



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Consultation Paper | CP41/16

# Deposit protection limit

November 2016

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Responses are requested by Friday 16 December 2016.

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

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## 1 Overview

1.1 This consultation paper (CP) sets out the Prudential Regulation Authority's (PRA's) proposals to reset the deposit protection limit at £85,000.

1.2 This CP is relevant to:

- UK banks, building societies, UK credit unions, as well as to overseas firms with PRA deposit-taking permission (hereinafter 'firms');<sup>1</sup>
- dormant account fund operators;
- the Financial Services Compensation Scheme (FSCS), as the administrator of the UK's Deposit Guarantee Scheme (DGS) and Dormant Account Scheme (DAS); and
- depositors.

1.3 The purpose of the proposals in this CP is to provide depositors with PRA-authorised firms commensurate protection to depositors with firms authorised by regulators in other EU Member States, as required by the recast Deposit Guarantee Schemes Directive (DGSD) which requires the United Kingdom to adjust the deposit protection limit following the occurrence of unforeseen events such as currency fluctuations.<sup>2</sup>

1.4 To reset the deposit protection limit, the PRA must amend rules within the Depositor Protection Part of the PRA Rulebook. The PRA also proposes to update Supervisory Statement (SS) 18/15, 'Depositor and dormant account protection', to provide further information on the PRA's expectations in respect of the rule changes.<sup>3</sup>

1.5 Under the proposals depositors will be protected up to £85,000 as of 30 January 2017.

1.6 However, the PRA proposes a 5 month transitional period until 30 June 2017 for firms to implement changes to disclosure materials, advertising materials and Single Customer View (SCV) and Continuity of Access (CoA) systems to accurately reflect the new deposit protection limit.

1.7 Unlike the changes on 3 July 2015, the PRA does not expect firms to send direct notification of this change in the deposit protection limit to depositors. However, once the proposals are made final in a policy statement, the PRA does expect firms' staff to be aware of the new deposit protection limit and be able to communicate when the new limit will become effective for depositors.

### Depositor protection

1.8 The FSCS protects eligible deposits which increases consumer confidence in the financial system and reduces the likelihood of runs on firms. Knowledge of the deposit protection limit provides depositors with confidence that balances up to the limit are protected. Depositor protection advances the PRA's general objective of promoting the safety and soundness of

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1 Requirements for a UK branch of a euro firm are not affected. A 'euro firm' means an incoming firm that is a credit institution of an European Economic Area State that has adopted the euro or that does not convert into their national currency the amount referred to in Article 6(1) of the DGSD, pursuant to Article 6(5) DGSD.

2 Article 6(5) of the recast DGSD (2014/49/EU); <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0049>.

3 Most recent update 31 July 2015: <http://www.bankofengland.co.uk/pru/Pages/publications/ss/2015/ss1815update4.aspx>.

PRA-authorised firms by reducing the adverse effects that the failure of firms could be expected to have on the stability of the UK financial system.

1.9 Eligible deposits are protected up to the deposit protection limit that is in effect at the time of a bank failure.<sup>1</sup> The protection is provided per depositor, per PRA-authorised institution. Depositors are able to fully protect their deposits by spreading their funds across different authorised institutions.<sup>2</sup>

1.10 Between 31 December 2010 and 3 July 2015, the deposit protection limit was set at £85,000. On 3 July 2015 the DGSD became effective, and as required by the Directive the PRA reviewed the exchange rate on that date and set the deposit protection limit at £75,000.<sup>3</sup> On 1 January 2016, the £75,000 deposit protection limit became applicable for all eligible depositors.<sup>4</sup>

### Responses and next steps

1.11 This consultation closes on Friday 16 December 2016. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP41\_16@bankofengland.co.uk.

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1 Since 3 July 2015, depositors with ‘temporary high balances’ have been covered up to £1 million for six months from the date on which the money is transferred into their account, or the date on which the depositor becomes entitled to the amount, whichever is later. This is to ensure that depositors are protected when they deposit funds over the deposit protection limit as a result of specified events, including following a house sale or funds received from a ‘life event’ such as a divorce settlement or inheritance. The six month period allows time for depositors to appropriately protect these funds by spreading the risk between institutions. The proposals in this CP do not impact the temporary high balance rules.

2 The FSCS can pay up to the deposit protection limit per person per authorised institution. Some banking brands share the same authorisation, which means a depositor would be protected only once across those brands, up to the deposit protection limit.

3 PRA Policy Statement 14/15, ‘Depositor and dormant account protection – the protection limit’, July 2015: [www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1415.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1415.aspx).

4 From 3 July 2015 until 1 January 2016, transitional government legislation was in effect that protected most eligible depositors up to £85,000 and allowed depositors sufficient time to adjust their deposits and manage the impact of the reduction in the deposit protection limit. [www.bankofengland.co.uk/publications/Pages/news/2015/056.aspx](http://www.bankofengland.co.uk/publications/Pages/news/2015/056.aspx). [www.parliament.uk/documents/commons-vote-office/July%202015/6%20July/1-Chancellor-Financial-Services-Comp-Scheme%20.pdf](http://www.parliament.uk/documents/commons-vote-office/July%202015/6%20July/1-Chancellor-Financial-Services-Comp-Scheme%20.pdf).



## 2 Proposals

2.1 This chapter sets out the PRA's proposals to:

- reset the deposit protection limit to protect depositors up to £85,000 as of 30 January 2017;
- provide a 5 month transitional period for firms to implement the new deposit protection limit;
- require firms to notify the PRA if they are ready to implement the rule changes prior to 30 June 2017; and
- update SS18/15 with the PRA's expectations in relation to the above rule changes, correct references and delete expired text in the SS.

2.2 The proposed amendments to the Depositor Protection Part of the PRA Rulebook are contained in Appendix 1 and the amendments to SS18/15 are contained in Appendix 2.

### Adjustment to the deposit protection limit

2.3 The DGSD requires non-euro Member States to adjust their deposit protection limits every five years to ensure that they remain equivalent to €100,000. In addition, Member States must make an earlier adjustment following the occurrence of unforeseen events such as currency fluctuations.<sup>1</sup>

2.4 Taking into consideration developments in financial markets following the UK's referendum vote on 23 June 2016 to leave the European Union, including with respect to the GBP/EUR exchange rate, the PRA considers that a structural shift in the exchange rate has occurred. These events were unforeseen when the UK set its deposit protection limit at £75,000 in 2015. The PRA considers that under the DGSD an adjustment is required.

