

## Financial Services Bill Committee Evidence

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### Executive Summary

The Building Societies Association (BSA) broadly supports the approach taken in the Financial Services Bill 2020 as regards to post-Brexit financial regulation. It is far preferable for the detail of prudential requirements to be set out in PRA rules made under the Financial Services and Markets Act 2000 (FSMA) rather than primary or secondary legislation. This means the onshored EU legislation such as the Capital Requirements Regulation (CRR) needs to be gradually repealed and replaced. We see this as a first step in the direction set out in the Treasury's Future Regulatory Framework Review Phase II – which the BSA also strongly supports.

The BSA supports the Bill's approach because it is both right in principle, and workable in practice, from the starting point of having onshored the EU acquis largely unchanged. We have consistently [advocated](#) a return to an updated FSMA model, for making both prudential and conduct rules for the UK in future.

### Clause 5: Prudential regulation of credit institutions etc. by PRA

We have one specific comment in this area. Firstly, we welcome and support the aspiration set out by the Chancellor on 9 November that the UK's future regulatory approach to financial services should be tailored for UK markets. The Bill proposes carving out non-systemic investment firms from CRR and regulating them with a new Investment Firms Prudential Regime.

Corresponding moves are likely to be needed for smaller, simpler deposit-takers too – as highlighted in last week's speech by Deputy Governor and PRA CEO Sam Woods ([Strong and simple](#)). The BSA strongly supports this direction of travel from the PRA, and it will necessitate more carving out from the full requirements of Basel 3 and 4, which have so far been implemented by the CRR. The EU made a policy choice on "single market" grounds that all EU credit institutions should be subject (via CRR and its predecessors) to the same Basel-derived requirements that were designed and intended for large, internationally active banks. The UK now has the opportunity to amend this, and move to a strong and simple regime for small, simple domestic deposit-takers, like many building societies. A small, simple regime is already in operation for credit unions.

It therefore seems unusual that the Bill is silent on the parallel question of carving out smaller, simpler deposit-takers. This suggests that CRR and Basel standards generally will continue to apply to small simple deposit takers as well as to major international banks. This is unhelpful and could prove problematic to change later on. The BSA calls for a targeted amendment to establish that repeals of CRR content may go further for small, simple deposit takers, and that the making of PRA rules (for such firms) that will supersede the repealed CRR content need not be based on Basel standards as the Bill currently implies.

### About the Building Societies Association

We represent all 43 of the UK's building societies and six of the larger credit unions. As customer-owned businesses, they have a social purpose to help consumers save and get onto the property ladder. Over 25 million people belong to a building society. The sector provides 23% of all outstanding mortgages and 18% of cash savings balances.