

**PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS AND NON-AUTHORISED PERSONS:
DEPOSITOR PROTECTION (BANK RESOLUTION (RECAPITALISATION)) INSTRUMENT 2025**

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);
 - (4) section 214 (General);
 - (5) section 214E (Recapitalisation payments); and
 - (6) section 218A (Regulators power to require information).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**PRA Rulebook: CRR Firms, Non CRR Firms and Non-Authorised Persons: Depositor Protection
(Bank Resolution (Recapitalisation)) Instrument 2025**

- C. The PRA makes the rules in the Annex to this instrument.

Commencement

- D. This instrument comes into force on 16 July 2025.

Citation

- E. This instrument may be cited as the PRA Rulebook: CRR Firms, Non CRR Firms and Non-Authorised Persons: Depositor Protection (Bank Resolution (Recapitalisation)) Instrument 2025.

By order of the Prudential Regulation Committee
15 July 2025

Annex

Amendments to the Depositor Protection Part

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

1 APPLICATION AND DEFINITIONS

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1.4 Unless otherwise stated, in this Part, the following definitions shall apply:

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class A2

means the class which consists of DGS members which are not credit unions.

...

DGS levy

means a DGS compensation costs levy or a DGS management expenses levy or a legacy costs levy.

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legacy costs

means the costs incurred prior to 3 July 2015 by the FSCS:

(1) in paying compensation; or

(2) under section 214B or section 214D of FSMA; or

(3) by virtue of section 61 of the Banking Act 2009;

(including the costs of paying interest, principal and other costs of borrowing to pay such costs).

legacy costs levy

means a levy imposed by the FSCS to meet legacy costs.

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recapitalisation payment

means a payment required to be made under s 214E FSMA.

recapitalisation payment levy

means a levy imposed by the FSCS on class A2 to meet the expense of a recapitalisation payment.

[Note: under s 214E(4) *FSMA*, expenses of the compensation scheme include recapitalisation payments]

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33 FUNDING - FSCS'S POWER TO LEVY AND LIMITS ON LEVIES

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33.2 The FSCS may, at any time, impose on *DGS members* a:

- (1) *DGS compensation costs levy*; or
- (2) *DGS management expenses levy*; ~~or~~
- (3) ~~*legacy costs levy*~~ [deleted]

33.2A If the FSCS is required by the Bank of England to make a recapitalisation payment it may impose a recapitalisation payment levy on class A2.

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* in respect of:

- (1) *DGS compensation costs and DGS specific costs for which the FSCS can levy class A;*
and
- (2) *recapitalisation payments for which the FSCS can levy class A2.*

is limited to £1,500,000,000.

...

34 FUNDING - DGS COMPENSATION COSTS LEVY

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34.4 ~~*DGS compensation cost levies imposed on DGS members to raise the available financial means of the deposit guarantee scheme must be based on the amount of covered deposits (excluding temporary high balances) and the FSCS's assessment of the degree of risk incurred by the respective DGS member.*~~ [Deleted]

[Note: Art. 13(1) of the *DGSD*]

34.5 The FSCS may decide that a *DGS member* must pay a minimum contribution under a *DGS compensation costs levy*, irrespective of the amount of its ~~*covered deposits*~~. [Deleted]

[Note: Art. 13(1) (fifth paragraph) of the *DGSD*]

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35 FUNDING - DGS MANAGEMENT EXPENSES LEVY

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- 35.3 The FSCS must apply any amount collected from a *DGS management expenses levy* to the payment of *management expenses* and, as such, must not treat such funds as ~~available financial means~~*available financial means* of the *deposit guarantee scheme* ~~or available to meet recapitalisation payments~~.

