

PRA RULEBOOK: FINANCIAL SERVICES COMPENSATION SCHEME INSTRUMENT 2022**Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (the PRA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 213 (the Compensation Scheme); and
 - (4) section 214 (General);
 - (5) section 223 (Management expenses); and
 - (6) paragraph 31 (Fees) of Schedule 1ZB (The Prudential Regulation Authority).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Financial Services Compensation Scheme Instrument 2022

- D. The PRA makes the rules in Annexes to this instrument.

Part	Annex
Depositor Protection	A
Dormant Account Scheme	B
FSCS Management Expenses Levy Limit and Base Costs	C
Management Expenses in Respect of Relevant Schemes	D
Fees	E
Notifications	F

Commencement

- E. This instrument comes into force on XX November 2022.

Citation

- F. This instrument may be cited as the PRA Rulebook: Financial Services Compensation Scheme Instrument 2022.

By order of the Prudential Regulation Committee

[DATE]

Annex A

Amendments to the Depositor Protection Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.4 ...

~~class~~

has the meaning given in the Dormant Account Scheme Part.

...

~~continuity of access systems~~

means a firm's systems for satisfying ~~13.4 to 13.9.~~

...

~~DAS compensation scheme~~

has the meaning given in the Dormant Account Scheme Part.

~~DAS specific costs~~

has the meaning given in the Dormant Account Scheme Part.

...

~~transferable eligible deposit~~

means the portion of an ~~eligible deposit~~ up to an including the coverage level provided for in 4.2, identified in accordance with Chapter ~~13 and 12.9.~~

...

12 SINGLE CUSTOMER VIEW REQUIREMENTS

...

12.9 A firm must ensure that each *single customer view* and *exclusions view* contains all the information set out in the table below.

	Field Identifier	Field Descriptor	Notes
	...		
Details of accounts(s)			
	...		
48	Transferable eligible deposit <u>Field 48</u>	If the file is a single customer view , the amount of the transferable eligible deposit [if applicable]. [Deleted.]	Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to two decimal places.

			Maximum number of characters in field: 15 This is a legacy field retained as a placeholder.
	...		

...

13 BANK RECOVERY AND RESOLUTION MARKING AND CONTINUITY OF ACCESS

...

13.4 A firm must ensure that its SCV system:

- (3) automatically identifies the transferable eligible deposit for each depositor, including the account or accounts in which the transferable eligible deposit is held, and
- (4) automatically identifies any account held by a depositor which contains both the transferable eligible deposit (or a portion of the transferable eligible deposit) and also other deposits of the depositor which do not form part of the transferable eligible deposit. [Deleted.]

13.5 A firm must identify the transferable eligible deposit for each depositor by applying the amount of the maximum payment for an eligible deposit to the accounts included in the single customer view in accordance with the hierarchy set out in the table below:

1—	Instant Access Accounts (including current accounts)
2—	ISAs
3—	Notice accounts
4—	Fixed term deposits with a term of less than one year
5—	Fixed term deposits with a term of one year or more but less than two years
6—	Fixed term deposits with a term of two years or more but less than four years
7—	Fixed term deposits with a term of four years or more
8—	Other

[Deleted.]

13.6 A firm must have systems in place that enable it to transfer any:

- (1) eligible deposits which do not form part of the transferable eligible deposits; and
- (2) negative balances in accounts that may also hold eligible deposits, into a separate account. [Deleted.]

13.7 A firm must transfer any:

- (1) eligible deposits which do not form part of the transferable eligible deposits; and
- (2) negative balances in accounts that may also hold eligible deposits, into a separate account within 48 hours of the transferable eligible deposits becoming unavailable deposits, or upon receipt of a request of the PRA. [Deleted.]

13.8 ~~A firm must have systems in place which enables it to freeze any account which is not marked in accordance with 11.1 and any account included in an exclusions view within 5 hours of the transferable eligible deposits becoming unavailable deposits, or on a request of the PRA.~~~~[Deleted.]~~

...

15 MARKING AND CONTINUITY OF ACCESS REPORTING

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15.2 A firm must provide the PRA with a report on its systems to comply with 11.1 and 11.2 ~~and its continuity of access systems~~ within three months of receiving a Part 4A permission to accept deposits.

