

# Bank of England PRA

Dame Meg Hillier MP  
Chair, Treasury Committee  
House of Commons  
London  
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**Sam Woods**

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Dear Dame Meg,

I am writing to update you on the Prudential Regulation Authority's work on diversity and inclusion, alongside Nikhil Rathi who is writing to you on behalf of the Financial Conduct Authority. The Committee's Sexism and the City report commented on our proposals in this area and also on an aspect of the removal of the bankers' bonus cap, so I am providing a brief update on the bonus cap as well.

## **Diversity and inclusion**

In September 2023, we jointly consulted with the FCA on proposals aimed at boosting diversity and inclusion in financial services. Since then we have carefully considered the broad range of feedback received, including that from the Committee.

We continue to think that an appropriate focus on diversity and inclusion in the culture of the firms we regulate can deliver improved internal governance, decision-making and risk management, and that this can support both safety and soundness – through reduced risk of group-think – and the competitiveness of UK financial services over the medium- to long-term.

We also acknowledge that in the last Parliament, the Committee stated that regulators have a role to play in this area, and many respondents to our consultation agreed. However, the Committee also expressed strong reservations about the reporting aspects of our proposals, and more widely we note that there is now an active



legislative agenda in this area, including on gender action plans and disability and ethnicity pay gap reporting.

Many of those who responded to our consultation wanted us to align our regulatory approach with related initiatives, to avoid duplication and unnecessary costs. There is also a growing emphasis in our work on reducing regulatory burdens on firms while still delivering our objectives, and adding significant new requirements in this area could be seen as in tension with that approach. Given this, we do not currently plan to publish new rules on diversity and inclusion, and do not intend to return to this question until after the substantive implementation of any new legislation in this area. In the meantime, we will continue to support voluntary industry initiatives and will remain alert to the risks of group-think within firms using our existing supervisory approaches on management, governance, risk management and controls.

The FCA has also considered this and reached the same conclusion, as Nikhil is setting out in his letter to you.

### **Review of the removal of the bonus cap**

As set out in our response to the Committee's Sexism and the City report, we remain committed to working with the FCA to review the impact of removing the bonus cap on gender pay inequality. Given the time it will take for firms to make changes to their remuneration policies, this work is likely to begin in the 2026/27 financial year.

Yours sincerely



Sam Woods  
**Deputy Governor and CEO, Prudential Regulation Authority**