRA will also work closely with industry to deliver improvements to the relevance, quality and timeliness of data collected to fulfil its primary objectives to promote the safety and soundness of banks while also delivering tangible cost reductions, in line with the SCGO.

Regular reporting data requests

The tables below present information on data requests to regulated firms prescribed by the PRA Rulebook. They reflect the position of the PRA Rulebook as of 31 December 2024 and the comparison with the year before. The tables below present, for different types of regulated firms, the number of templates requested, and the business days given to respond to requests. The PRA Rulebook sets fixed submission timelines by which each template must be submitted.[58]

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[58] The PRA Rulebook, and applicable EU reporting requirements that have been assimilated into UK law, set fixed submission timelines by which each template has to be submitted. In some instances, the rules may set more than one timeline for the same template or group of templates, eg, large entities are required to submit at an earlier date and possibly more frequently compared to smaller firms, or consolidated entities may have to submit at a later date than entities reporting on a standalone basis. The following collections are out of scope for all three tables: templates which the PRA collects in conjunction with the FCA where the FCA is the lead; templates that the PRA collects from regulated entities to support the work of international regulatory organisations (such as BCBS, FSB, IAIS, OECD, IMF) to support exercises such as Quantitative Impact Studies, surveys, etc., that are in the spirit of co-

Table 13: Number of templates collected in a year (as of 31 Dec 2024, and as of 31 Dec 2023) and time given to firms to respond – banking[59, 60, 61, 62]

	Total templates collected per year	Weighted average of business days given to respond	95th percentile of business days given to respond

operation; internal documents such as management information and Board reporting; and periodic notification reporting such as change in control and close links report, etc.

Business days given to respond are calculated on the basis of the reporting due date set in the PRA Rulebook.

[59] Credit institutions and designated investment entities.

[60] The above data is based on the number of PRA Rulebook templates a PRA regulated entity may have to complete and submit in any given year, based on the total volume of PRA Rulebook requirements. It does not reflect potential firm-level variations due to the size of the entity, its trading activities, threshold criteria, exemptions, waivers, permissions. For example, a firm is unlikely to report group, solo, and branch reporting requirements at the same time, and where reporting thresholds exists, the totals do not exclude the templates that aren't reported for the specific sub-populations of firms that benefit from these proportionality measures. Moreover, the Rulebook prescribes that one template (PRA 110) could be dialled up to daily collection in extraordinary circumstances. Therefore, an individual firm's reporting requirements are likely to be slightly different than the totals reported here.

The data is based on the number of templates a firm may have to complete and do not capture the complexity of the collection such as the data points or the multiple sheets that a firm may have to submit, eg, breakdown of the risks by exposure class or risks by different currencies.

The regular reporting collection for banking also excludes 12 Pillar 2 templates that have varying submission deadlines depending on type of firm, and Pillar 3 disclosures templates designed for market participants set under BCBS disclosure standards and published directly by firms.

[61] The **first report,** published last year, presented the figures for regular reporting as of 31 Dec 2023. The numbers presented in this report have been updated to reflect changes in the methodology to present more meaningful comparison with last year's numbers. The changes in methodology included the consolidation of some of the templates and the correction of some frequencies to better reflect Rulebook requirements. In the first report, the figures reported for total number of templates collected as of 31 Dec 2023 were the following: 52 weekly, 204 monthly, 628 quarterly, 78 half yearly, 82 annually, and 1044 total. The figures reported for weighted average business days to respond as of 31 Dec 2023 were the following: 5 weekly, 12 monthly, 30 quarterly, 33 half yearly, 41 annually, and 26 total. The figures reported for the 95th percentile of business days given to respond as of 31 Dec 2023 were the following: 5 weekly, 20 monthly, 30 quarterly, 45 half yearly, 45 annually, and 45 total.

[62] The weighted average is calculated by weighting the average time given to respond to requests by the number of requests with the same deadline.

