

Reducing the regulatory burden to support growth and competitiveness

Which changes matter most?

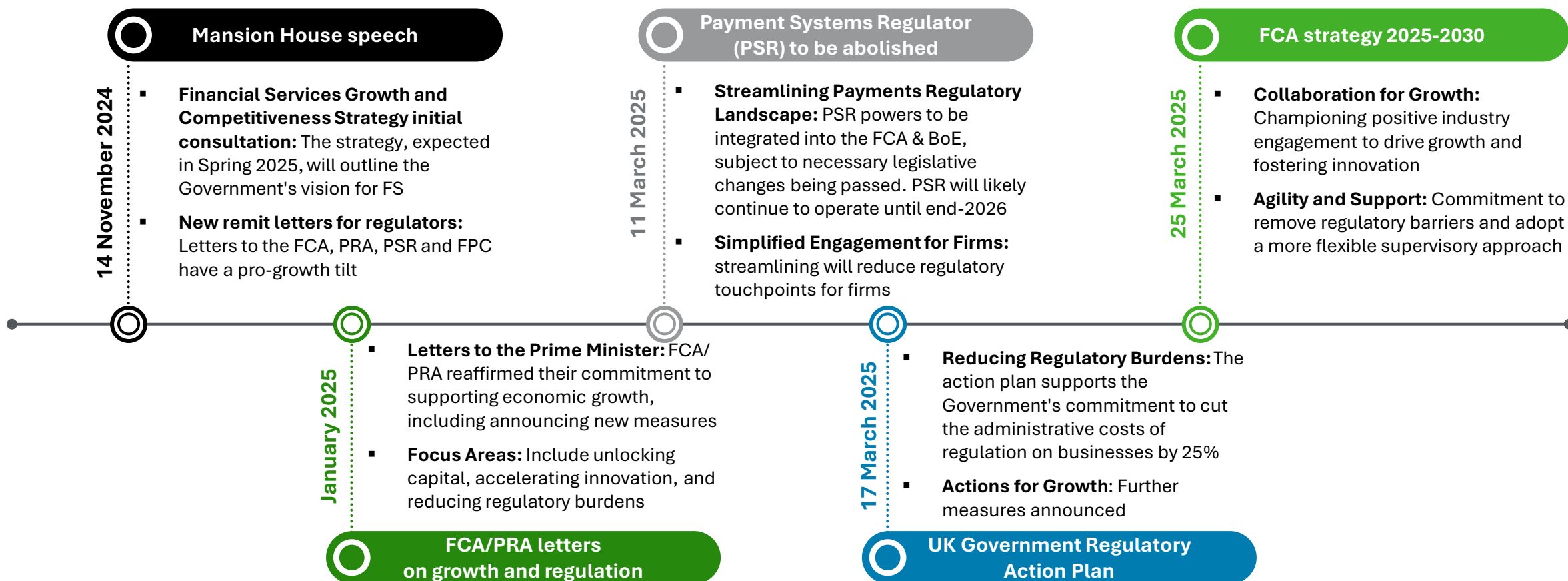
Simon Brennan | Seventh Brunel Banking Conference, 20 June 2025

The views expressed are solely those of the author.

The UK's growth and competitiveness agenda

Selected key policy milestones since the Chancellor's 2024 Mansion House speech

- **Sprawling collection of diverse initiatives:** The FS strategy will be key to unifying and aligning the diverse initiatives announced at Mansion House and subsequently with the Government's 10-year transformation roadmap for the sector.
- **Long-term impact:** Many initiatives remain in early stage of development, with significant policy development expected in 2025. Full effects of some key changes (e.g. pension reforms) only unfolding towards 2030.



Can regulation ‘move the dial’ on growth?

Channels identified by regulators and factors influencing growth



Transmission channels through which the PRA can facilitate competitiveness and growth

Capital allocation

Ability to sell

Ability to attract

Source: [Competitiveness and growth: Embedding the Prudential Regulatory Authority's new secondary objective](#)



Seven drivers of productivity’ framework

Speed & efficiency of decision making

Proportionate regulation

Trust and reputation

Innovation

Effective competition

Market stability

International markets

Source: [Secondary International Competitiveness and Growth Objective report 2023/24](#)

Factors influencing growth

Regulatory influence

Domestic political certainty

Re-election prospects, consistency of government agenda

Low

Govt. fiscal position

Government fiscal capacity/borrowing costs

Low

Direct/indirect impact of external geopolitical developments

e.g. Tariffs, market uncertainty, risk aversion, supply chain/commodity price disruption, security concerns

Low

Structural domestic barriers to growth e.g.