15.3 A firm must notify the ~~PRA~~PRA and ~~FSCS~~FSCS of a material change in the firm's systems to comply with 11.1 and 11.2 ~~and its continuity of access systems~~ within 3 ~~months~~months of the change.

15.4 The notification in 15.3 must be accompanied by a statement signed on behalf of the firm's governing body confirming that the firm's systems to comply with 11.1 and 11.2 ~~and its continuity of access systems~~ satisfy the requirements in 11.1, 11.2, 11.8 and 13.4 to 13.9.

...

15.7 The report that a firm provides under 15.2 must contain:

(1) a description of:

- (a) the firm's systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~ and how those systems have been implemented;
- (b) the testing undertaken with respect to its systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~;
- (c) the firm's plan for the ongoing maintenance of its systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~;
- (d) how the firm's governing body will ensure that they remain satisfied that its systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~ continue to satisfy the requirements of 13.4 to 13.9;
- (e) any other factors relevant to the design of its systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~ or to an assessment of whether those systems satisfy the requirements of 13.4 to 13.9;
- (f) any dependencies in operating its systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~ (such as reliance on group systems);

(2) a statement signed on behalf of the firm's governing body confirming that the firm's systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~ satisfy the requirements of 13.4 to 13.9;

(3) a statement of whether the firm's systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~ have been reviewed by internal or external auditors, and, if so, a statement of the findings of that review; and

(4) a statement of whether there has been a material change to the firm's systems to comply with 11.1 and 11.2 ~~and continuity of access systems~~ since the date of the firm's previous report.

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33 FUNDING – FSCS’S POWER TO LEVY AND LIMITS ON LEVIES

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33.3 The maximum aggregate amount of *DGS compensation costs, legacy costs and DGS specific costs* for which the *FSCS* can levy *class A* in any one financial year of the *deposit guarantee scheme* is limited to £1,500,000,000 ~~less whatever *DAS compensation costs and DAS specific costs* the *FSCS* has imposed on *class J* in the same year.~~

...

Annex B

Amendments to the Dormant Account Scheme Part

This Part is deleted.

Part

DORMANT ACCOUNT SCHEME

This Part has been deleted in its entirety.

Annex C

Amendments to the FSCS Management Expenses Levy Limit and Base Costs Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATIONS AND DEFINITIONS

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- 1.4 ~~Unless otherwise defined, an italicised expression used in this Part and in the Dormant Account Scheme Part, has the same meaning as in the Dormant Account Scheme Part.~~[Deleted.]

2 LIMIT ON MANAGEMENT EXPENSES LEVIES

- 2.1 The total of all *management expenses levies* attributable to the period 1 April 2022 to 31 March 2023 of the *deposit guarantee scheme*, ~~the *dormant account scheme*~~ or the *policyholder protection scheme* may not exceed £110,473,324 less whatever *management expenses levies* the FSCS has imposed in accordance with *FCA compensation scheme rules* attributable to that period.

3 BASE COSTS

- 3.1 The FSCS must calculate a share of a *base costs levy* for a ~~*firm*, a *dormant account fund operator*~~ and, where applicable, the *Society* by:
- (1) identifying the *base costs* which the FSCS has incurred, or expects to incur, in the relevant financial year of the *compensation scheme* but has not yet levied and allocating 50% of those *base costs* as the sum to be levied on participants in *PRA classes*;
 - (2) calculating the amount of the *regulatory costs* of the ~~*firm* or *dormant fund operator*~~ (or, where applicable, the *Society*) as a proportion of the total *regulatory costs* of all *participant firms* (and, where applicable, the *Society*) for the relevant financial year; and
 - (3) applying the proportion calculated in (2), if any to the sum in (1).

Annex D

Amendments to the Management Expenses in Respect of Relevant Schemes Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATIONS AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

- (1) the *FSCS*;
- (2) a *firm*; and
- (3) ~~a dormant account fund operator~~; and [Deleted]
- (4) the *Society*.

