

Policy Statement | PS1/13

Regulatory reform: amendments to the Prudential Regulation Authority Handbook

March 2013



BANK OF ENGLAND
PRUDENTIAL REGULATION
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1 Overview

1.1 In September and October 2012, the Financial Services Authority (FSA) consulted on changes to existing regulatory rules and guidance on behalf of the Prudential Regulation Authority (PRA). These changes were driven by the Financial Services Bill. The Bill achieved Royal Assent on 19 December 2012 and became the Financial Services Act 2012 (the Act). The Act amends existing legislation, including the Financial Services and Markets Act 2000 (FSMA).

1.2 This PRA policy statement publishes the final PRA Handbook changes following consideration of consultation responses to FSA CPs 12/24, 12/26, chapter 2 of 12/28 and 13/3.⁽¹⁾ These rules have been made by the Board of the PRA and will come into effect on 1 April 2013 (a point referred to here as 'legal cutover').

1.3 Consideration of the responses to the consultation papers has resulted in changes to the draft instruments for Approved Persons and Status Disclosure. A description of these changes is provided in Chapters 2 and 3. In the case of all the other instruments published here, no amendments have been made as a result of feedback received and the impact of the final rules will not differ significantly from that of the draft rules, either for mutual societies or for other firms.

1.4 The Financial Conduct Authority (FCA) has issued separate policy statements describing regulatory reform amendments to the FCA Handbook.

(1) CP12/24: *Regulatory Reform: PRA and FCA regimes relating to aspects of authorisation and supervision*;
CP12/26: *Regulatory Reform: the PRA and FCA regimes for Approved Persons*;
CP12/28: *Regulatory fees and levies: policy proposals for 2013/14*; and
CP13/3: *Regulatory Reform: Handbook transitional arrangements, the appointment of with-profits committee members and certain other Handbook amendments*.
All available at
www.bankofengland.co.uk/pr/Pages/publications/regulatoryreformamendments.aspx.

2 The PRA's approved persons regime (SUP 10B and APER)

2.1 The PRA has made Handbook changes to establish its 'approved persons' regime. These include the creation of a new Chapter 10B of the Supervision manual (SUP), specifying the PRA's controlled functions and the procedures relating to approved persons, and some changes to the Statements of Principle and Code of Practice for Approved Persons (APER). The new Handbook text can be found at Appendix 1.

The PRA's controlled functions (SUP 10B)

Summary of final rules

2.2 The final text of SUP 10B differs from the draft consulted on in CP12/26 to deal with points raised by respondents. The PRA has specified all the governing functions (CF1–CF6) in its rules and will determine all applications for these functions, with FCA consent required before approval can be given.⁽¹⁾

2.3 As a result, many of areas of duplication between PRA functions and FCA functions discussed in CP12/26 will no longer exist. This change should result in a simpler overall system of controlled functions and a clearer, more informative public Register. As the PRA will now approve all the governing functions, separate approval will not be required for the systems and controls function (CF28) by someone already approved to perform a governing function at the relevant firm.

2.4 There will continue to be overlap between the PRA governing functions and the FCA's apportionment and oversight function (CF8), and therefore the rules provide that a separate FCA approval is not needed for CF8 where the person has approval for a PRA governing function.⁽²⁾

2.5 The notification required when an approved person moves within the PRA's non-executive director function (CF2 PRA) has been extended to cover anyone already approved as CF2 taking up a position as Chairman, Senior Independent Director or Chair of the Audit, Risk or Remuneration Committees. Anyone who would, under the CP12/26 proposals, have had to make a new application to move from CF2 (FCA) to CF2 (PRA) will now need to submit a notification. Notifications are cheaper for firms to complete and for the PRA to process, so costs, which were already small, should be reduced.

2.6 A rule has been added to SUP 10B which maintains existing rights of action under FSMA for a private person who has suffered a loss as a result of a contravention of rules relating to approved persons. This reflects an amendment to FSMA, which now requires the PRA to specify the rules which give rise to a right of action.

Summary of representations made and the PRA's response

2.7 There were 34 responses to CP12/26. Many respondents felt that the proposed system was overly complex, and that the way certain FCA roles were 'carved out' to avoid duplication would result in a lack of clarity on the public Register about which roles a person was performing. There was also some surprise that the PRA did not plan to approve all the members of a firm's board; it was felt that segmenting the board as proposed did not recognise the way a board operates in practice and the need to ensure that it is suitable as a whole. The majority of respondents felt that the PRA should be the determining authority for applications for more, if not all, of the significant-influence functions.

2.8 The changes to SUP 10B described above should address the vast majority of concerns raised by respondents and better reflect the way that the Board of a dual-regulated firm needs to act as a collective.

