

Bank of England PRA

PRA Cost Benefit Analysis Panel Terms of Reference

With effect from 1 August 2024

Introduction and Membership

1. The PRA Cost Benefit Analysis Panel (the Panel) is established by the Prudential Regulation Authority (PRA), under section 138JA of the Financial Services and Markets Act 2000 (the Act), to provide advice to the PRA and the Bank of England (the Bank), in relation to cost benefit analyses for the purposes of section 138J of the Act¹.
2. The PRA appoints such Panel members as it considers appropriate, in line with its Statement of Policy on Panel appointments². These appointments must include, at least two members who are employed by PRA-authorized persons, with each one being employed by a different PRA-authorized person. Members of the Panel are external and are not employed by the PRA nor the Bank.
3. Members of the Panel who are not employed by a PRA-authorized firm or Bank-regulated entity³ ('independent members') must always form the majority on the Panel.
4. The independent members will be remunerated by the PRA for their work on the Panel with details of such remuneration specified in the role advertisement. Panel members employed by PRA-authorized persons are not eligible for remuneration.
5. The PRA will appoint one of the members of the Panel to be the Chair of the Panel. HM Treasury's approval is required for the appointment or dismissal of the Chair. The Chair must be an independent member.
6. The PRA provides secretariat support to the Panel.

Duration of appointments

7. The independent members will serve a term of up to 36 months which is renewable at the discretion of the PRA (in consultation with the Bank). Members who are employed by a PRA-authorized person or a Bank-regulated entity will serve a term of up to 12 months, which is renewable at the discretion of the PRA (in consultation with the Bank).

Role and Purpose

8. The Panel provides advice in relation to cost benefit analyses, to the PRA and to the Bank, in relation to the Bank's role and responsibilities in respect of the

¹ And as section 138J FSMA is applied to the Bank with modifications by paragraphs 10 and 10A of Schedule 17A to the Act.

² [Statement of policy – Panel appointments by the PRA and the Bank of England](#), October 2023

³ A 'Bank-regulated entity' means a central counterparty, central securities depository or critical third party that has been designated by HM Treasury. The term does not include a payment system recognised by HM Treasury.

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Bank's rule making powers in relation to FMIs⁴ and critical third parties under Part 18 of the Act⁵.

9. The role of the Panel is to support increased transparency and scrutiny of the PRA and the Bank's policymaking by providing regular, independent input into the PRA's and Bank's cost benefit analysis (CBA). The Panel also keeps under review how the PRA and the Bank are performing more generally in carrying out their duties with regard to CBA. The PRA and the Bank will also consult the Panel on their respective Statements of Policy in relation to the preparation of CBA.
10. The Panel is established and maintained by the PRA.
11. The Panel will meet approximately eight times a year, or as it views appropriate, in consultation with the PRA.
12. The Panel may also be requested to provide advice to the PRA and the Bank regarding CBA in writing by email or by other electronic means. The Panel will provide its written advice in a timely manner, and usually no later than within five working days of a request. If the views of the Chair and at least two Panel members are received, that shall be considered the advice of the Panel provided that the Chair has not advised during the five-day period that the Panel's advice should be provided in a meeting. In instances where the Chair is unable to provide their views in writing, the views of at least three Panel members (at least two to be an independent member) will be considered the advice of the Panel.

Accountability

13. The Panel shall write its annual report, as required under regulation 3(1)(c) of the Financial Services and Markets Act 2023 (Panel Remuneration and Reports) Regulations 2023, to be submitted to HM Treasury who will lay each report before Parliament. From 1 January 2025, the Panel will publish this annual report on the Bank of England's website alongside the PRA's annual report.
14. When Panel members attend or speak at external events on behalf of the Panel, members should clarify that they are doing so on behalf of the Panel and not the PRA or the Bank. When Panel members attend or speak at external events in a personal capacity, members should make this clear.

The PRA and the Bank's Responsibilities and Duties to the Panel

15. The PRA and the Bank will consider representations made by the Panel regarding the PRA and the Bank's overall approach to CBA, on the operation of the Panel, and on the methodology and approach of individual CBAs. Where the Panel has made representations on individual CBAs, the PRA and the Bank will consider those representations ahead of public consultation.

⁴ The Bank's rule making powers under Part 18 of the Act in relation to FMIs constitute powers to make rules in relation to recognised central counterparties, third country counterparties, recognised CSDs, third country CSDs, and non-central counterparty recognised clearing houses, which is currently an empty set.

⁵ The Panel will also provide advice in relation to relevant PRA CBAs for rules in relation to critical third parties.

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16. The PRA and the Bank will, from time to time publish, in a suitable manner, responses to the Panel's representations which may include publication in the PRA and Bank's annual reports. The PRA and the Bank will make it clear in its consultation papers when they have consulted the Panel.
17. The PRA and the Bank will provide the Panel with access to information, subject to any legal restrictions on disclosure, in sufficient time to discharge its responsibilities as defined by the Act. Papers will be made available to the Panel by electronic means approximately five working days ahead of a Panel meeting.
18. The PRA and the Bank will provide a proportionate level of secretariat support to the Panel to enable its effective operation and support the discharge of its responsibilities as defined by the Act.

Confidentiality, competition law, and data protection

19. Panel members will maintain the confidentiality of information provided to the Panel by the PRA and the Bank.
20. Panel members may be exposed to sensitive information and confidential material in the course of their membership. Any information disclosed in the course of the Panel's business or opinions expressed in Panel meetings will be treated as confidential unless and until the PRA and/or the Bank has authorised their public release. Panel members are reminded of their legal obligations in relation to material non-public information, including under the UK Market Abuse Regulation (UK MAR).
21. Panel members must ensure that they understand their responsibilities under, and fully comply with all applicable competition laws and data protection laws.
22. To the extent that any member is unclear about these, they should seek legal advice and if appropriate arrange to undertake compliance training and, where applicable, seek further guidance.
23. Particular care will need to be exercised in order to make sure that Panel members familiarise themselves with the concept of competitively sensitive information and do not unilaterally disclose or exchange it under any circumstance.
24. If, during a Panel meeting, a member has concerns about the discussion from a competition law compliance perspective, the member should make their concerns known and the discussion giving rise to such concerns should cease.

Conflicts of interest

25. All Panel members are responsible themselves for identifying and declaring actual, potential, or perceived conflicts of interests (such as certain financial and business relationships) to the PRA and the Bank prior to appointment, for updating their declarations at regular intervals thereafter or when such a conflict arises, in line with the procedure for declaring interests in the CBA Panel conflicts guidance (the guidance).

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26. Prior to appointment, Panel members will be provided with the guidance on what constitutes a conflict of interest between Panel members and the matters upon which they are giving advice.
27. Members who are employed by a PRA-authorized person or a Bank-regulated entity will be recused from discussions that involve non-public, confidential firm-specific information.