	As of 31 Dec 2024	As of 31 Dec 2023	As of 31 Dec 2024	As of 31 Dec 2023	As of 31 Dec 2024	As of 31 Dec 2023
Weekly	52	52	1	1	1	1
Monthly	156	156	11	11	15	15
Quarterly	580	580	30	30	30	30
Half yearly	62	54	34	34	45	45
Annually	30	30	34	34	45	45
Total	880	872	25	25	45	45

Table 14: Number of templates collected in a year (as of 31 Dec 2024, and as of 31 Dec 2023) and time given to firms to respond – insurance[63] [64] [65]

	Total templates collected per year – by frequency (SUK)		Total templates collected per year – by frequency (NDF)		Weighted average of business days given to respond		95th percentile of business days given to respond	
	As of 31 Dec 2024	As of 31 Dec 2023	As of 31	As of 31	As of 31	As of 31 Dec 2023	As of 31 Dec 2024	As of 31 Dec 2023

[63] This data is based on the number of PRA Rulebook templates a PRA regulated entity may have to complete and submit in any given year, based on the total volume of PRA Rulebook requirements as of 31 December 2024. Given the mutual exclusivity of reporting for Solvency UK firms and Non-Directive firms (NDF) the table this year has been updated to separate requirements for the different regimes (this is different from the first year of reporting).

Please note that reporting on an individual firm basis varies due to life/non-life operations, threshold criteria, exemptions, waivers, permissions, long-term guarantees, and method of SCR calculation. Individual firms are unlikely to be subject to all these variations. For example, a firm is unlikely to report group, solo, and branch reporting requirements at the same time. The PRA has waived the majority of small to medium firm quarterly reporting; however, these firm-level supervisory permissions are not reflected in the total. Therefore, an individual firm's reporting requirements are likely to be lower than the totals reported here. The data is based on the number of templates a firm may have to complete and do not capture the complexity of the collection such as the data points or the multiple sheets that a firm may have to submit, eg, breakdown by line of business. These metrics have been completed on a best-efforts basis. The regular reporting collection for insurance also excludes SFCR disclosures templates that are identical to reporting templates and designed for market participants and published directly by firms.

[64] The **first report,** published last year, reflects PRA Rulebook requirements as of 31 December 2023 (including 6 Solvency II templates that the PRA publicly stated it was content not to receive from end-2023). This year the 2023 figures have been updated to include reporting expectations for branches that were not in the PRA Rulebook as of 31 December 2023, but are considered to be relevant to include in the 2023 comparative figures now that branch reporting has been incorporated into rules. Last year the figures reported for the total number of templates (for both SUK and NDF firms) collected as of 31 Dec 2023 were the following: 88 quarterly, 2 half yearly, 239 annually, 2 triennially and 331 total. The figures reported for weighted average business days to respond as of 31 Dec 2023 were the following: 37 quarterly, 45 half yearly, 77 annually, 130 triennially and 66 total. The figures reported for the 95th percentile of business days given to respond as of 31 Dec 2023 were the following: 55 quarterly, 45 half yearly, 100 annually, 130 triennially and 100 total.

[65] The weighted average is calculated by weighting the average time given to respond to requests by the number of requests with the same deadline across both Solvency UK and NDF firms.

			Dec 2024	Dec 2023	Dec 2024			
Quarterly	104	140	0	0	39	33	55	55
Half yearly	6	2	0	0	45	45	55	45
Annually	216	287	43	43	77	75	130	100
Triennially	0	0	1.67	1.67	130	130	130	130
Total	326	429	45	45	66	62	130	100

Table 15: Number of templates collected in a year (as of 31 Dec 2024, and as of 31 Dec 2023) and time given to firms to respond – credit unions[66]

	Total templates collected in a year by frequency		Weighted average of business days given to respond [67]		95th percentile of business days given to respond	
	As of 31 Dec 2024	As of 31 Dec 2023	As of 31 Dec 2024	As of 31 Dec 2023	As of 31 Dec 2024	As of 31 Dec 2023
Quarterly	12	12	31	31	31	31
Annually	3	3	182	182	182	182

[66] The above data is based on the number of PRA Rulebook templates a PRA-regulated entity may have to complete and submit in any given year and does not reflect potential firm-level variations due to activities, threshold criteria, exemptions, waivers, or permissions. The data is based on the number of templates a firm may have to complete and do not capture the complexity of the collection such as the data points or the multiple sheets that a firm may have to submit, eg, breakdown on the risks by exposure class or risks by different currencies. These metrics have been completed on a best-efforts basis.