36 FUNDING - LEGACY COSTS LEVY ~~[DELETED]~~

- 36.1 ~~This Chapter applies only to the FSCS.~~~~[Deleted]~~
- 36.2 ~~The FSCS must not impose a legacy costs levy on Northern Ireland credit unions in respect of legacy costs incurred before 31 March 2012.~~~~[Deleted]~~
- 36.3 ~~The FSCS must apply any amount collected from a legacy costs levy to the payment of legacy costs and, as such, must not treat such funds as available financial means of the deposit guarantee scheme.~~~~[Deleted]~~
- 36.4 ~~The FSCS must allocate any legacy costs levy to DGS members subject to the levy limit for class A under 33.3.~~~~[Deleted]~~
- 36.5 ~~The FSCS must calculate each DGS member's share of a legacy costs levy by:~~
- ~~(1) identifying the legacy costs allocated to class A;~~
 - ~~(2) calculating the DGS member's class A tariff base as a proportion of the total class A tariff base of all DGS members (excluding Northern Ireland credit unions), using the statement of business most recently supplied;~~
 - ~~(3) applying the proportion calculated in (2) to the figure in (1).~~~~[Deleted]~~
- 36.6 ~~Legacy cost levies must be based on the amount of covered deposits (excluding temporary high balances) incurred by the respective DGS member.~~~~[Deleted]~~
- 36.7 ~~A firm which becomes a DGS member part way through a financial year of the deposit guarantee scheme will not be liable to pay a share of a legacy costs levy made in that year.~~~~[Deleted]~~
- 36.8 ~~41.5 applies to the calculation of a DGS member's legacy costs levy and its class A tariff base as it applies to the calculation of its DGS specific costs levy.~~~~[Deleted]~~

37 FUNDING - MANAGEMENT OF FUNDS LEVIED

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37.2 ...

~~[Note: Art. 10(7) of the DGSD]~~

- 37.3 The FSCS must hold any amount collected from a *DGS specific costs levy* ~~or, DGS compensation costs levy~~ ~~or legacy costs levy~~ to the credit of class A.
- 37.4 Interest earned by the FSCS in the management of funds held to the credit of class A must be credited to that class, and must be set off against the *DGS management expenses* ~~and, DGS compensation costs~~ ~~and legacy costs~~ allocated to that class.

...

37A FUNDING - MANAGEMENT OF RECOVERIES

37A.1 This Chapter applies only to the *FSCS*.

37A.2 Any recoveries made by the *FSCS* in relation to *DGS compensation costs* must be held to the credit of *class A*.

38 FUNDING - ADJUSTMENTS TO DGS LEVY SHARES

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38.4 The *FSCS* may adjust the calculation of a *DGS member's* share of any *DGS levy* to take proper account of:

...

(4) payments deferred under 46.2, the calculation of levies after an ~~acquisition of deposit business~~ assumption of liability under Chapter 39 ~~or Chapter 40~~, calculations under 41.6; or

...

...

39 FUNDING - BUSINESS ACQUISITIONSASSUMPTIONS OF LIABILITY FROM DGS MEMBERS

...

39.2

If:

...

the *FSCS* must require A to pay an additional amount equal to the levy that would have been payable by B in relation to the relevant business and *class A* (including an adjustment for the *FSCS's* assessment of the degree of risk incurred by B) if the ~~acquisition~~ assumption of liability had not taken place and B had remained liable to pay *DGS levies*. The amount is based on the B's most recent *statement of business*.

...

40 FUNDING - BUSINESS ACQUISITIONS FROM NON-DGS MEMBERS [DELETED]

40.1 ~~This Chapter applies only to the *FSCS*.~~[Deleted]

40.2 ~~If a *DGS member* (A) assumes a liability to repay *deposits* held by a non-*DGS member* (B) and the assumption of liability takes place after the date to which, or as of which, A's most recent *statement of business* is drawn up, the *FSCS* must not require A to pay an additional amount as a result of that acquisition.~~[Deleted]

40.3 ~~This Chapter only applies with respect to those financial years of the *FSCS* for which A's levies are calculated on the basis of a *statement of business* drawn up to a date, or as of a date, before the assumption of liability took place.~~[Deleted]

...

42 FUNDING - DGS COMPENSATION COSTS LEVY SHARE CALCULATION

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42A FUNDING - USE OF EXISTING MANDATORY CONTRIBUTIONS

42A.1 This Chapter applies only to the *FSCS*.

42A.2 If the *PRA* determines that the *FSCS* is unable to impose a *recapitalisation payment levy* on *class A2* to make a *recapitalisation payment* as required, the *FSCS* may borrow an amount equal to the *mandatory contributions* in order to meet the requirements of the *recapitalisation payment*.

