



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

02 April 2014

Bank of England sets out the Prudential Regulation Authority's (PRA) Annual Funding Requirement

The Bank of England is consulting on the regulatory fees and levies required to support the PRA's strategic priorities and business aims for the fee year 2014/15. The fees from individual firms are based on the size of their business. Consequently, those firms that could potentially cause the greatest harm to the stability of the UK financial system will be the main contributors to the PRA's funding needs. The Financial Conduct Authority (FCA) has separately set out its own Annual Funding Requirement.

The PRA has an estimated surplus of £19.6m from the fees levied in 2013/14. This will be refunded to firms as part of the 2014/15 fee collection process. Taking this into account, the PRA's proposed Annual Funding Requirement for 2014/15 is £227.2m which is a decrease of 4% on the 2013/14 Annual Funding Requirement of £235.5m. The PRA will maintain its commitment to exercising budget discipline to provide value for money for regulated firms.

The Annual Funding Requirement is the amount of money that the PRA needs to raise to fund the regulatory activities required to meet its statutory objectives set out by Parliament. The PRA's Annual Funding Requirement for 2014/15 reflects the budget for ongoing regulatory activities, recovery of transition costs, refund of the surplus on the Annual Funding Requirement for the 11 month period from 1 April 2013 to 28 February 2014 and refund of the surplus on the prior year IMAF Solvency II Special Project Fee.

The PRA's 2014/15 budget reflects the cost of the PRA's expanded remit in relation to specific new policy initiatives or where the scope of the work being undertaken is at a substantially enhanced level or to a shortened timescale, such as the implementation of the Banking Reform Bill. This includes:

- developing a framework for regular stress testing of the UK banking system to assess capital adequacy in line with Financial Policy Committee recommendations;
- delivering structural reform of financial services firms, with ring-fencing and loss-absorbing-capacity proposals;
- implementing Parliamentary Commission on Banking Standards requirements; and
- facilitating effective competition for services provided by PRA-authorized persons carrying out regulated activities as a secondary objective.

The Financial Services Act 2012 created two new regulators – the FCA and the PRA which was set up as a subsidiary of the Bank of England. The Bank of England spent £73.9m (excluding capital expenditure) on regulatory reform and the creation of the PRA, which will be recovered over a period of five years from 2013/14 to 2017/18. Recovery of the outstanding amount will result in an amount of £14.8m per year to be added to the PRA's Annual Funding Requirement from 2015/16 through 2017/18.