2.5 The PRA has reviewed the exchange rate since the referendum and proposes to set the deposit protection limit at £85,000. In addition, £85,000 provides a measure of memorability and consistency, as this was the deposit protection limit for almost five years prior to 3 July 2015.

2.6 If a firm were to fail on or after 30 January 2017, eligible depositors would be protected by the FSCS at the new level of £85,000<sup>2</sup> without firms having to take any action.<sup>3</sup>

2.7 The proposals will also reset the protection limit in the Dormant Account Scheme Part of the PRA Rulebook as it directly references the deposit protection limit in the Depositor Protection Part.

### Importance of stability

2.8 Guided by its statutory regulatory principles, the PRA will seek to maintain a stable deposit protection limit through the uncertainty in foreign exchange markets resulting from the

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1 Article 6(5) of the recast DGSD (2014/49/EU); <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0049>. As required by the Directive, HM Treasury has consulted with the European Commission in relation to the proposals to set the deposit protection limit.

2 Coverage of 'temporary high balances' will not be affected by these proposals.

3 The FSCS's processes will need to be amended to ensure this protection during the transitional period.

referendum and the associated structural shift in the GBP/EUR exchange rate. The PRA will continue to monitor fluctuations in the exchange rate but, barring unforeseen events, will seek to avoid making further adjustments to the deposit protection limit. In particular, the PRA sees the merits of maintaining a stable deposit protection limit through this period of uncertainty to avoid depositor confusion and to reduce the regulatory burden on firms.

2.9 The PRA considers there to be benefits of a stable deposit protection limit for depositors, firms and for the overall stability of the financial system. A stable deposit protection limit supports depositor confidence by providing predictability, facilitates awareness of the limit and allows depositors to plan and organise their financial affairs. The PRA also recognises the costs to firms from ongoing changes required both by the DGSD and the PRA's depositor protection rules.

### **Transitional period for firms**

2.10 An adjustment to the deposit protection limit requires consequential changes to firms' disclosure materials, advertising materials and systems to reflect the new deposit protection limit.

2.11 The PRA recognises that it will take time for some firms to integrate the new deposit protection limit into their disclosure materials and SCV and CoA systems. The proposal includes a 5 month transitional period until 30 June 2017 for firms to implement the changes.

2.12 There is a risk of depositors receiving out of date information (reflecting the old £75,000 limit) during the transitional period. The PRA considers any impact of this risk to be low because the deposit protection limit is increasing. A depositor receiving out of date information on the level of the limit (believing £75,000 to be the maximum available protection) may, at most, unnecessarily split an £85,000 deposit between more than one PRA-authorized firm. This could result in the depositor receiving a lower interest rate in a tiered interest rate deposit account.

2.13 The PRA encourages firms to make the necessary changes as soon as possible after 30 January 2017. This will minimise the number of depositors provided with materials that reference the old £75,000 deposit protection limit and reduce the need for manual intervention in a firm's SCV file by the FSCS should a firm fail in the transitional period.

2.14 A firm that is ready to implement the required changes prior to 30 June 2017 must notify the PRA by e-mail and will become subject to the new rules from the next business day. The notification mechanism ensures that firms can implement the changes before the end of June if they are able, while at the same time ensuring legal certainty for each firm and the PRA as to the rules that apply to the firm at any point in time.

2.15 The proposed rules allow for separate notifications for:

- SCV and CoA systems requirements; and
- disclosure and advertising materials.

2.16 This will allow a firm which is ready to update its systems, but not its disclosure and advertising materials (or vice versa), to do so as soon as it is ready.

2.17 The email address for notifications under the proposed transitional rules will be: [DepositLimitNotification@bankofengland.co.uk](mailto:DepositLimitNotification@bankofengland.co.uk).

## Disclosure

### *The information sheet*

2.18 The Depositor Protection Part requires firms to provide depositors with an information sheet setting out certain prescribed information at account opening and annually thereafter.<sup>1</sup> The information sheet states the deposit protection limit and will need to be amended.

2.19 The information sheet provided for acknowledgment purposes at account opening must reflect the new deposit protection limit following a firm's notification to the PRA or in any event by 30 June 2017.

2.20 The PRA does not expect firms to change their existing annual information sheet cycles. However, firms must update any annual information sheets provided to depositors following a firm's notification to the PRA (or in any event by 30 June 2017) to reflect the new deposit protection limit.

2.21 Unlike the reduction in the deposit protection limit on 3 July 2015 (with effect on 1 January 2016), the PRA does not propose to require firms to send additional letters to depositors highlighting this change to the deposit protection limit or to allow depositors to break fixed term deposits without penalty, charge or loss of interest.

### *Posters, stickers and compensation leaflet*

2.22 The Depositor Protection Part requires firms to display posters and stickers prominently in their branches and on their websites.<sup>2</sup> Firms must also provide a compensation leaflet upon request. Amendments to the wording of these materials will be required as soon as firms are ready to make the change to reflect the new deposit protection limit following the limit change on 30 January 2017, and in any event by 30 June 2017.

2.23 These requirements for UK branches of euro firms will remain unchanged because these firms' posters, stickers and the compensation leaflet will not require an amendment. Depositors of these firms are protected by the deposit guarantee scheme of the Member State in which they are authorised and the deposit protection limit of those Member States is not changed by these rules.

### *Systems changes - SCV and CoA*

2.24 To ensure that a depositor receives compensation at the correct level, firms will be required to amend their SCV systems to ensure the compensatable amount (and transferable eligible deposit, if CoA is applicable) is calculated using the new deposit protection limit.

2.25 As with disclosure materials, the proposal includes a 5 month transitional period for firms to make the required changes. However, to avoid the need for manual handling of the SCV file by the FSCS, firms are encouraged to make the changes as soon as possible after 30 January 2017. Firms will be required to have made the changes to their systems by 30 June 2017.

## **Updates to SS18/15 – notifications and consequential changes**

2.26 The PRA proposes to update SS18/15 with the following changes included in Appendix 2:

- new expectations of firms resulting from this CP's proposals to reset the deposit protection limit, and the removal of expired material in Chapter 12;

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1 Depositor Protection Part 16.2(3) and 17.1(3).

2 Depositor Protection Part 23.

- update to the scope of CoA rules in Chapter 11 to describe the PRA's waiver by consent process that reflects the Bank of England's evolving approach to resolution;
- corrections to rule references in Chapter 10;
- clarification of the definition of material change to an SCV or CoA system in Chapter 8; and
- removal of expired material in Chapter 7.