Demographics, productivity, innovation

Low/Medium

Actual impact of regulation on firms’ risk appetite/strategic decisions

Regulatory drivers vs competing priorities

Medium

Financial stability

Impact of regulatory changes on firm resilience and capacity to supply finance to real economy

High

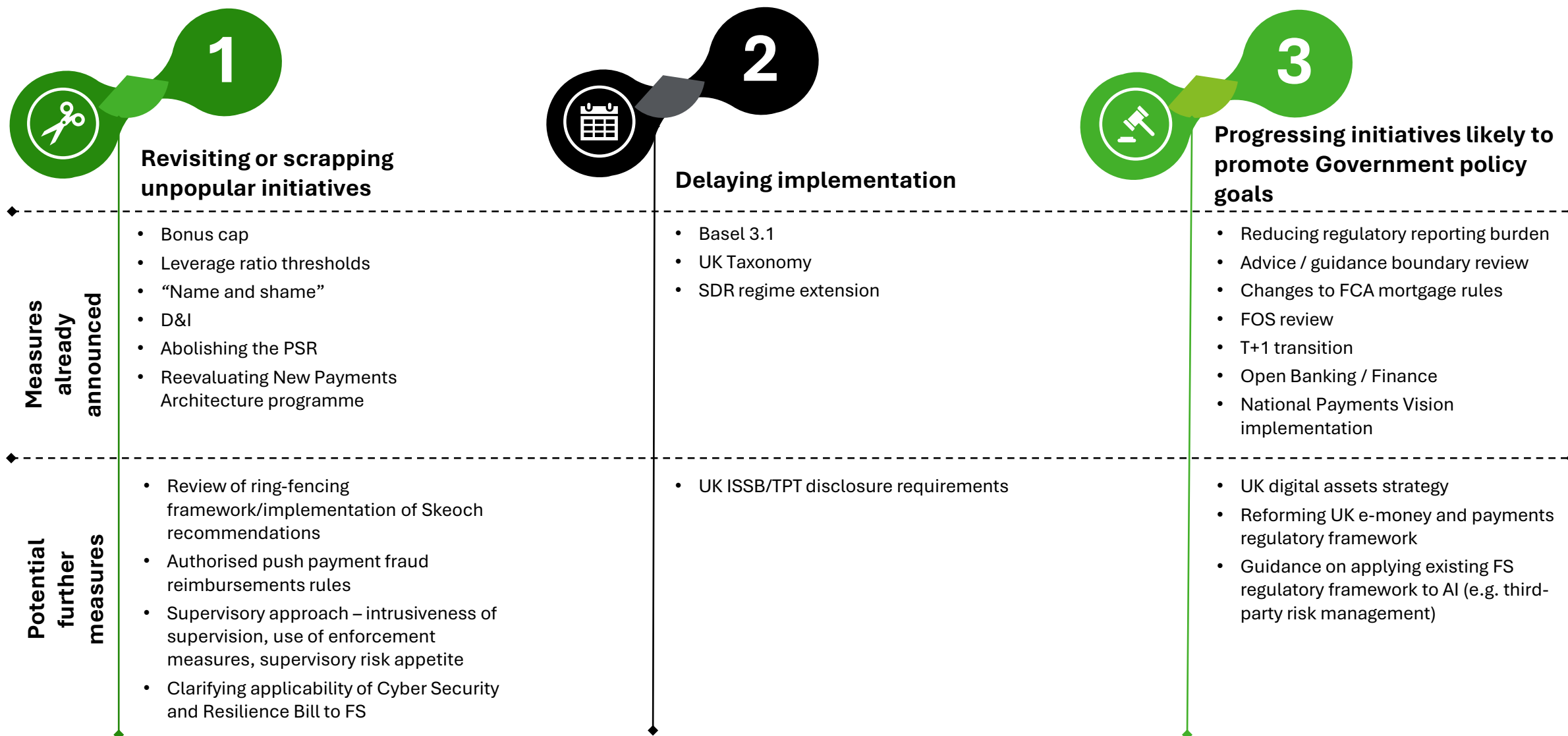
Practical challenges associated with regulation

Ongoing/consequent burden of regulatory change/divergence, time lag of impact

High

The UK's growth and competitiveness agenda

What's next for the UK regulatory agenda? Selected examples relevant to banking and payments



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PRA secondary objective

Under FSMA 2023, the PRA's primary objective (ensuring the safety and soundness of banks and insurers) and original secondary objective (to facilitate competition), were supplemented with a new secondary objective on competitiveness and growth:

- When discharging its **general functions** in a way that **advances its objectives** ... the PRA must, **so far as reasonably possible**, act in a way that advances the competitiveness and growth objective.
- That is: **facilitating, subject to aligning with relevant international standards** –
 - (a) the **international competitiveness of the economy of the United Kingdom** (including, in particular, the financial services sector through the contribution of PRA-authorised persons), and
 - (b) **its growth in the medium to long term.**

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PRA response

“At the outset of delivering our new objective the PRA team has quite sensibly asked: how do we actually affect competitiveness and growth? The first and most obvious point is that **we impact economic growth by maintaining financial stability**. The 2008 crisis remains the biggest growth-destroying event in recent economic history, and **avoiding a repeat of that is by far the most important contribution we can make to growth.**”

“But beyond maintaining stability, we can have **other (relatively smaller but still important) impacts on economic growth**. We think this happens primarily in three ways:

- we affect the **allocation of capital in the economy**;
- we affect how well UK financial services firms are **equipped to compete overseas**; and
- we affect how **attractive the UK is as a location** for financial services firms from other countries.”