1.2 In this Part, the following definitions shall apply:

MERS levy

means a levy imposed by the *FSCS* on a *firm*, ~~a dormant account fund operator~~ or, where applicable, the *Society*, to meet *relevant expenses* incurred by the *FSCS* in connection with acting on behalf of the *manager of the relevant scheme* in accordance with Part 15A of *FSMA*.

...

2 MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES LEVY

...

2.2 The *FSCS* may at any time impose a *MERS levy* on a *firm*, ~~a dormant account fund operator~~ or, where applicable, the *Society* provided that the *FSCS* has reasonable grounds for believing that the funds available to it to meet *relevant expenses* are, or will be insufficient, taking into account *relevant expenses* already incurred or expected to be incurred in the 12 *months* immediately following the date of the levy.

...

2.4 The *FSCS* must calculate a share of a *MERS levy* for a *firm*, ~~a dormant account fund operator~~ or, where applicable, the *Society*, on a reasonable basis.

3 OBLIGATION TO PAY

3.1 ~~A firm or a dormant account fund operator~~ (and, where applicable, the *Society*) must pay to the *FSCS* its share of each *MERS levy*.

4 PAYMENTS

4.1 ~~A firm or a dormant account provider~~ (and, where applicable, the *Society*) must pay its share of a *MERS levy* in one payment.

...

4.3 ~~A firm or a dormant account fund operator~~ (and, where applicable, the *Society*) must pay its share of a *MERS levy* by either direct debit, credit transfer (e.g. BACS or CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard/American Express only).

- 4.4 The *FSCS* may reduce, remit or refund any overpaid amounts paid in respect of a *MERS levy* in respect of a particular period, due to a mistake of law or fact by a *firm*, ~~a dormant account fund operator~~ or, where applicable, the *Society*, provided that the claim is made by the *firm*, ~~dormant account fund operator~~ or, where applicable, the *Society* not more than two years after the beginning of the period to which the overpayment relates.
- 4.5 If a *firm* ~~or a dormant account fund operator~~ (and, where applicable, the *Society*), does not pay the total amount of its share of a *MERS levy*, before the end of the date on which it is due, it must pay an additional amount as follows:
- (1) if the *MERS levy* was not paid in full before the end of the due date, an administrative fee of £250; and
 - (2) interest on any unpaid part of the *MERS levy* or administrative fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

Annex E

Amendments to the Fees Part

In this Annex new text is underlined and deleted text is struck through.

...

4 REGULATORY TRANSACTION FEES

...

4.5 Regulatory transaction fees for *applications* for *new authorisations* are payable in accordance with Table B:

(1) [Deleted.]

Table B – New authorisations	
Application type	£
...	
Complex: A1 <i>fee payer</i> (other than a <i>credit union</i>) seeking permission to accept deposits or operate dormant accounts A3 <i>fee payer</i> (other than a <i>friendly society</i> or <i>UK insurance special purpose vehicle</i>) A4 <i>fee payer</i> other than a <i>friendly society</i>	25,000.00

...

Annex F

Amendments to the Notifications Part

For this consultation, new text added to the rules is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 ...

~~dormant account fund operator~~

~~means a firm with permission for operating a dormant account fund.~~

...

~~operating a dormant account fund~~

~~means either of the regulated activities specified in Article 63N(1) of the Regulated Activities Order.~~

...

2 GENERAL NOTIFICATION REQUIREMENTS

...

2.3 A firm must give the PRA notice of:

(1) any proposed restructuring, reorganisation or business expansion which could have a significant impact on the firm's risk profile or resources, including, but not limited to:

...

(f) a substantial change or a series of changes in the governing body of an overseas firm;
or

(g) any proposed change which limits the liability of any of the members or partners of a firm such as a general partner becoming a limited partner or re-registration as a limited liability company of a company incorporated with unlimited liability; ~~or~~

(h) ~~in relation to a dormant account fund operator, notify the PRA when the operator intends to rely on a third party for the performance of operational functions which are critical or important for the performance of relevant services and activities in connection with operating a dormant account fund on a continuous and satisfactory basis;~~
[deleted.]

...