### 3 The PRA's statutory obligations

3.1 Before making any rules, the Financial Services and Markets Act 2000 (FSMA)<sup>1</sup> requires the PRA to publish a draft of the proposed rules accompanied by:

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

#### Compatibility with the PRA's objectives

3.3 The PRA considers that depositor protection increases consumer confidence and reduces the likelihood of runs on firms. These rules advance the PRA's general objective of promoting the safety and soundness of PRA-authorized firms by reducing the adverse effects that the failure of firms could be expected to have on to the stability of the UK financial system.

3.4 The PRA has assessed whether the proposal in this CP facilitates effective competition. The change in the deposit protection limit to £85,000 will bring the protection available to depositors of PRA-authorized firms in line with the protection offered by firms authorized by regulators in other EU Member States. The change is not expected to have an adverse impact on competition.

#### Cost benefit analysis

3.5 In this CP, the proposed rule changes result from an obligation under a European directive. The PRA has identified the types of costs that firms and the FSCS would be subject to, as well as the benefits to depositors and the broader financial system.

#### Firms

3.6 An increased deposit protection limit would increase FSCS compensation costs funded by levy payers to the extent that depositors of a failed firm have eligible deposits between the current £75,000 deposit protection limit and the new deposit protection limit of £85,000.

3.7 As a result of the proposals in this CP, firms may have a higher or lower share of FSCS costs depending on the number of eligible depositors holding between £75,000 and £85,000 at the

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1 Section 138J of FSMA.

2 Section 2B of FSMA.

3 Section 2C of FSMA.

4 Section 2H(1) of FSMA.

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

6 Section 138K of FSMA.

7 Section 149.

firm. For example, where a firm has a relatively large number of depositors with deposits between £75,000 and £85,000, the firm's class A tariff base would increase as a result of the adjustment to the limit. The firm would hold a proportionally higher share of total industry covered deposits, which could result in an increase to the firm's FSCS levies.

3.8 Firms would also incur direct costs as a result of the proposed rule changes. The PRA expects these costs will not be material due to the PRA's previously published expectation that firms should ensure their systems be flexible enough to accommodate future limit changes.<sup>1</sup> Direct costs are expected to include:

- operational costs of amending disclosure materials (information sheets), posters and stickers, the compensation leaflet and any firm specific promotional materials that state the deposit protection limit;
- costs of amending SCV and CoA systems to reflect the new deposit protection limit. These costs are not expected to be material as the PRA previously set out its expectation in SS18/15 that firms should ensure that their systems are flexible enough to accommodate further limit changes if required; and
- costs of training staff about the new deposit protection limit.

3.9 The proposed changes support the safety and soundness of firms by enhancing depositor confidence and thus reducing the risk of disorderly runs on firms.

3.10 The PRA invites firms to quantify the costs they expect to face as a result of the proposals and provide this information in response to the consultation.

#### Costs relating to the FSCS

3.11 The proposals will require the FSCS to amend their awareness campaign to reflect the new deposit protection limit. The costs are estimated to be £40,000, which would be passed on to firms.

#### Depositors

3.12 In general, depositors will benefit from the adjustment to the deposit protection limit, as it will bring the protection available to depositors of PRA-authorized firms in line with the protection offered by firms authorized by regulators in other EU Member States.

3.13 In particular, depositors with more than £75,000 in eligible deposits with one PRA-authorized firm may benefit from an increased £10,000 of deposit protection, should their firm fail.

3.14 The costs incurred by firms directly (and indirectly as FSCS levy payers) as a result of the adjustment to the deposit protection limit may be passed through to depositors in the form of reduced interest or increased fees.

#### Regulatory principles

3.15 In developing the proposals in this CP, the PRA has had regard to the regulatory principles. The principle most relevant to the proposals is that a burden or restriction which is imposed on a person, or the carrying on of an activity, should be proportionate to the benefits,

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<sup>1</sup> SS18/15 Chapter 12.5, <http://www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss1815update4.aspx>.

considered in general terms, which are expected to result from the imposition of that burden or restriction. The PRA's approach to the transitional rules - separating the effective date of the deposit protection limit (thereby protecting depositors earlier) from the implementation timeline for firms – is consistent with taking a proportionate approach. In addition, the proposed rules provide flexibility to firms by recognising that firms may be ready to implement the changes at different times and by recognising that a particular firm may be ready to implement changes to disclosure and advertising materials before its SCV/CoA systems changes, or vice versa.

### **Impact on mutuals**

3.16 In the PRA's opinion, the impact of the proposals on mutuals is expected to be no different from the impact on other firms, except to the extent that a mutual may have fewer depositors with balances between £75,000 to £85,000, in which case it may have a proportionally smaller share of the class A tariff base.

### **Equality and diversity**

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

## Appendices

- 
- 1 Draft Depositor Protection (Coverage Level) Instrument**

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  - 2 Draft amendments to Supervisory Statement 18/15 'Depositor and dormant account protection'**



## Appendix 1: Draft Depositor Protection (Coverage Level) Instrument

### **PRA RULEBOOK: CRR FIRMS: NON CRR FIRMS: NON-AUTHORISED PERSONS: DEPOSITOR PROTECTION (COVERAGE LEVEL) INSTRUMENT [DATE]**

#### **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); and
  - (5) 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 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: CRR Firms: Non-CRR Firms: Non-Authorised Persons: Depositor Protection (Coverage Level) Instrument [DATE]**

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

#### **Commencement**

- E. The rules in Annex A come into force on [30 January 2017].
- F. The rules in Annex B come into force on [30 June 2017].

#### **Citation**

- G. This instrument may be cited as the PRA Rulebook: CRR Firms: Non-CRR Firms: Non-Authorised Persons: Depositor Protection (Coverage Level) Instrument [DATE].

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

## **Annex A**

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

### **Part**

# **DEPOSITOR PROTECTION**

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## **Chapter content**

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### **58. TRANSITIONAL PROVISIONS – COVERAGE LEVEL**

**4 LIMITS ON COMPENSATION PAYABLE**

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...

4.2 The maximum compensation sum payable for the aggregate *eligible deposits* of each *depositor* is ~~£75,000~~£85,000, save that additional compensation may be payable in cases to which 4.3 applies.

...

**12 SINGLE CUSTOMER VIEW REQUIREMENTS**

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12.A1 In this Chapter:

*covered deposit*

means the part of an eligible deposit that does not exceed £75,000.

*transferable eligible deposit*

means the portion of an *eligible deposit* up to and including £75,000, identified in accordance with Chapter 13 and 12.9.

...

12.7 A *firm* must ensure that its *SCV system*:

(1) ...

(2) includes a facility which identifies any portion of an *eligible deposit* that is over ~~the coverage level provided for in 4.2~~£75,000.

...

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

...

51.	Compensatable amount in sterling	The amount to be compensated subject to the limit check that must be performed by the <i>firm</i> pursuant to 12.7(2) (this could be lower than the aggregate balance across all accounts if this exceeds <del>the coverage level provided for in 4.2</del> <u>£75,000</u> ).  For beneficiary accounts, it may not be possible to calculate this amount and this field may be left blank.	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
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### 13 **BRRD MARKING AND CONTINUITY OF ACCESS**

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13.A1 In this Chapter:

*transferable eligible deposit*

means the portion of an *eligible deposit* up to and including £75,000, identified in accordance with Chapter 13 and 12.9.

### 58 **TRANSITIONAL PROVISIONS – COVERAGE LEVEL**

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58.1 This Chapter applies with effect from 30 January 2017 and is deleted with effect from 30 June 2017.

58.2 This Chapter does not apply to the *FSCS*.

58.3 In this Chapter:

*SCV and continuity of access rule amendments*

means the amendment of this Part so as to omit 12.A1 and 13.A1 and replace references to “£75,000” in Chapter 12 with references to “£85,000”.

*information rule amendments*

means the amendment of this Part so as to replace references in Annex 1 (Information Sheet (Chapter 16)) and Annex 2 (Content of Compensation Stickers and Posters (Chapter 23)) to “£75,000” with references to “£85,000”.

58.4 If a *firm* would be able to comply with this Part as amended by the *SCV and continuity of access rule amendments*:

- (1) the *firm* must notify the *PRA* by email as soon as practicable that this rule applies to it; and
- (2) with effect from the next *business day* following the provision of the notice referred to in (1), this Part shall apply to the *firm* as if the *SCV and continuity of access rule amendments* had been made.

58.5 If a *firm* would be able to comply with this Part as amended by the *information rule amendments*:

- (1) the *firm* must notify the *PRA* by email as soon as practicable that this rule applies to it; and
- (2) with effect from the next *business day* following the provision of the notice referred to in (1), this Part shall apply to the *firm* as if the *information rule amendments* had been made.

58.6 A notice given under 58.4(1) or 58.5(1) may not be revoked.

## **Annex B**

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

### **Part**

# **DEPOSITOR PROTECTION**

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## **Chapter content**

...

~~58. TRANSITIONAL PROVISIONS – COVERAGE LEVEL REPORT~~

## 12 SINGLE CUSTOMER VIEW REQUIREMENTS

---

12.A1 In this Chapter:

~~covered deposit~~

~~means the part of an eligible deposit that does not exceed £75,000.~~

~~transferable eligible deposit~~

~~means the portion of an eligible deposit up to and including £75,000, identified in accordance with Chapter 13 and 12.9.~~

...

12.7 A firm must ensure that its SCV system:

(1) ...

(2) includes a facility which identifies any portion of an *eligible deposit* that is over ~~£75,000~~ the coverage level provided for in 4.2.

...

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

...

51.	Compensatable amount in sterling	<p>The amount to be compensated subject to the limit check that must be performed by the <i>firm</i> pursuant to 12.7(2) (this could be lower than the aggregate balance across all accounts if this exceeds <del>£75,000</del> <u>the coverage level provided for in 4.2.</u>)</p> <p>For beneficiary accounts, it may not be possible to calculate this amount and this field may be left blank.</p>	<p>Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to two decimal places.</p> <p>Maximum number of characters in field: 15</p>
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## 13 BRRD MARKING AND CONTINUITY OF ACCESS

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13.A1 In this Chapter:

~~transferable eligible deposit~~

means the portion of an ~~eligible deposit~~ up to and including ~~£75,000~~, identified in accordance with Chapter 13 and 12.9.

...

## ANNEX 1

### INFORMATION SHEET (CHAPTER 16)

Basic information about the protection of your eligible deposits	
Eligible deposits in [insert name of <i>firm</i> ] are protected by:	the Financial Services Compensation Scheme ("FSCS") <sup>1</sup>
Limit of protection:	<p><del>£75,000</del> <u>£85,000</u> per depositor per bank / building society / credit union<sup>2</sup></p> <p>[where applicable]The following trading names are part of your bank / building society / credit union:</p> <p>[insert all trading names which operate under the same licence]</p>
If you have more eligible deposits at the same bank / building society / credit union:	All your eligible deposits at the same bank / building society / credit union are "aggregated" and the total is subject to the limit of <del>£75,000</del> <u>£85,000</u> . <sup>2</sup>
If you have a joint account with other person(s):	The limit of <del>£75,000</del> <u>£85,000</u> applies to each depositor separately. <sup>3</sup>
Reimbursement period in case of bank, building society or credit union's failure:	20 working days <sup>4</sup>
Currency of reimbursement:	Pound sterling (GBP, £) or, for branches of UK banks operating in other EEA Member States, the currency of that State.
To contact [insert name of <i>firm</i> ] for enquiries relating to your account:	[insert name of <i>firm</i> and contact details]
To contact the FSCS for further information on compensation:	<p>Financial Services Compensation Scheme            10th Floor Beaufort House            15 St Botolph Street            London            EC3A 7QU</p> <p>Tel: 0800 678 1100 or 020 7741 4100</p> <p>Email: <a href="mailto:ICT@fscs.org.uk">ICT@fscs.org.uk</a></p>
More information:	<a href="http://www.fscs.org.uk">http://www.fscs.org.uk</a>
Acknowledgement of receipt by the depositor:	

Additional information (all or some of the below)

### <sup>1</sup>**Scheme responsible for the protection of your eligible deposit**

Your eligible deposit is covered by a statutory Deposit Guarantee Scheme. If insolvency of your bank, building society or credit union should occur, your eligible deposits would be repaid up to ~~£75,000~~ £85,000 by the Deposit Guarantee Scheme.

### <sup>2</sup>**General limit of protection**

If a covered deposit is unavailable because a bank, building society or credit union is unable to meet its financial obligations, depositors are repaid by a Deposit Guarantee Scheme. This repayment covers at maximum ~~£75,000~~ £85,000 per bank, building society or credit union. This means that all eligible deposits at the same bank, building society or credit union are added up in order to determine the coverage level. If, for instance a depositor holds a savings account with £80,000 and a current account with £20,000, he or she will only be repaid ~~£75,000~~ £85,000.

