



BANK OF ENGLAND

News release

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

The Bank of England is consulting on the regulatory fees and levies required to support the Prudential Regulation Authority's (PRA) strategic priorities and business aims for the fee year 2015/16. The fees from individual firms are based on the size of their business. The Financial Conduct Authority (FCA) will separately set out its own Annual Funding Requirement later this month.

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 2015/16 reflects the budget for ongoing regulatory activities and recovery of transition costs.

The PRA's proposed Annual Funding Requirement for 2015/16, taking into account refunds to firms, is £257.8m which is an increase of 4% on the 2014/15 Annual Funding Requirement of £246.8m.

The PRA's 2015/16 proposed budget reflects the costs arising from the transition to bring all Bank of England staff onto the same terms and conditions; and the need for additional resource in relation to the PRA's expanded responsibilities and implementation of new policy initiatives:

- Implementation of Parliamentary Commission on Banking Standards requirements through the Senior Managers Regime as well as the new Senior Insurance Managers Regime;
- Preparation for the Solvency II Directive outside of costs recovered by the Non-IMAP Solvency II Special Project Fee;
- Implementation of the Capital Requirements Directive IV for banks, building societies and designated investment firms; and
- Evolution of the framework to undertake regular stress testing of the UK banking system to assess capital adequacy of our most systemic firms in line with Financial Policy Committee (FPC) recommendations.

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.

The refunds to firms for the fee year of 2014/15 are made up of:

- An estimated surplus of £4m from the fees levied in 2014/15;
- An estimated surplus of £2.5m from the 2014/2015 Non-IMAP Solvency II Special Project Fee; and
- Following recovered costs from recent enforcement action, the PRA is also refunding an estimated £1.5m to firms under the PRA's Financial Penalty Scheme, excluding those involved in the enforcement action.

These surpluses will be refunded to firms as part of the 2015/16 fee collection process.

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Notes to Editors

1. [Consultation Paper 10/15: Regulated fees and levies: rates proposals 2015/16](#).
2. The PRA was given the power to recover relevant commencement expenses in Schedule 1ZB (para 31) of the Financial Services and Markets Act 2000.