



Treasury Committee

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Mr Sam Woods
Deputy Governor for Prudential Regulation
Bank of England
Threadneedle Street
London EC2R 8AH

24th July 2017

Dear Mr Woods

On 7 April 2017, you wrote to PRA-regulated firms undertaking cross-border activities between the UK and the rest of the European Union (EU). You requested, by 14 July 2017, a summary of their contingency plans for the UK's exit from the EU, and assurances that those plans covered the "most adverse potential outcomes", in which the UK leaves the EU with no agreement on the future framework for cross-border financial services provision, and no transitional arrangements to mitigate a sudden loss of market access (a situation I describe henceforth as a "no deal scenario").

In preparation for the formation of the Treasury Committee, which may wish to consider the implications of exiting the EU for financial services, I would be grateful for some details on the outcome of this exercise. In particular, and without disclosing any firm-specific information, I would be grateful to know:-

- whether all firms within the scope of your inquiry have now responded to your request
- your assessment of the preparedness of firms for a no deal scenario, in which the UK leaves, and whether firms that are underprepared share common characteristics
- the nature and timing of the actions firms will take as the risk of a no deal scenario rises, and whether firms have identified common trigger points that precipitate such action
- how the nature and timing of actions firms will take under a "no deal" scenario varies by the nature of the business they conduct (e.g. banking versus insurance), and the type of legal entity (e.g. UK-headquartered bank versus a subsidiary of a US bank).
- whether you consider that the PRA currently has the capacity to directly authorise and supervise all those firms currently providing services in the UK under passporting arrangements



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- whether the collective execution of 'no deal' contingency plans poses a material risk to the PRA's objectives, and to financial stability more generally, and whether firms are waiting for competitors to execute their contingency plans before activating theirs

- taking into account the results of this exercise, your views on the desirability and design of transitional arrangements, including a bridging period between the end of the Article 50 negotiations, and the entry into force of an agreement on a new UK-EU economic relationship

I would be grateful for a response by Wednesday 2 August. I will be putting this letter, and in due course your response, into the public domain.

Yours sincerely

The Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee