



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Consultation Paper | CP3/16

# Occasional consultation paper

January 2016

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Responses are requested by Friday 12 February 2016.

**Please address any comments or enquiries to:**

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## Contents

<b>1</b>	<b>Overview</b>	<b>5</b>
<b>2</b>	<b>Proposals</b>	<b>5</b>
<b>3</b>	<b>The PRA's statutory obligations</b>	<b>7</b>
<b>4</b>	<b>Compatibility with the PRA's objectives</b>	<b>8</b>
	<b>Appendix 1</b>	<b>9</b>



## 1 Overview

1.1 In this consultation paper (CP), the Prudential Regulation Authority (PRA) sets out its proposals to delete rules and guidance from the PRA Handbook which have been replaced, or are in the process of being replaced by rules in the PRA Rulebook or supervisory statements (SS). The proposals do not represent a change in PRA policy.

1.2 The proposals are relevant to all PRA firms, who are invited to comment. This consultation closes on Friday 12 February 2016. Please address any comments or enquiries to CP3\_16@bankofengland.co.uk.

## 2 Proposals

2.1 The sections below set out various Handbook rules and guidance provisions proposed for deletion from the PRA Handbook. The PRA proposes to delete these with effect from Monday 7 March 2016.

### Supervision manual (SUP) Schedule 5A

2.2 SUP Schedule 5A provides guidance on rules in SUP, specifically SUP 10B.10 to SUP 10B.14, contravention of which by an authorised person may be actionable under section 138D of the Financial Services and Markets Act 2000 (FSMA) by a person who suffers loss as a result of the contravention.

2.3 The PRA proposed to remove SUP 10B in Chapter 4 and Appendix 8 of CP41/15<sup>1</sup> as part of the consequential amendments to rules superseded by other PRA Rulebook Parts resulting from the introduction of the Senior Managers Regime and Senior Insurance Managers Regime. Subject to the outcome of CP41/15 (the consultation period for Chapter 4 closed on 11 January 2016), SUP Schedule 5A will no longer be relevant, and the PRA proposes to delete this guidance.

### Senior Management Arrangements, Systems and Controls sourcebook (SYSC) 1, 4-9 and 21

2.4 SYSC 4-9 contain a range of rules including those on general organisational requirements, personnel, compliance and audit, risk controls, outsourcing and record keeping. SYSC 21 contains additional material on risk controls. In Chapter 4 of CP17/15<sup>2</sup>, the PRA consulted on replacing SYSC 4-9 and 21, as they apply to UK branches of banks, building societies and investment firms incorporated outside the European Union, with a new Rulebook Part and a supervisory statement. However, CP17/15 did not propose to delete SYSC 4-9 and 21 entirely as those provisions would still apply to credit unions.

2.5 Following CP17/15, the PRA proposed in CP22/15<sup>3</sup> to disapply SYSC to credit unions, to delete the Credit Unions sourcebook (CREDS) in its entirety and to replace it with a new Credit Unions Part.

2.6 SYSC 1 contains the application provisions for SYSC. It will be redundant if the remaining parts of SYSC are deleted as the PRA proposes.

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<sup>1</sup> 'Occasional Consultation Paper', November 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp4115.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp4115.aspx).

<sup>2</sup> 'PRA Rulebook: Part 3', April 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp1715.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp1715.aspx).

<sup>3</sup> 'Reform of the legacy Credit Unions sourcebook', June 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2215.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2215.aspx).

2.7 Subject to finalisation of the proposals in CP17/15 and CP22/15 (consultations for which closed on 30 June and 30 September 2015 respectively), the PRA proposes to delete the remaining provisions in SYSC.

### SUP 16 Reporting – various annexes

2.8 SUP 16 contains various annexes which have been superseded by rules in the PRA Rulebook or SS. Table A lists the remaining Annexes in SUP 16 that have yet to be proposed for deletion, the intended location in the PRA Rulebook or supervisory statement, and the CP or policy statement that has proposed or replaced them.

**Table A: List of SUP 16 annexes to be deleted and moved to the PRA Rulebook or supervisory statement**

Existing Handbook rules / guidance	Location of new rule or guidance	Consultation paper proposing the change or policy statement
SUP 16 Annex 13 R – Return cover sheet	Regulatory Reporting, 16.25	PS28/15 <sup>1</sup>
SUP 16 Annex 14 R- Quarterly and annual returns for Credit Unions	Regulatory Reporting, 16.22 (quarterly return) Regulatory Reporting, 16.23 (annual return)	PS19/15 <sup>2</sup>
SUP 16 Annex 15 G- Notes on completing the quarterly and annual returns for Credit Unions.	SS34/15 <sup>3</sup>	PS19/15
SUP 16 Annex 16A	Notifications, 10.2	PS5/14 <sup>4</sup>
SUP 16 Annex 19A R – Mortgage Lenders and Administrators Return (MLAR)	Regulatory Reporting, 16.21	PS19/15
SUP 16 Annex 19BG - Notes for completion of the MLAR	SS34/15	PS19/15
SUP 16 Annex 35A R – Close Links Monthly Report	Close Links, 5.2	PS19/15
SUP 16 Annex 35B G – Close Links Monthly Report - guidance notes for completion	See paragraph 2.10 in this CP	n/a
SUP 16 Annex 36A R – Close Links Annual Report	Close Links, 5.3	PS19/15
SUP 16 Annex 36B G – Close Links Annual Report - guidance notes for completion	See paragraph 2.10 in this CP	n/a
SUP 16 Annex 37A R – Controllers Report	Change in Control – 6.1, 6.2, 6.3, 6.4 Change in Control - 6.5 (for investment managers)	PS19/15
SUP 16 Annex 37B G – Controllers Report - guidance notes for completion	See paragraph 2.10 in this CP	n/a

1 See Appendix 3 of 'The PRA Rulebook: Part 4 and response to Chapter 1 of CP41/15', December 2015; [www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2815.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2815.aspx).