[only where applicable] This method will also be applied if a bank, building society or credit union operates under different trading names. [insert name of the account holding bank, building society or credit union] also trades under [insert all other trading names of the same bank, building society or credit union]. This means that all eligible deposits with one or more of these trading names are in total covered up to ~~£75,000~~ £85,000.

In some cases eligible deposits which are categorised as “temporary high balances” are protected above ~~£75,000~~ £85,000 for six months after the amount has been credited or from the moment when such eligible deposits become legally transferable. These are eligible deposits connected with certain events including:

- (a) certain transactions relating to the depositor’s current or prospective only or main residence or dwelling;
- (b) a death, or the depositor’s marriage or civil partnership, divorce, retirement, dismissal, redundancy or invalidity;
- (c) the payment to the depositor of insurance benefits or compensation for criminal injuries or wrongful conviction.

More information can be obtained under <http://www.fscs.org.uk>

### <sup>3</sup>**Limit of protection for joint accounts**

In case of joint accounts, the limit of ~~£75,000~~ £85,000 applies to each depositor.

However, eligible deposits in an account to which two or more persons are entitled as members of a business partnership, association or grouping of a similar nature, without legal personality, are aggregated and treated as if made by a single depositor for the purpose of calculating the limit of ~~£75,000~~ £85,000.

### <sup>4</sup>**Reimbursement**

The responsible Deposit Guarantee Scheme is the Financial Services Compensation Scheme, 10th Floor Beaufort House, 15 St Botolph Street, London, EC3A 7QU, Tel: 0800 678 1100 or 020 7741 4100, Email: [ICT@fscs.org.uk](mailto:ICT@fscs.org.uk). It will repay your eligible deposits (up to ~~£75,000~~ £85,000) within 20 working days until 31 December 2018; within 15 working days from 1 January 2019 until 31 December 2020; within 10 working days from 1 January 2021 to 31 December 2023; and within 7 working days from 1 January 2024 onwards, save where specific exceptions apply.



Where the FSCS cannot make the repayable amount available within 7 working days, it will, from 1 June 2016 until 31 December 2023, ensure that you have access to an appropriate amount of your covered deposits to cover the cost of living (in the case of a depositor which is an individual) or to cover necessary business expenses or operating expenses (in the case of a depositor which is not an individual or a large company) within 5 working days of a request. ~~Again, there are specific exceptions to this obligation.~~

~~In the case of a depositor which is a large company, where the FSCS cannot make the repayable amount available within 7 working days, it will, from 3 July 2015 until 1 December 2016, ensure that you have access to your covered deposits within fifteen working days of a request containing sufficient information to enable it to make a payment, save where specific exceptions apply.~~

~~In the case of a depositor which is a small local authority, where the FSCS cannot make the repayable amount available within 7 working days, it will, from 3 July 2015 until 1 June 2016, ensure that you have access to your covered deposits within fifteen working days of a request containing sufficient information to enable it to make a payment, save where specific exceptions apply.~~

If you have not been repaid within these deadlines, you should contact the Deposit Guarantee Scheme since the time to claim reimbursement may be barred after a certain time limit. Further information can be obtained under <http://www.fscs.org.uk>.

#### **Other important information**

In general, all retail depositors and businesses are covered by Deposit Guarantee Schemes. Exceptions for certain deposits are stated on the website of the responsible Deposit Guarantee Scheme. Your bank, building society or credit union will also inform you of any exclusions from protection which may apply. If deposits are eligible, the bank, building society or credit union shall also confirm this on the statement of account.

## ANNEX 2

## CONTENT OF COMPENSATION STICKER AND POSTER (CHAPTER 23)

1	The compensation stickers must contain the following statements only:
	<p><b><i>UK banks</i></b></p> <p><b><i>building societies</i></b></p> <p><b><i>credit unions</i></b></p> <p><b><i>Northern Ireland credit unions</i></b></p> <p><b>An overseas firm that:</b></p> <p><b>(a) is not an <i>incoming firm</i>; and</b></p> <p><b>(b) has a <i>Part 4A permission</i> that includes <i>accepting deposits</i></b></p>
(1)	<p>"Your eligible deposits with [insert name of firm] are protected up to a total of <del>£75,000</del> <u>£85,000</u> by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>."</p> <p>As an alternative, for <i>credit unions</i> or <i>Northern Ireland credit unions</i> that <i>accept deposits</i> under a single brand or trading name:</p> <p>"Your eligible deposits are protected up to a total of <del>£75,000</del> <u>£85,000</u> by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>."</p>
	<b>Incoming firm that is a <i>credit institution</i></b>
(2)	<p>"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent] by [insert name of compensation scheme] the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the [insert 100,000 euro or home state equivalent] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."</p>
2	The compensation posters must contain the following statements only:

	<p><b>UK banks</b></p> <p><b>building societies</b></p> <p><b>credit unions</b></p> <p><b>Northern Ireland credit unions</b></p> <p><b>An overseas firm that:</b></p> <p><b>(a) is not an <i>incoming firm</i>; and</b></p> <p><b>(b) has a <i>Part 4A permission</i> that includes <i>accepting deposits</i></b></p>
(1)	<p><i>Firms that accept deposits</i> under a single brand or trading name</p> <p>"Your eligible deposits with [insert name of firm] are protected up to a total of <del>£75,000</del> <u>£85,000</u> by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>"</p> <p>As an alternative, for <i>credit unions</i> or <i>Northern Ireland credit unions</i> that <i>accept deposits</i> under a single brand or trading name: "Your eligible deposits are protected up to a total of <del>£75,000</del> <u>£85,000</u> by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>"</p>
(2)	<p><i>Firms that accept deposits</i> under multiple brands or trading names</p> <p>"Your eligible deposits with [insert name of firm] are protected up to a total of <del>£75,000</del> <u>£85,000</u> by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. This limit is applied to the total of any deposits you have with the following: [insert names of brands as appropriate]. Any total deposits you hold above the limit between these brands are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>"</p>
	<p><b>Incoming firm that is a <i>credit institution</i></b></p>
(3)	<p><i>Incoming firm</i> that is a <i>credit institution</i> and <i>accepts deposits</i> under a single brand or trading name</p> <p>"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent] by [insert name of compensation scheme] the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the [insert 100,000 euro or home</p>

	<p>state equivalent] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."</p>
<p>(4)</p>	<p><i>Incoming firm that accepts deposits under multiple brands or trading names</i></p> <p>"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent] by [insert name of compensation scheme] the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. This limit is applied to the total of any deposits you have with the following: [insert names of brands as appropriate]. Any total deposits above the [insert 100,000 euro or home state equivalent] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."</p>
<p>3</p>	<p>Each of the statements in 1 and 2 must appear as written with the first and second statements on separate lines. The second statement must appear in smaller font.</p>

## Appendix 2: Draft amendments to Supervisory Statement 18/15 'Depositor and dormant account protection'

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

...