The table of collections reflects the position as of 31 December 2024.

[67] The weighted average is calculated by weighting the average time given to respond to requests by the number of requests with the same deadline.

Total	15	15	61	61	182	182

Ad hoc data requests

The tables below present information on ad hoc data requests made by the PRA to regulated firms in the 2024/25 financial year and the comparison with the year before.[68] These are requests that fall outside of the scope of regular reporting. The tables below present, for different types of regulated firms, the total number of requests, their split by nature of request, and the approximate timings given to respond.

Table 16: Total number of ad hoc requests for the 2024/25 financial year and 2023/24 financial year[69]

Type of firm	Total number of requests	
	2024/25	2023/24
Deposit-Takers	84	73
Insurers	11	15
Both	2	4
Totals	97	92

[68] The ad hoc data request figures include all requests made by the PRA, excluding urgent requests made in response to market events or conditions, requests made to specific firms through day-to-day supervision, requests in relation to stress testing exercises and requests that are not directly for the PRA own purposes (eg FSB driven requests)

[69] The **first report** presented figures for 2023/24 ad-hoc data requests. The coverage of ad-hoc reporting has been broadened to also include some regular data collections made outside of PRA rulebook reporting. The numbers for 2023/24 have also been updated for ease of comparison. This explains why the total number of ad hoc requests for Deposit-Takers reported for 2023/24 has been adjusted to 73 from 24 reported last year. The figures reported last year for total number of requests for insurers was also adjusted from 12 (to 15) and therefore the total was adjusted from 40 (to 92).

Table 17: Ad hoc data requests broken down by nature of request for the 2024/25 financial year and 2023/24 financial year[70] [71] [72]

Type of firm	Policy		Banking Supervision		Insurance Supervision		Supervisory Risk		Financial Stability	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Deposit-Takers	17	12	62	54	0	0	17	18	4	2
Insurers	1	3	0	0	11	14	0	0	0	0
Both	0	2	2	2	2	3	1	3	0	1
Totals	18	17	64	56	13	17	18	21	4	3

[70] The legal power under which these requests are collected is not necessarily related to the main responsibilities of the area that the request is relevant to. For instance, a request initiated by Supervision might also be relevant for financial stability, which is assessed by the Bank's Financial Stability Strategy and Risk Directorate (FSSR). For this reason, individual ad hoc data requests may be relevant to multiple areas, so the aggregate figures may be greater than those shown in table 16.

[71] This data includes a small number of ad hoc data collections that have been approved to occur more than once during the time period under consideration. As a result, for those specific collections occurring on multiple relevant occasions, the date used relates to the first of these multiple submission dates only.

[72] The **first report** presented figures for 2023/24 ad-hoc data requests. The coverage of ad-hoc reporting has been broadened to also include some regular data collections made outside of PRA rulebook reporting. The numbers for 2023/24 have also been updated for ease of comparison. The figures for total ad hoc requests reported in the first report for 2023/24 were the following: 9 (Deposit-takers), 3 (Insurers) and 1 (both) for Policy; 21 (Deposit-takers), 0 (Insurers) and 1 (both) for Banking Supervision; 0 (Deposit-takers), 11 (Insurers) and 1 (both) for Insurance Supervision, 6 (Deposit-takers), 0 (Insurers) and 2 (both) for Supervisory Risk, and 2 (Deposit takers), 0 (Insurers) and 0 (both) for Financial Stability.

