

**PRA RULEBOOK: CRR FIRMS, NON-CRR FIRMS AND NON-AUTHORISED PERSONS:  
DEPOSITOR PROTECTION (NO.1) INSTRUMENT [2023]**

**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(1) (the Compensation Scheme);
  - (4) section 214(1)(g) (limitation to specified kinds of claim);
  - (5) section 214(1)(h) (the procedure to be followed);
  - (6) section 214(1)(j) (limitation to the amount payable on a claim); and
  - (7) section 214 (General).
- 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 and Non-Authorised Persons: Depositor Protection (No.1) Instrument [2023]**

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

Part	Annex
Glossary	A
Depositor Protection	B

**Commencement**

- E. This instrument comes into force on dd/mm/yy

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms, Non-CRR Firms and Non-Authorised Persons: Depositor Protection (No.1) Instrument [2023].

**By order of the Prudential Regulation Committee**

[DATE]

**Annex A**

**Amendments to the Glossary Part**

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

...

*temporary high balance*

means, ~~in relation to a depositor who is an individual,~~ that part of an *eligible deposit* in excess of the coverage level set out in Depositor Protection 4.2 which meets the additional criteria set out in Depositor Protection 10.2.

...

## Annex B

## 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 ...

#### *unavailable deposit*

means a *deposit* that is due and payable but has not been paid by a *DGS member* (or, in the case of 3.2(2), a *PRA-authorised person*) under the applicable legal or contractual conditions where either:

- (1) (in accordance with the *deposit guarantee scheme regulations*) the *PRA*, or the *FSCS* in the case of a *credit union* or a *Northern Ireland credit union*, has determined that in its view the *DGS member* or *PRA-authorised person* appears to be unable for the time being, for reasons which are directly related to its financial circumstances, to repay the *deposit* and has no current prospect of being able to do so; or
- (2) a judicial authority has made a ruling for reasons which are directly related to the *DGS member's* or *PRA-authorised person's* financial circumstances and the ruling has had the effect of suspending the rights of *depositors* to make claims against it.

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## 2 ELIGIBILITY

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### 2.2 The provisions in this rule determine whether a *deposit* is an *eligible deposit*:

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- (3) A *deposit* is, subject to the other rules in this Chapter, an *eligible deposit* if it is held by a *UK* or *Gibraltar* establishment of a *PRA-authorised person*~~firm~~ which:
  - (a) had a *Part 4A permission* to accept such *deposits* at the time the *deposit* was accepted but no longer has permission to accept *eligible deposits*, or is subject to a requirement preventing it from doing so; and
  - (b) is not now a member of the *Gibraltar DGS* which protects such *deposits*.

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## 3 CIRCUMSTANCES IN WHICH THE FSCS PAYS COMPENSATION IN RESPECT OF ELIGIBLE DEPOSITS

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### 3.2 The *FSCS* must pay compensation in accordance with this Part in respect of an *eligible deposit* if it is satisfied that the *eligible deposit* is a *deposit* with either:

- (1) a *DGS member* which is *in default*; or
- (2) a *PRA-authorised person*~~firm~~ which is in default and which:

- (a) had a *Part 4A permission* to accept such *deposits* at the time the *deposit* was accepted but no longer has permission to accept *eligible deposits*, or is subject to a requirement preventing it from doing so; and
- (b) is not a member of the *Gibraltar DGS* which covers such *deposits*.

#### 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 £85,000, save that additional compensation may be payable in cases to which 4.3 or 10.2A apply.

4.3 Subject to 10.2A, The maximum compensation sum payable for a *temporary high balance* is £1,000,000, save that no limit shall apply to the compensation payable for a *temporary high balance* arising from a payment in connection with personal injury or incapacity.

#### 10 TEMPORARY HIGH BALANCES

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10.2 In order to qualify as a *temporary high balance*, a part of an *eligible deposit* in excess of the coverage limit provided for in 4.2 must be considered only in relation to a depositor who is an individual and must meet at least one of the following additional criteria:

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10.2A Following the death of a holder of a joint account, where the share of the deceased holder stands to the credit of the surviving depositor or depositors of that account, the limits provided for in 4.2 and 4.3 applicable to each surviving depositor who is an individual shall be increased for a period of six months from the date of death by an amount calculated by dividing between the surviving depositors the limit applicable to the deceased holder at the date of death, such limit being the highest of:

- (1) the limit provided for in 4.2;
- (2) in the event of a temporary high balance, the limit provided for in 4.3; or
- (3) such increased limit as may already have been applicable to the deceased holder at the date of death by operation of this provision.

In the absence of contrary provision, such division shall be made equally among the surviving depositors to the nearest penny.

