



Treasury Committee

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Rt Hon Philip Hammond MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

27 January 2017

Dear Chancellor,

European Commission – Prudential reform proposals

In response to my request for an assessment of the European Commission's recent regulatory reform proposals, Sam Woods has replied with the attached letter. This expresses a number of concerns about several aspects of the Commission's proposals.

Parts of these look as illogical as they are unreasonable. There are plans to force some banks set up intermediate holding companies within the EU. One interpretation, albeit possibly uncharitable, would be that this is nothing more than retaliation against the United States, which has already taken similar action.

It is also of concern that the Commission currently intends to include a number of exemptions in the leverage ratio, without adequate explanation. This is imprudent. It would undermine the leverage ratio's effectiveness as a check on excessive risk-taking.

I would be grateful to know if it is the Government's intention to resist the implementation of these proposals. I would be grateful if you could explain whether the Treasury agrees with the PRA's assessment of the Commission's proposals, particularly with respect to intermediate holding companies and the leverage ratio.

I will be placing this letter and your response in the public domain.

RT HON ANDREW TYRIE MP
CHAIRMAN OF THE TREASURY COMMITTEE