Table 18: Requests broken down by time given to firms to respond to a request for the 2024/25 financial year and 2023/24 financial year[73 74 75]

Type of firm	<4 weeks		4-7 weeks		8 weeks or more		Weighted Average (weeks)[76]	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Deposit-Takers	27	30	34	23	23	20	6.1	3.7
Insurers	4	2	5	9	2	4	5.4	7.2
Both	0	0	1	1	1	3	8.5	5.5
Total	31	32	40	33	26	27	6.1	4.3

[73]The weighted average is calculated by weighting the average time given to respond to requests by the number of requests with the same deadline. Numbers are rounded to the nearest integer.

[74] The **first report** presented figures for 2023/24 ad-hoc data requests. The coverage of ad-hoc reporting has been broadened to also include some regular data collections made outside of PRA rulebook reporting. Moreover, for ease of comparison between data for the Bank/PRA and the FCA, the information displayed in this table is now using comparable time periods to the equivalent FCA data, which are different from the ones used last year. The figures for requests for Deposit Takers for 2023/24 reported in the first report were the following: 5 for <4 weeks, 9 for 4-7 weeks, 9 for 2-6 months and 1 for >6 months. The weighted average for Deposit Takers was reported as 9 weeks. The figures for requests for Insurers for 2023/24 reported in the first report were the following: 2 for <4 weeks, 7 for 4-7 weeks, 3 for 2-6 months and 0 for >6 months. The weighted average for Insurers was reported as 8 weeks for Insurers. The figures requests to both firm types for 2023/24 were reported as the following: 0 for <4 weeks, 1 for 4-7 weeks, 3 for 2-6 months and 0 for >6 months. The weighted average for both was reported as 14 weeks.

[75] Within this data on ad hoc requests, there are some requests where the date firms submit information depends on the supervisory cycle for each firm (i.e. it is defined on a firm-by-firm basis). For the purposes of this MI, the above table uses the date of the first submission of any of the firms for these collections.

[76] To produce a more accurate weighted average in this year's report, the exact number of days given to respond to each request has been used to calculate the weighted average, instead of the mid-point of each time-bucket which was used in the method last year.

Effective stakeholder engagement with firms

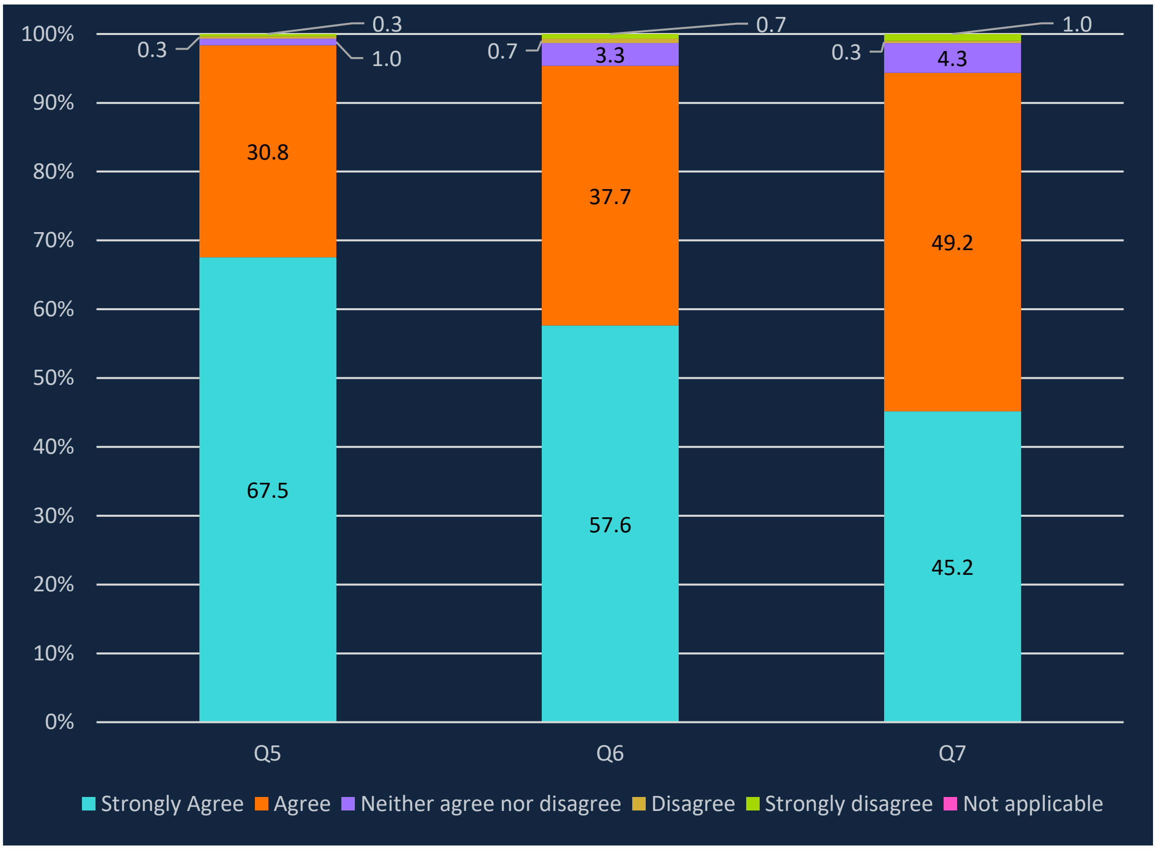
Satisfaction of firms based on interactions with the regulators