42A.3 The *FSCS* must impose a *recapitalisation payment levy* on *class A2* sufficient to repay any amounts borrowed in accordance with 42A.2 within a reasonable time and in accordance with repayment deadlines under the applicable loan agreement.

42B FUNDING - RECAPITALISATION PAYMENT LEVY SHARE CALCULATION

42B.1 This Chapter applies only to the *FSCS*.

42B.2 The *FSCS* must allocate any *recapitalisation payment levy* to *class A2* members.

42B.3 The *FSCS* must calculate each *class A2* member's share of a *recapitalisation payment levy* by:

- (1) identifying the amount to be allocated to *class A2*;
- (2) calculating, in relation to *class A2*, the *class A2* member's tariff base as a proportion of the total tariff base of all *class A2* members, using the *statement of business* most recently supplied;
- (3) applying the proportion calculated in (2) to the figure in (1); and
- (4) applying an adjustment for the degree of risk incurred by the *class A2* member to the product of the calculation in (3).

42B.4 When calculating a *class A2* member's share of a *recapitalisation payment levy*, the *FSCS* must use the *class A tariff base*.

42B.5 A *firm* which becomes a *class A2* member part way through a financial year of the *deposit guarantee scheme* will not be liable to pay a share of a *recapitalisation payment levy* made in that year.

42C FUNDING - ADJUSTMENT TO RECAPITALISATION PAYMENT LEVY SHARES

42C.1 This Chapter applies only to the *FSCS*.

42C.2 If a *class A2* member's share of a *recapitalisation payment levy* or an additional administrative fee or interest under 45.3 would be so small that, in the opinion of the *FSCS*, the costs of collection would be disproportionate to the amount payable, the *FSCS* may treat the *class A2* member as if its share of the *recapitalisation payment levy* or additional administrative fee amounted to zero.

42C.3 The calculation of a *recapitalisation payment levy* must take into account previous *recapitalisation payment levies*, where funds raised in anticipation of meeting liabilities prove either more or less than the amount actually required.

42C.4 The FSCS may adjust the calculation of a *class A2* member's share of any *recapitalisation payment levy* to take proper account of:

- (1) amounts that the FSCS has not been able to recover in relation to a *recapitalisation payment levy* from *class A2* members after having taken reasonable steps; or
- (2) payments deferred under 46.2A, the calculation of levies after an assumption of liability under Chapter 42F, calculations under 41.6; or
- (3) anything else that the FSCS believes on reasonable grounds should be taken into account.

42C.5 The FSCS must not adjust the calculation of a *class A2* member's share of any *recapitalisation payment levy* under 42C.4 on the grounds that it would be inequitable for that *firm* to pay that share or part of it or on the grounds that it would be inequitable for the FSCS to retain that share or part of it. Any such claim should be dealt with under Chapter 46.

42D FUNDING - MANAGEMENT OF RECAPITALISATION PAYMENTS LEVIED

42D.1 This Chapter applies only to the FSCS.

42D.2 The FSCS must hold any amount collected by way of a *recapitalisation payment levy* to the credit of *class A2*.

42D.3 Interest earned by the FSCS in the management of funds held to the credit of *class A2* must be held to the credit of that class.

42D.4 The FSCS must keep accounts which include:

- (1) the funds held to the credit of *class A2*; and
- (2) the liabilities of *class A2*.

42E FUNDING - RECOVERIES OF RECAPITALISATION PAYMENTS

42E.1 This Chapter applies only to the FSCS.

42E.2 Any recoveries made by the FSCS in relation to a *recapitalisation payment* must be held to the credit of *class A2*.

42F FUNDING - ASSUMPTIONS OF LIABILITY FROM CLASS A2 MEMBERS

42F.1 This Chapter applies only to the FSCS.

42F.2 If:

- (1) a *class A2* member (A) assumes a liability to repay *deposits* held by another *class A2* member (B);
- (2) B is no longer liable to pay a share of the *recapitalisation payment levy* to the FSCS; and
- (3) the assumption of liability takes place after the date to which, or as of which, A's most recent *statement of business* is drawn up,

the FSCS must require A to pay an additional amount equal to the levy share that would have been payable by B in relation to the relevant business and class A2 (including an adjustment for the FSCS's assessment of the degree of risk incurred by B) as if the assumption of liability had not taken place and B had remained liable to pay a share of the *recapitalisation payment levy*. The FSCS must base this amount on B's most recent *statement of business*.