### 3 Disclosure

....

#### Other references to the DGS

3.27 The PRA expects firms to update or, where appropriate pursuant to Depositor Protection 18.1, delete any existing references to the DGS in advertising materials, where changes in PRA rules mean the information is either no longer accurate or permitted. Refer to Chapter 12 in respect of changes to the deposit protection limit.

...

### 7 Calculation of levies

...

7.2 [Removed on [date of PS]] ~~For the transition period, between 3 July 2015 (when the recast DGSD takes effect) and December 2016 (where the new SCV rules come into force), where depositors do not have an exclusions file, firms should also include covered deposits that are not included in the SCV file (as they are not fit for straight through payout (eg accounts under legal sanction)). The PRA considers this to be in line with the current approach. For the transition period, firms are not required to include large corporate or small local authority covered deposits in their tariff data.~~

7.3 [Removed on [date of PS]] ~~Where firms choose to include deposits of large corporates and small local authorities in their SCV files from 3 July 2015, firms may wish to (but are not required to) report covered deposits, excluding these deposits as set out in Depositor Protection 52.2 to ensure they are not levied more than they would otherwise be levied. For example, firms may choose to continue to run an 'old' SCV file to identify this amount (updated to remove ineligible deposits under the recast DGSD).~~

...

#### Definition of material change

...

8.7A The PRA considers that the implementation of the adjustment to the deposit protection limit described in Chapter 12 is not a material change for the purposes of Depositor Protection 14.3 and 15.3.

...

## 10 Continuity of access

10.1 This section sets out additional details on how a deposit book transfer in resolution might work to set the PRA's expectations in context and provide more information for firms as to how systems changes may be used. The PRA would expect the rules in Depositor Protection Chapters 11 to 15 to be read alongside this section. Refer also to paragraph 11.5.

...

10.5 The PRA determines in Depositor Protection 13.98 that it should be operationally feasible for firms' systems to freeze deposit accounts that are not identified under Depositor Protection 11.1 within five hours of a resolution and a request of the PRA. The PRA considers that the minimum result of freezing an account should be that a customer is unable to move money into or out of the account.

### Account separation

10.6 Depositor Protection 13.4 to 13.98 require firms to create and maintain systems that enable the firm to separate uncovered from covered balances and place the uncovered balances into a separate suspense or shadow account at the point of resolution and on the request of the PRA, within 48 hours. The legal ownership of the covered deposits remaining in the account will be transferred to an acquiring institution, but the deposit account remains operational on the failed bank's systems providing the depositor with continued access to their account. Subsequent to the resolution weekend, the PRA would expect the acquiring institution to over time migrate the depositors' accounts onto their own systems.

10.7 Firms may choose either to set up a single suspense account or individual shadow accounts for each account from which uncovered deposits will be transferred. Firms can choose whether they would want to create the separate accounts within the core banking system ahead of resolution or demonstrate that they have designed a system with the capability to create these features at the point of resolution. If firms decide that they wish to create shadow accounts ahead of resolution, the PRA expects firms to demonstrate good control processes and to provide appropriate assurance to manage any risks as part of CoA reporting under Depositor Protection 15.57.

...

### Hierarchy of accounts

10.14 Depositor Protection 13.5 requires firms to apply a hierarchy to eligible accounts where the depositor has multiple eligible accounts and their aggregate balance is over the covered limit. Firms should ensure that all products are categorised according to the categories in Depositor Protection 13.6-5 to ensure the hierarchy is adhered to. Where a product could fall into several categories, it should be recorded as the highest of these categories in the hierarchy. Where a product cannot reasonably be placed into one of the categories, the 'other' category should be used.

...

## 11 Scope of depositor protection requirements

...

11.5 The PRA has also made available a waiver by consent<sup>1</sup> which excludes firms from the scope of CoA rules for a period of three years (from 1 December 2016 to 1 December 2019) if the firm meets any of the following three criteria:

- (i) the firm had more than £15 billion in total assets on 31 March 2016; or
- (ii) the firm had both of the following on 31 March 2016:
  - (a) less than £2 billion in covered deposits, and
  - (b) fewer than 150,000 depositors; or
- (iii) the firm is an overseas firm that is not an incoming firm and has a Part 4A permission that includes accepting deposits.

## 12 ~~The c~~Changes in the deposit protection limit

~~12.1 [Removed on [date of PS]]This section sets out the PRA's expectations around a number of changes to the Depositor Protection rules arising from the change to the deposit protection limit. The requirements for a UK branch of a "euro firm", are not affected.~~

12.1A This section sets out the PRA's expectations around changes to the Depositor Protection Part arising from the change to the deposit protection limit. The expectations below relate to the change in the limit from £75,000 to £85,000 in January 2017.<sup>2</sup> The requirements for a UK branch of a 'euro firm' are not affected.<sup>3</sup>

### Transitional

12.1B Resetting the deposit protection limit requires consequential changes to firms' disclosure materials, advertising materials and SCV/CoA systems to reflect the new deposit protection limit. The PRA recognises that it will take time for some firms to amend their materials and systems so it has provided firms with a 5 month transitional period until 30 June 2017 to fully implement the changes.

12.1C The PRA encourages firms to make these changes as soon as possible after 30 January 2017. This will minimise the number of depositors provided with materials that reference the old £75,000 deposit protection limit and reduce the need for manual intervention in a firm's SCV file by the FSCS should a firm fail in the transitional period.

### Notification of the PRA

12.1D A firm that is ready to implement the required changes prior to 30 June 2017, must notify the PRA by e-mail, and will become subject to the new rules from the next business day. The notification mechanism ensures that firms can implement the changes before the end of

1 Full details of the criteria and more information on waivers by consent are available at <http://www.bankofengland.co.uk/pr/Pages/authorisations/waivers/waiversbyconsent.aspx>

2 [Link to final Policy Statement when available]

3 A 'euro firm' is an incoming firm that is a credit institution of an EEA State that has adopted the euro or that does not convert into their national currency the amount referred to in Art 6(1) of the DGSD, pursuant to Article 6(5) of the DGSD.