APER

Summary of final rules

2.9 The instrument at Appendix 1 makes a number of amendments to APER. No changes have been made to the instrument as a result of responses received to CP12/26. The key changes made to the Handbook mean that:

- Statements of Principle issued by the PRA will apply to:
 - (i) PRA approved persons and persons approved by the FCA to perform a significant-influence function at a dual-regulated firm; and

⁽¹⁾ The list of PRA controlled functions is set out in SUP 10B.4.3R.

⁽²⁾ See SUP 10B.7 and also SUP 10A.11 in the FCA Handbook.

- (ii) the performance by such persons of any activity which could be a significant-influence function, insofar as it relates to the carrying on of a regulated activity by the firm which originally sought the approval;
- the PRA's APER will not include Statement of Principle 3, which covers market conduct; and
- Statement of Principle 4 is amended to make clear that the PRA could take action against a person for failing to disclose to the FCA something that the FCA could reasonably have expected notice of.

Summary of representations made and the PRA's response

2.10 Approximately one third of respondents were concerned that the PRA applying and enforcing standards of conduct to a person approved by the FCA could mean that person facing action by both regulators for the same issue, or that the PRA and FCA standards might diverge over time and even conflict.

2.11 The PRA believes it is entirely appropriate that if there is potential misconduct relating to both prudential and conduct matters, then both regulators should be able to take action. It is also appropriate for the PRA and FCA to apply different standards, or to express standards differently, given their different statutory objectives. The duty to co-ordinate, and to consult each other on policy changes, should ensure that the PRA and FCA do not introduce conflicting requirements.

2.12 Some respondents also said that it was not clear what it would mean in practice to apply standards to someone's actions outside of their controlled function, and further details should be provided. The PRA does not intend to set out in detail all the cases in which it might take action for misconduct which falls outside of an approved person's controlled function. However, the PRA does not expect this extension to require a significant change in behaviour — given the high-level nature of the current standards in APER, the PRA would expect that approved persons should generally already be complying with them when acting in relation to their firm's regulated activities.

2.13 Respondents generally supported the removal of Statement of Principle 3 and the amendments to Statement of Principle 4.

Transitional arrangements for approved persons (SUP TP)

2.14 As set out above, the PRA will now approve applications for a larger number of controlled functions. This affects the detail of the transitional arrangements, but these will still follow the key principles set out in Chapter 3 of CP13/3. All

existing approvals will be 'grandfathered' to whichever of the PRA or FCA will specify that controlled function in its rules after legal cutover, without the need for any action by firms or their approved persons.

2.15 There were eleven responses to the proposed transitional arrangements in CP13/3. All supported the proposed principles.

Cost benefit analysis and the impact on mutual societies

2.16 The cost benefit analysis in CP12/26 stated that the additional costs associated with the proposals were not material. Respondents did not challenge these cost estimates. The amendments made to those proposals will not give rise to any material costs.

2.17 While changes to the draft rules mean a greater number of applications will be assessed by both the PRA and FCA, given that there will be a single portal for applications, as described in paragraphs 3.46–3.48 of CP12/26, this change should not generally have any impact on firms. It will result in some additional work by the PRA and increased liaison between the two regulators, but the cost of this will not be material. Persons approved to perform a significant-influence function at a dual-regulated firm will still need to comply with Statements of Principle issued by both the PRA and FCA. Therefore, the effect of the final rules will not, in the PRA's opinion, be significantly different from that of the draft rules, either for mutual societies or for other firms.

Future changes

2.18 The general approach to preparing the PRA Handbook for legal cutover has been to focus on the changes that are required to implement the requirements set out in the Act. Therefore, the framework of controlled functions and the amendments to APER described here do not represent the PRA's final view on the approved persons regime. A more fundamental review of the regime will be undertaken after legal cutover, and further changes may be considered necessary to ensure that the regime is fully aligned with, and effective in delivering, the PRA's statutory objectives.

2.19 For example, it is expected that, in addition to the roles which will become PRA controlled functions as set out above, the PRA will wish to be able to capture other roles with responsibility for managing parts of the business which are considered significant in the context of the PRA's supervision of that individual firm. The review of the regime will also need to take into account any relevant recommendations made by the Parliamentary Commission on Banking Standards.

3 Regulatory disclosure and use of the PRA's logo (GEN 4 and 5)

3.1 The PRA has made changes to the wording of firms' statutory regulatory status disclosure to reflect the dual-regulatory structure and removed the licence for firms to use the regulator's logo. Firms are given a transitional period of twelve months to implement these changes (rather than the six-month period consulted on in CP12/24). The final amendments to the Handbook can be found at Appendix 2.