2 'The PRA Rulebook: Part 3', August 2015; [www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1915.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1915.aspx).

3 'Guidelines for completing regulatory reports', August 2015; [www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss3415.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss3415.aspx).

4 'The PRA Rulebook', June 2014; [www.bankofengland.co.uk/pr/Pages/publications/ps/2014/ps514.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2014/ps514.aspx).

2.9 The PRA proposes to delete the Handbook provisions set out in the column 'Existing Handbook rule / guidance' in table A.

2.10 The PRA proposes to delete SUP 16 Annex 35B, SUP 16 Annex 36B, and SUP 16 Annex 37B, from the Handbook, and to publish a supervisory statement retaining their content if required, before 7 March 2016.

### **Fees manual (FEES) Schedule 1,2,3 and 5**

2.11 FEES Schedules 1, 2, 3 and 5 were created in 2009 as 'to follow' guidance with the intention of adding substantive content at a later date. However, they have remained unchanged.

2.12 The PRA proposes to delete these provisions as the rest of the FEES module will be deleted.

## **3 The PRA's statutory obligations**

3.1 Before making any rules, FSMA<sup>1</sup> requires the PRA to publish a draft of the proposed rules accompanied by:

- a cost benefit analysis;
- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons;<sup>2</sup>
- an explanation of the PRA's reasons for believing that making the proposed rules are compatible with the PRA's duty to act in a way that advances its general objective<sup>3</sup>, insurance objective<sup>4</sup> (if applicable), and secondary competition objective;<sup>5</sup> and
- an explanation of the PRA's reasons for believing that making the proposed rules are compatible with its duty to have regard to the regulatory principles.<sup>6</sup>

3.2 The PRA is also required by the Equalities Act 2010<sup>7</sup> to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

### **Cost benefit analysis**

3.3 The proposals in this CP do not represent a change in PRA policy. The rules proposed for deletion have already been, or are in the process of being, transposed to the PRA Rulebook. Therefore, the PRA does not expect the proposals to result in any additional costs to firms, but will benefit PRA authorised firms, who will be able to access clearer and more concise rules in a single format in the PRA Rulebook.

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1 Section 138J of FSMA

2 Section 138K of FSMA.

3 Section 2B of FSMA

4 Section 2C of FSMA

5 Section 2H(1) of FSMA.

6 Sections 2H(2) and 3B of FSMA.

7 Section 149 of the Equalities Act 2010.

## **4 Compatibility with the PRA's objectives**

4.1 The PRA believes the proposals in this CP advance the PRA objective to promote the safety and soundness of PRA-authorised firms by assisting firms in meeting the PRA's requirements through clearer rules.

4.2 The PRA has assessed whether the content of this CP facilitates effective competition in markets for services provided by PRA-authorised persons in carrying out regulated activities. The purpose of this CP is to remove redundant Handbook rules from the PRA Handbook. In the PRA's opinion, the content of this CP does not give rise to any adverse effects on competition and is compatible with its secondary objective.

### **Regulatory principles**

4.3 In developing the proposals in this CP, the PRA has had regard to the regulatory principles. The PRA believes the following principles are relevant to the proposals in this CP:

- (a) The need to use the resources of each regulator in the most efficient and economic way – by consolidating its rules into a single format in the PRA Rulebook, the PRA is reducing administration costs.
- (b) The principle that the regulators should exercise their functions as transparently as possible – by setting out the rules that the PRA considers are redundant, and the reasons for that.

### **Impact on mutuals**

4.4 In the PRA's opinion, the impact of the proposed rule changes on mutuals is expected to be no different from the impact on other firms.

### **Equality and diversity**

4.5 The PRA has performed an assessment of the policy proposals and does not consider that the proposals give rise to equality and diversity implications.

## Appendix 1

### HANDBOOK (RULEBOOK CONSEQUENTIALS NO. [X]) INSTRUMENT 2016

#### **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 138D (Actions for damages); and
  - (3) paragraph 31, Schedule 1ZB (Fees).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule- making instruments) 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 the proposed rules and had regard to representations made.

#### **Deletion**

- D. Each of the modules and sections of the PRA’s Handbook listed in the Annex are deleted.

#### **Commencement**

- E. This instrument comes into force on [DATE].

#### **Citation**

- F. This instrument may be cited as the [Handbook (Rulebook Consequentials No. [X]) Instrument 2016].

**By order of the Board of the Prudential Regulation Authority**  
[DATE]

**Annex****Amendments to the PRA Handbook**

Each of the following modules and sections of the PRA's Handbook is deleted:

FEES Sch 1
FEES Sch 2
FEES Sch 3
FEES Sch 5
SUP 16 Annex 13
SUP 16 Annex 14
SUP 16 Annex 15
SUP 16 Annex 16A
SUP 16 Annex 19A
SUP 16 Annex 19B
SUP 16 Annex 35A
SUP 16 Annex 35B
SUP 16 Annex 36A
SUP 16 Annex 36B
SUP 16 Annex 37A
SUP 16 Annex 37B
SUP Sch 5A
SYSC 1
SYSC 4
SYSC 5
SYSC 6
SYSC 7
SYSC 8
SYSC 9
SYSC 21