The results from the 2024 annual firm feedback survey (mentioned previously) also includes questions that are helpful to understand the satisfaction of firms based on interactions with the regulators.

Figure 4 presents the results to the following survey questions:

- Question 5: ‘My firm has an effective relationship with the PRA’.
- Question 6: ‘My firm has adequate access to the right people at the PRA’.
- Question 7: ‘Communication from PRA supervisors is clear, timely and appropriate for my firm’.

Figure 4: Responses to Q5, Q6, Q7 of the 2024 PRA firm feedback survey



The PRA aims to have firms broadly satisfied with their interactions with the PRA. The results show that:

- 98.3% of respondents either agreed, or strongly agreed, that their firm has an effective relationship with the PRA. This is up significantly from 94.2% in 2023.
- 95.3% of respondents either agreed, or strongly agreed, that their firm has adequate access to the right people at the PRA. This is up from 93.5% in 2023.
- 94.4% of respondents either agreed, or strongly agreed, that communication from PRA supervisors is clear, timely and appropriate for their firm. This is up from 90.2% in 2023.

Foundation 3 – Taking a responsive and responsibly open approach to UK risks and opportunities

Metrics under foundation 3 measure the extent to which the PRA facilitates innovation, and its responsible openness.

Innovation

Regulatory initiatives that are designed to facilitate innovation

The PRA prudential framework aims to facilitate safe innovation. The PRA considers that not all financial innovation is beneficial. Some of the complex products developed in the run-up to the 2007/08 financial crisis are an example of the instances where financial innovation has been harmful to the UK's financial stability. However, safe innovation is an important driver for productivity improvements. This type of innovation must be industry-led and cannot be driven by regulators alone. But the PRA will seek to create a regulatory environment that stimulates and supports innovation and is responsive to the specifics of the UK environment.[77]

The PRA has published a consultation paper for policy initiative designed to facilitate innovation in 2024/25. In April the PRA published CP7/25 – **Matching Adjustment Investment Accelerator** (MAIA). The MAIA would allow permitted insurers to include a limited exposure to assets in their Matching Adjustment (MA) portfolios on a self-certification basis, before receiving regulatory permission for those asset features. This will enable insurers to invest more quickly in new asset features including productive assets.

The PRA has also consulted on proposed changes to the UK Insurance Special Purpose Vehicle (UK ISPV) regulatory framework. These changes will support and facilitate innovation in the Insurance Linked Securities (ILS) market by introducing a new accelerated pathway for certain UK ISPV applications (eg some types of catastrophe bonds, a form of ILS) which meet the criteria set out in CP15/24 – **Proposed changes to the UK Insurance Special Purpose Vehicles (UK ISPV) regulatory framework**. Additionally, the proposals intend to make it easier for a wider range of global market practices to be undertaken in the UK while also streamlining and speeding up the standard application and approval processes, making authorisation of UK ISPV's faster and easier. These proposals enhance the safety and soundness of the insurance sector by making more diversified reinsurance capital available while also furthering the PRA's secondary competitiveness and growth objective by making authorisation of UK ISPV's faster and easier.