June if they are able, while at the same time ensuring legal certainty for each firm and the PRA as to the rules that apply to the firm at any point in time.

12.1E A firm may provide separate notifications for:

- SCV/CoA systems requirements; and
- disclosure and advertising materials.

As a result, a firm which is ready to update its SCV/CoA systems but not its disclosure and advertising materials (or vice versa) may do so as soon as it is ready and following notification to the PRA. Firms may instead choose to implement all changes at once and provide the PRA with one notification.

12.1F The email address for notifying the PRA under the transitional rules is: DepositLimitNotification@bankofengland.co.uk.

12.1G Although not preferred by the PRA, if a firm implements all changes to refer to the new deposit protection limit with effect from 30 June 2017, it does not need to provide notification of the changes to the PRA.

### **Posters and stickers**

~~12.2 [Removed on [date of PS]] The PRA requires amended posters and stickers which refer to the new deposit protection limit to be displayed in branches and on websites as soon as practicable and in any event from 1 September 2015. Until such time, the PRA expects firms to continue to display the existing posters and stickers (that were prescribed under the Compensation sourcebook in the PRA Handbook or in the form previously set out in Annex 2 of the Depositor Protection Part).~~

12.2A The PRA requires amended posters and stickers which refer to the new £85,000 deposit protection limit to be displayed in branches and on websites as soon as the firm is ready and following notification to the PRA (see 12.1B-G), or from 30 June 2017, if later. Until such time, the PRA expects firms to continue to display the existing posters and stickers (referring to £75,000 in the form set out in Annex 2 of the Depositor Protection Part).

### **Information sheet**

~~12.3 [Removed on [date of PS]] Requirements for firms to provide the information sheet and exclusions list to depositors apply from 1 January 2016. Firms that wish to provide the information sheet to depositors before 1 January 2016 should discuss options with their supervisor. Where a firm has already provided an information sheet to a depositor (referring to a £85,000 limit), that firm should prioritise providing the coverage information (set out in Annex 4 to the Depositor Protection Part) to that depositor, under Depositor Protection 54.1.~~

12.3A The information sheet provided for acknowledgment purposes at account opening must reflect the new deposit protection limit following a firm's notification to the PRA or in any event by 30 June 2017.

~~12.4 [Removed on [date of PS]] Depositors must also be provided with the information sheet and exclusions list as soon as practicable after 31 December 2015 and in any event by 3 July 2016, under Depositor Protection 54.2. The PRA considers that satisfaction of this requirement will also satisfy the requirements of Depositor Protection 17.1(3) for the first annual cycle.~~



12.4A The PRA does not expect firms to change their existing annual information sheet cycles. However, firms must update any annual information sheets provided to depositors following a firm's notification to the PRA (or in any event by 30 June 2017) to reflect the new deposit protection limit.

12.5 The PRA expects firms should ensure that their systems are flexible enough to accommodate further limit changes should this be required at a future date.

### Other references

12.6 ~~[Removed on [date of PS]]For the avoidance of doubt, the PRA expects firms to update all relevant references to the deposit protection limit (not only where prescribed in PRA rules). This includes advertising materials, product literature, website references, etc.~~

12.6A For the avoidance of doubt, the PRA expects firms to update all relevant references to the deposit protection limit (not only where prescribed in PRA rules) at the time it notifies the PRA as mentioned above (and in any event by 30 June 2017). This includes advertising materials, product literature, website references, etc.

### Informing depositors

12.7 ~~[Removed on [date of PS]]Where firms face challenges in complying with Depositor Protection 54.1 they should discuss options with their supervisor.~~

12.8 The PRA considers firms should train customer facing staff to answer questions from customers about the change in the deposit protection limit. At a minimum, the PRA considers this training should include:

- ~~what the limit is changing to and when;~~
- ~~who is and is not protected up to £85,000 during the period from 3 July 2015 until 31 December 2015 and thereafter; and~~
- ~~what are the implications for depositors with aggregate eligible deposits over the new deposit protection limit.~~

12.8A Prior the time a firm notifies the PRA as described in 12.1D-F above (or 30 June 2017, if later), the PRA expects the firm to train customer facing staff to answer questions from customers about the change in the deposit protection limit. At a minimum, the PRA considers this training should include:

- what the limit is changing to and when;
- who is, and is not, protected; and
- what are the implications for depositors with aggregate eligible deposits over the new deposit protection limit.

12.9 ~~[Removed on [date of PS]]Before staff are adequately trained, firms should instruct staff to direct customers to the FSCS website in the first instance.~~

12.9A Until such time as staff training is completed, the PRA expects staff to direct customers to the FSCS website in the first instance.

## Identifying small corporate depositors

12.10 ~~[Removed on [date of PS]]~~The PRA has stated that it expects firms to make progress towards final SCV rules during the transition period to new SCV rules which take effect in December 2016. This means that firms may include newly eligible deposits such as large corporates in their SCV ahead of this time. Where firms have adopted this approach prior to January 2016, the PRA expects firms to be able to continue to identify small corporate deposits until the new limit takes effect on 1 January 2016 (for example by maintaining a separate list of such depositors). This will help ensure the FSCS is able to pay out small corporate depositors at £85,000 during the transitional period for these depositors.

## SCV Single Customer View (SCV) and Continuity of Access (CoA) systems

12.11 ~~[Removed on [date of PS]]~~The PRA considers that the effect of the HMT transitional legislation is that firms should not amend their SCV systems to reflect the new deposit protection limit until 1 January 2016. This approach applies whether or not a firm has adopted the new SCV requirements in Depositor Protection 12.9 early.

12.11A Firms are encouraged to make changes to their SCV and CoA systems to ensure the compensatable amount (and transferable eligible deposit, if the CoA rules are applicable to the firm) as soon as they are ready after 30 January 2017 and following notification to the PRA (see 12.1A-F above). Firms are required to make the changes to their systems by 30 June 2017.

12.11B If a firm were to fail after 30 January 2017 but a firm had made use of the transitional period and not yet updated its systems to reflect £85,000, depositors are still protected to the £85,000 limit. The FSCS's processes will be amended to ensure this protection during the transitional period.

