

Response to request from APPG on Challenger Banks and Building Societies in relation to the post-Brexit regulatory landscape.

Tim Bowen, Chief Executive, Penrith Building Society.

How has the regulatory landscape changed post Brexit?

There is certainly now an opportunity for a more proportionate approach with regards to the regulatory framework within the United Kingdom for financial institutions. I am aware that the regulators and the government are already working towards this and there have been some very encouraging messages delivered in the interim, particularly Sam Woods speech that related to a 'Strong and Simple' approach to regulation. Whilst there has understandably, been little change to the regulatory framework and landscape to this point, it is extremely heartening to see that there appears to be an appetite to make some positive change. Post 2008, the strengthening of frameworks and the regulatory approach was essential, and this remains the case, however, the recent pandemic has demonstrated the resilience of financial institutions in the UK, even small Building Societies and for me, that is a direct result of the post 2008 implementation and tighter regulation regarding areas such as stress testing and capital requirements.

The benefits to a smaller Building Society would certainly centre around-

- the potential removal of certain regulatory areas that are without doubt a barrier to controlled growth.
- Better use of the limited resource within the supervisory teams which could be refocused on the management and mitigation of the more prominent and emerging risks.
- Proportional approaches to reporting based on a firm's size would also bring benefit to the regulators in gaining increased clarity on a firm position as well as cost benefit to the firm which could, in turn, have the potential to provide increased competition within the market and better outcomes for the consumer.

In relation to policies that could be reviewed in relation to a more proportionate approach to regulation, these would include the Capital Requirements Directive V (CRD V), Supervisory Review and Evaluation Process and Governance.

To summarise, it is absolutely in the UK's interest to diverge from the EU rules. A proportionate approach to regulation that scales based on the size of the business would be both helpful to non-systemic Banks and Building Societies and certainly support further controlled growth. In turn, this could only provide more competition within the marketplace, providing better outcomes for the consumer and would be welcomed by smaller institutions such as the Penrith.

Tim Bowen, 28/4/2021.