[77] Please refer to **Victoria Saporta's speech on competitiveness and growth**, from September 2023.

Additionally, the PRA has taken forward two initiatives to engage with industry over innovations shaping growth and competitiveness in the financial services industry with:

- **PRA Innovation Week 2024** – A multi-day innovation-focussed event for PRA colleagues to support learning and increase awareness about the impact of technological advances and initiatives across the financial sector.
- **PRA Pilot roundtable on innovation** – The PRA hosted a pilot **roundtable** on innovation with PRA-regulated banks, insurers, and wider stakeholders.

The PRA has also supported the work of other areas of the Bank of England on:

- A **joint survey** with the Financial Conduct Authority of artificial intelligence and machine learning in UK financial services.
- A **discussion paper** on the Bank's approach to innovation in money and payments.
- The establishing of an **Artificial Intelligence Consortium** which will act as a platform for public-private engagement to gather input from stakeholders on the capabilities, development and use of AI in UK financial services. With the aim of identifying how AI could be used in financial services.

Responsible openness

UK banks' exposure to foreign jurisdictions

One of the pillars of the PRA's responsibly open approach is hosting cross-border business in the UK, provided that it is resilient and appropriately controlled and governed, and that the PRA has sufficient visibility of and influence over the necessary supervisory outcomes.[78] Responsible openness is essential to the UK's success because it is one of the world's most connected financial centres.[79] In a speech in May 2024, Managing Director of the IMF, Kristalina Georgieva, **assessed** that the UK's financial stability is a 'global public good'. This underlines the PRA's duty to safeguard it.

The **Bankstats tables** datasets provide detailed breakdowns of data published in the Bank's statistical releases, alongside other statistics the Bank compiles. Table B1.4 provides datasets on monetary financial institutions' (excluding central bank) balance sheets. Using these, the PRA calculated the exposure of UK banks' assets and

[78] Please refer to **David Bailey's speech on responsible openness and the PRA's approach to supervising banks**, published in January 2021.

[79] Please refer to **Victoria Saporta's speech on the regulatory foundations of international competitiveness and growth**, published in February 2023.

liabilities to foreign jurisdictions, which can be used as a proxy for openness.

Table 19: UK banks' exposure to foreign jurisdictions in 2024 and 2023

	Annual average (%)	
	2024	2023
Percentage of UK banks' total assets that are held by non-UK households, businesses, and other monetary and financial institutions. [80]	47.0	45.9
Percentage of total liabilities held by UK banks that are from non-UK households, non-UK businesses and other non-UK MFIs.[81]	39.4	38.8

[80] This figure represents the 2024 (and 2023) yearly average of amounts outstanding of UK resident monetary financial institutions' (excl. Central Bank) total sterling and foreign-currency assets held by non-residents (**B3XO**, **B3GP**, **B3JP**, **B3MP**, **B3PP**, **B3TP**, **B2UH**, **B3JQ**, **B3PQ**) as a proportion of 2024 (and 2023) yearly average of amounts outstanding of UK resident monetary financial institutions' (excl. Central Bank) sterling and all foreign-currency assets total (**B3UQ**).

[81] This figure represents the 2024 (and 2023) yearly average of amounts outstanding of UK resident monetary financial institutions' (excl. Central Bank) total sterling and foreign-currency liabilities with non-residents (**B30M**, **B3TM**, **B3WM**, **B3NN**, **B3RN**), as a proportion of 2024 (and 2023) yearly average of amounts outstanding of UK resident monetary financial institutions' (excl. Central Bank) sterling and all foreign-currency liabilities total (**B3ZN**).