42F.3 This Chapter only applies with respect to those financial years of the FSCS for which A's levies are calculated on the basis of a *statement of business* drawn up to a date, or as of a date, before the assumption of liability took place.

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44 FUNDING - REPORTING REQUIREMENTS

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44.4 If a *firm* does not submit a complete *statement of business* by the date on which it is due in accordance with 44.2 and any prescribed submission procedures:

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(2) The *DGS compensation costs levy*, *recapitalisation payment levy* and any *DGS specific costs levy* will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by a factor of 1.10 (or if it has become a *DGS member* part way through a financial year, on the basis of the information provided to the PRA and used to calculate PRA fees or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known).

44A FUNDING - LENDING BETWEEN CLASS A AND CLASS A2

44A.1 The FSCS may:

(1) use any money held to the credit of class A2 to pay *DGS compensation costs* or *DGS specific costs*; or

(2) use any money held to the credit of class A to pay *recapitalisation payments*,

if the FSCS has reasonable grounds to believe that this would be more cost effective than borrowing funds from a third party or raising a levy.

44A.2 For the purposes of:

(1) 44A.1(1), class A2 is the 'lender class' and class A is the 'borrower class'; and

(2) 44A.1(2), class A is the 'lender class' and class A2 is the 'borrower class'.

44A.3 Where the FSCS acts in accordance with 44A.1, it must ensure that:

(1) reimbursement is made as soon as reasonably practicable;

(2) interest is credited as if the borrower class were paying interest at a rate equivalent to the Official Bank Rate from time to time in force; and

(3) the amount lent by the lender class to the borrower class is taken into account by the FSCS when considering whether to impose a *DGS compensation costs levy* or *recapitalisation payment levy* (as applicable) on the lender class.

45 FUNDING - OBLIGATION TO PAY

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45.2 A *firm* must pay to the *FSCS* its share of each:

- (1) *DGS management expenses levy*; ~~and~~
- (2) *DGS compensation costs levy* ~~and legacy costs levy~~ allocated to *class A*; and
- (3) *recapitalisation payment levy* allocated to *class A2*.

45.3 If a *firm* does not pay the total amount of its share of a *DGS levy* or *recapitalisation payment levy* before the end of the date on which it is due, it must pay an additional amount as follows:

- (1) if the *DGS levy* or *recapitalisation payment 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 *DGS levy*, *recapitalisation payment 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.

46 FUNDING - OVERPAYMENTS AND DEFERRAL OF PAYMENTS

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46.2 The *PRA* may defer, in whole or in part, a *DGS member's* obligation to pay a *DGS compensation costs levy* ~~or a *legacy costs levy*~~ if the *PRA* considers that such contributions would jeopardise the liquidity or solvency of the *firm*. Such deferral shall not be granted for a longer period than six months but may be renewed upon request of the *firm*.

46.2A The *PRA* may defer, in whole or in part, a *class A2 member's* obligation to pay a share of a *recapitalisation payment levy* if the *PRA* considers that such contributions would jeopardise the liquidity or solvency of the *firm*. Such deferral shall not be granted for a longer period than six months but may be renewed upon request of the *firm*.

46.3 Any contributions deferred pursuant to 46.2 or 46.2A shall be paid when the payment no longer jeopardises the liquidity and solvency of the *firm*.

[Note: Art. 10(8) of the ~~DGSD~~]

47 FUNDING - PAYMENT OF LEVIES

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47.2A A *firm* must pay its share of a *recapitalisation payment levy* in one payment.

47.3 A *firm's* share of a *DGS levy* is due on, and payable within, 30 ~~days~~ days of the date when the invoice is issued.

47.3A A *firm's* share of a *recapitalisation payment levy* is due on, and payable within, 30 days of the date when the invoice is issued.

- 47.4 A *firm* must pay its share of a *DGS levy or recapitalisation payment 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).

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