The PRA has set out three regulatory foundations which represent the main areas of direct action that the PRA can take to activate the three transmission channels:

- Foundation 1 – **Maintaining trust** among domestic and foreign firms **in the PRA and UK prudential framework**.
- Foundation 2 – **Adopting effective regulatory processes and engagement**. The operational costs of doing business in a jurisdiction affect the competitiveness of an economy
- Foundation 3 – Taking a **responsive and responsibly open approach to UK risks** and opportunities.

‘Competing for growth’, speech by Sam Woods, Given at the Annual City Banquet, Mansion House, 17 October 2024. <https://www.bankofengland.co.uk/speech/2024/october/sam-woods-speech-at-annual-city-banquet-at-mansion-house>

‘Competitiveness and growth: embedding the PRA’s new secondary objective’, Bank of England, 30 July 2024. <https://www.bankofengland.co.uk/prudential-regulation/publication/2024/july/pru-secondary-competitiveness-and-growth-objectives-report-2023-24>.

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Some other opinions

“In short, the regulatory reform effort is an unfocused, complex mess, both in design and implementation. Some regulations end up as wasteful charades – the pretence of action; the illusion of science; a false sense of safety; overly optimistic assessments of progress and counter productive distortions.”

‘Making financial regulation work for society’, **INET**, 6 May 2015. ([Link](#))

“One of the clearest manifestations of [the burden of regulation] is the high associated administrative costs for businesses arising from activities such as filling out forms or from overly onerous and disproportionate reporting requirements.”

“Whilst each regulatory intervention has been rationalised in its own terms, the unintended consequences of the cumulative effects have not been properly analysed.”

‘Policy paper: new approach to ensure regulators and regulation support growth’, **HMT / UK Government**, 31 May 2025. ([Link](#))

“Simplification without deregulation requires strong guardrails. Simplification means maintaining resilience with a more effective and efficient supervisory and regulatory framework; deregulation means weakening regulation and supervision at the expense of resilience. In practice though, it can be difficult to draw a clear line between simplification and deregulation.”

“[...] There is no trade-off between growth and resilience. [...] The reform agenda should enhance efficiency and effectiveness. We can improve the system and make it less complex. “

‘Simplification without deregulation: European supervision, regulation and reporting in a changing environment’, Speech by Claudia Buch, Chair of the Supervisory Board of the **ECB**, 11 June 2025. ([Link](#))

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What issues might there be left to address?

- The PRA has thought hard then about how prudential regulation and supervision might impact growth and competitiveness.
- Across several papers, speeches and policy notes the PRA highlights a number of streams of work underway in addition to the action it has already taken.
- Is anything missing from the debate?

Reflecting on the lived experience of regulatory change, some areas to think about

- Excessive or poorly designed regulation can stifle growth. But what is the strategy for preventing it?
- Societal risk appetite sits at the heart of policy design. Does societal risk appetite need to be recalibrated? What would that actually look like - in theory or in practice?
- Financial services regulation is applied within a system. How does a systems view change our perspective on optimal policy design or calibration?
- People sit at the heart of regulatory implementation – at banks and at the supervisor. Are the human trade-offs adequately considered in the strategy for designing and implementing new policies?
- Are there simpler, more straightforward regulations that could be adopted?

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

“As for “safetyism”, I recognise that there is a broader debate to be had about risk appetite in society, and whether we can rely more on caveat emptor especially in wholesale markets. But honestly if Parliament puts the word “safety” into our primary objectives, then you should expect us to be proud growth-oriented safetyists!” –

Sam Woods, Mansion House speech, 2024

“[I]f we don’t have a zero-failure regime, what do we have? A one-failure regime? A ten-failure regime? Our measure of success is of course not the number of failures: we are ultimately in the business of maintaining financial stability“ ... “While we don’t have a zero-failure regime for individual firms, we do have zero appetite for systemic financial crises.”

Sam Woods, Mansion House speech, 2023

Societal risk appetite

- PRA does not own societal risk appetite.
- But there is tension between growth and societal risk appetite, which affects (amongst other things) the regulatory framework

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Societal risk appetite framework

- Since the financial crisis, there has been a lower tolerance for risks that could have widespread societal consequences. But notwithstanding that, other elements of the Societal Risk Appetite framework are changing.