## **Depositors with aggregate eligible deposits above £75,000** ~~[Paragraphs 12.12 to 12.27 removed on [date of PS]]~~

Paragraph 12.12 to 12.27 were added to this supervisory statement on 3 July 2015 following CP23/15 and PS18/15 'Depositor and dormant account protection – consequential amendments'.<sup>1</sup>

### **Affected persons**

12.12 An 'affected person' is defined in Depositor Protection 57.12. Large corporates and small local authorities do not fall within this definition as they are not 'relevant persons' and therefore the PRA does not expect such depositors to be provided with a notification under Depositor Protection 57.2.

12.13 A depositor would not be captured by the definition of 'affected person' where a firm is contractually required to pay away sums before 1 January 2016 so that the reduction of the coverage limit on that date is unlikely to cause a problem for that depositor (eg fixed term deposits maturing before 1 January 2016 that are to be paid into an account with another firm). However, if the maturing fixed term deposit is to be paid into another account with the same firm, the depositor will still be an 'affected person'.

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1 PRA Consultation Paper CP23/15, 'Depositor and dormant account protection – consequential amendments', July 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2315.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2315.aspx)  
PRA Policy Statement PS18/15, 'Depositor and dormant account protection – consequential amendments', July 2015; [www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1815.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1815.aspx)

~~12.14 Where a depositor's aggregate eligible deposits are currently below the (£75,000) protection limit, they can still fall within the definition of an 'affected person' if, taking account of expected accrued interest at 31 December 2015 or maturity, their aggregate eligible deposits are reasonably likely to exceed that limit.~~

~~12.15 References to 'additional credits' in the definition of an affected person and in Depositor Protection 57.7(2)(b) refer to regular payments made into an account by a depositor under the terms of the product or another agreement with the firm. Payments the depositor is not required to make are not required to be taken into account for these purposes, even if they are made through regular payment mechanisms such as standing orders or direct debits.~~

~~12.16 When making an assessment of persons 'reasonably likely' to be affected by the change in the coverage level under the definition of 'affected person', firms may take a proportionate approach and the PRA considers it acceptable for firms to make reasonable and prudent assumptions in respect of applicable interest rates.~~

### **Notification requirement**

~~12.17 Depositor Protection 57 requires firms to notify affected persons about the change to the coverage level and explain how they may request a withdrawal without charge, penalty or loss of interest. The rules do not prevent a firm from also communicating the withdrawal process to a wider group of eligible depositors if they wish. For the avoidance of doubt, Depositor Protection Chapter 21 ('method of communication') applies to the notification requirements under Depositor Protection 57.~~

~~12.18 The PRA considers it acceptable for firms to combine notifications required by Depositor Protection 57.2 and Depositor Protection 54.1. Where firms wish to do so, the PRA expects firms to bring forward the notification required under Depositor Protection 57.2 to ensure compliance with Depositor Protection 54.1.~~

### **Withdrawal of affected funds**

~~12.19 Depositor Protection 57.8 allows firms to determine the account or product from which the eligible deposits are withdrawn, except that it may not determine the eligible deposits are withdrawn from a transactional account without the consent of the affected person (or person who has the authority to act on behalf of the affected person). When deciding on the account from which to make the withdrawal, the PRA expects firms to give consideration to the FCA's rules regarding fair treatment of customers (in particular Principle 6 and Treating Customers Fairly (TCF) Outcomes 1 and 6). For the purposes of Depositor Protection 57, the PRA considers a transactional account to mean the depositor's account with the most regular transactions eg, current account, pass book account.~~

~~12.20 Depositor Protection 57.5 requires firms to allow a depositor to make one withdrawal without charge per DGS member. When calculating the amount that can be withdrawn, the PRA expects firms to take a proportionate approach and considers it is acceptable for firms to make reasonable and prudent assumptions in respect of applicable interest rates. For the avoidance of doubt, the PRA does not consider the rules prevent firms from offering penalty free withdrawals beyond those set out in Depositor Protection 57. For example, where it is simpler operationally for a firm to allow withdrawals on a per brand basis, or allow affected persons to withdraw a maximum of £10,000 each rather than calculate the specific amount under Depositor Protection 57.7. The PRA does not consider that the rules prevent firms from allowing depositors to make more than one penalty free withdrawal.~~

~~12.21 While Depositor Protection 57.6 only applies to depositor requests made before 31 December 2015 (with all payments made by 31 January 2016), firms may also wish to consider extending arrangements to withdraw affected funds without charge, penalty or loss of interest beyond 31 December 2015 (with final requests received by 31 March 2016). The PRA also expects firms to consider longer term system and process functionality to support any similar transitional withdrawal arrangements following any future deposit protection limit changes.~~

~~12.22 The PRA considers that, where a depositor makes a partial withdrawal under Depositor Protection 57, the substance of the contractual terms and conditions should not be affected. For the avoidance of doubt, even where the terms and conditions of a product prohibit partial or early withdrawals, firms are not required to provide depositors with a notice of variation of contractual terms and conditions. If, for operational reasons, firms have to close a product in its entirety to facilitate a partial withdrawal, the PRA expects the firm can achieve compliance by opening a new product as long as the new product has the same characteristics and terms (including interest rate) as the product before the partial withdrawal. Such action should not restart the term of the product.~~

~~12.23 Where firms have concerns about the application of the rules to restricted or disputed accounts they should discuss this with their supervisor.~~

### **Charge, penalty or loss of interest**

~~12.24 The PRA considers that a 'charge, penalty, or loss of interest' could include, but is not necessarily limited to: a fixed fee for early withdrawal, product provisions preventing a withdrawal, a percentage charge for early withdrawal, administrative fees, bank transfer charges and loss of accrued interest (on both the withdrawn amount and the remaining amount).~~

~~12.25 The PRA does not expect firms to compensate depositors for interest on withdrawn funds that would have accrued if the funds had remained in the depositor's account.~~

~~12.26 Depositors should not lose future interest on remaining funds going forward, except to the extent the amount of the remaining deposit would put the deposit into a lower tier of interest rate under the original terms of the product.~~

~~12.27 For the avoidance of doubt, the PRA considers that where a depositor requests to withdraw the entire deposit, an early closure charge may be applied to the remainder of the deposit as per the terms of the contract. However, where a firm's processes do not support partial withdrawals and closure of the whole deposit is required, the PRA considers that the effect of Depositor Protection 57 is that firms should not impose an early closure charge on the remaining balance or on the amount of funds withdrawn.~~