10.2B This rule applies where the depositor holds an eligible deposit in the capacity of a trustee:

- (1) The provisions of 10.2B(2) apply where a person (P), being an individual, either:
  - (a) is absolutely entitled to the whole or part of the eligible deposit, in which case P is the person who may be entitled to compensation in respect of P's interest in the deposit;
  - or

- (b) has otherwise been determined by the *compensation date* to have a beneficial interest in the *eligible deposit*, in which case compensation may be payable in relation to P's interest in the *deposit*.
- (2) Where the provisions of this 10.2B(2) apply:
- (a) all references to the *depositor* in 10.2 and 10.2A shall be read and construed as references to P; and
- (b) all references in 10.2 to monies deposited or sums paid include such monies or sums deposited by or paid to P, or deposited by or paid to the *depositor*.
- 10.3 Following the *compensation date*, the FSCS must review the *single customer view* and any *exclusions view* of each *depositor* with the *DGS member* and provide written notice to the *depositor*, such notice regarding either the *depositor* (being an individual absolutely entitled to the *eligible deposit*) or an individual referred to in 10.2B(1), in either case concerning an individual with aggregate *eligible deposits* in excess of the coverage levels set out in 4.2 of the following:
- (1) that the *depositor* (or, in the case of an individual referred to in 10.2B(1)(a), the individual, or, in the case of an individual referred to in 10.2B(1)(b), the *depositor* on behalf of the individual) may be entitled to additional compensation if all or part of the *eligible deposit* in excess of the coverage levels provided for in 4.2 qualifies as a *temporary high balance*;
- (2) that in order to claim such additional compensation, the *depositor* must provide the FSCS with a written application and evidence supporting the ~~*depositor's claim*~~ that all or part of the *eligible deposit* in excess of the coverage levels provided for in 4.2 qualifies as a *temporary high balance*;
- ...
- 10.4 The FSCS must pay compensation ~~to a *depositor*~~ in respect of a *temporary high balance* in accordance with 4.3 if it is satisfied that there is a sufficient link between an event giving rise to a *temporary high balance* and the part of the *eligible deposit* in excess of the coverage levels provided for in 4.2, taking into account the following considerations:
- (1) the written application and evidence provided by the *depositor* under 10.3; and
- (2) any other information that the FSCS considers relevant.
- 10.5 The FSCS must pay compensation ~~to a *depositor*~~ in accordance with 4.3 in respect of each *temporary high balance* that the *depositor* (or, in the case of an individual referred to in 10.2B(1)(a), the individual) has with any one *DGS member*.
- ...
- 10.7 The protection for *temporary high balances* under 4.3 shall run for a period of six ~~months~~ *months* from the later of:
- (1) the first date on which a *temporary high balance* is credited to a ~~*depositor's*~~ *depositor's* account, ~~or to a client account on a person's behalf~~; and
- (2) the first date on which the *temporary high balance* becomes legally transferable to the ~~*depositor*~~ *depositor* (or, in the case of an individual referred to in 10.2B(1), to the *depositor* or the individual).
- ...

10.8 The FSCS must, ~~pay compensation in respect of a temporary high balance within three months~~months of the ~~compensation date, pay to the depositor a sum representing the amount due to the depositor in respect of the temporary high balance~~ unless one or more of 10.9 to 10.11 applies.

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## 17 FIRMS' DISCLOSURE OBLIGATIONS – STATEMENT OF ACCOUNT

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17.1 A firm must:

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(3) at least annually:

(a) provide to the depositor of eligible deposits~~deposits~~ held by a UK or Gibraltar establishment of the firm;

(i) the *information sheet*; and

(ii) the *exclusions list*; and

(b) if applicable, inform the ~~depositor of the exclusions from deposit guarantee scheme protection that fall within 2.2(4)(b) and 2.2(4)(k); and~~[deleted.]

(4) include the following information on a depositor's statement of account in respect of deposits held by a UK or Gibraltar establishment of the firm:

...

17.3 A firm which was, immediately before ~~IP completion day, a credit institution and an incoming firm, and which is a DGS member immediately after IP completion day, must, within two months after IP completion day:~~

~~(1) provide to the depositor of deposits held by a UK establishment of the firm:~~

~~(a) the *information sheet*; and~~

~~(b) the *exclusions list*; and~~

~~(2) if applicable, inform the depositor of the exclusions from deposit guarantee scheme protection that fall within 2.2(4)(b) and 2.2(4)(k).[deleted.]~~

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## 19 DISCLOSURE OF TRANSFER OF DEPOSITS

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19.1 In the case of a merger, conversion of *subsidiaries* into *branches*, transfer or similar operations, a firm must:

(1) inform *depositors* at least one ~~month~~month before the operation takes legal effect, save where the PRA allows a shorter deadline on grounds of commercial secrecy or financial stability; and

(2) where a consequence of the operation will be a reduction in the aggregate amount of a depositor's coverage compared with what would have been the case if the operation had not occurred, give depositors a three month~~month~~ period following notification in accordance with (1), to withdraw or transfer to another *institution*, without incurring any penalty, such part of their *eligible deposits*, together with any accrued interest and other benefits, as exceed the coverage level pursuant to 4.2 at the time of the operation.

## 20 DISCLOSURE OF WITHDRAWAL OR EXCLUSION FROM DEPOSIT GUARANTEE SCHEME

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20.3 ~~A firm must inform depositors of deposits which:~~

~~(1) immediately prior to IP completion day, were eligible deposits; and~~

~~(2) on IP completion day, ceased to be eligible deposits by virtue of not being held at a UK or Gibraltar establishment,~~

~~that such deposits ceased to be eligible deposits on IP completion day, and must do so as soon as practicably possible after IP completion day and in any event within one month after IP completion day. [Deleted.]~~

20.4 An overseas firm must as soon as practically possible provide the information in (1) and (2) to depositors if deposits it holds will, within 12 months, cease to be eligible deposits by virtue of such deposits no longer being held at a UK establishment of the overseas firm:

(1) the date on which it is anticipated that deposits will cease to be eligible deposits;

(2) details of any compensation scheme that may cover the deposits in whole or in part from that date.

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