Status disclosure wording

Summary of the final rules

3.2 Firms will continue to be required to disclose their regulatory status (ie who authorises and regulates them) in letters or electronic equivalents to retail clients. The status disclosure for dual-regulated firms will make reference to both the PRA and the FCA.

3.3 The PRA has also amended the status disclosure requirements for UK branches of EEA firms and for UK branches of non-EEA/overseas firms who are PRA-authorised.

3.4 For incoming EEA firms the PRA has amplified the notes in relation to the disclosure wording to reflect the FCA's responsibility for supervision of branch liquidity requirements of non-deposit taking branches of EEA credit institutions.

Summary of representations made and the PRA's response

3.5 The proposals for firms' statutory status disclosure and use of regulator logos were consulted on in Chapter 3 of CP12/24. 33 respondents commented on these proposals.

3.6 Most respondents did not agree with the proposed wording and felt that it was too long, with consequential impact (including increased costs) on document design. In addition, a significant number felt that the wording was too complicated and would not deliver any additional consumer benefits. Some respondents suggested that the disclosure wording should not include a reference to the PRA because, in contrast to the FCA, it is not primarily relevant to consumers. Some respondents noted that because there are different wordings for dual-regulated and FCA-only regulated firms this would incur additional costs for groups containing both types of firms.

3.7 The proposed disclosure wording accurately reflects the respective remits of the PRA and the FCA in relation to the authorisation and regulation of firms under FSMA. Accurate disclosure wording assists the PRA to achieve its general objective and enables consumers to exercise responsibility for their decisions which is consistent with the general principle set out in section 3B(1)(d) of FSMA. Firms will need to disclose their regulatory status accurately, irrespective of group membership.

Logo

Summary of the final rules

3.8 The PRA has revoked the licence for firms to use the FSA logo and not introduced a new general licence to permit firms to use the PRA logo.

Summary of representations made and the PRA's response

3.9 The majority of respondents agreed with the proposal to discontinue the use of the regulator's logo.

Transitional period

Summary of the final rules

3.10 Firms will be given a twelve-month transition period to implement the revocation of the FSA logo licence and the changes to the status disclosure. The final text differs from the draft consulted on in CP12/24, which set out a transition period of six months, applicable to status disclosures on GEN 4 mandated material, ie letters or electronic equivalents. The twelve-month transition period will apply to both mandated material and voluntary references to the regulator.

Summary of representations made and the PRA's response

3.11 The majority of respondents disagreed with the proposed six-month transitional period for the changes to GEN 4 and GEN 5. Most suggested a transitional period of twelve months to reduce costs by allowing more time for implementation and to reduce wastage. A small number of respondents agreed that the proposed transitional period was appropriate and sufficient to update stationery but not to update other documentation.

3.12 The original proposals were based on the fact that firms have been formally made aware, since June 2012, that references to the FSA would need to be amended. As such, firms would be able to run down existing stock and plan for the necessary changes within their cyclical documentation reviews.

3.13 The majority of respondents noted that implementing changes to the GEN 4 status disclosure and GEN 5 logo licence within a six-month period would incur larger costs than we estimated in our cost benefit analysis in CP12/24. The CBA in CP12/24 only considered the costs imposed on firms from updating materials mandated by GEN 4 (eg letter-heads and electronic equivalents bearing the statutory status disclosure required by GEN 4.3).⁽¹⁾ Responses from firms indicated that they would have a strong preference for updating at the same time voluntary references to the regulator (which are subject to GEN 4.5). The voluntary

references would probably be costly to update within a six-month transitional period. Also, in some cases it would be difficult for firms to update mandatory materials and voluntary references (non-mandated materials) within different time scales on the grounds of technical challenges (system changes) and the desirability of ensuring consistency in their communications with consumers. A small number of respondents provided alternative cost estimates, suggesting that the cost of updating GEN 4 mandated and non-mandated materials could range from £250,000 to £5 million per firm.⁽²⁾ Specific costs will of course vary between firms.

3.14 The introduction of a longer transitional period will benefit mutual societies in the same way that it benefits other firms by giving them longer to update their documentation and run down existing stocks.

(1) The PRA's logo can only be used for mandated disclosures.

(2) Including any consequential costs associated with permitted use of the GEN 5 logo licence.

4 Summary of other changes to the PRA Handbook

4.1 This section outlines other changes made to the Handbook following consultation in CPs 12/24 and 13/3 and provides a summary of the feedback received. No significant changes have been made to the Handbook text which was consulted on except where indicated. The final instruments making the changes described in this chapter are in Appendices 3–12.

General Provisions and Definitions (GEN 2)

4.2 The PRA has made changes to GEN 2 and the Glossary to ensure that its Handbook is clear and legally sound.

4.3 Respondents generally recognised that the provisions proposed in GEN 2, the new definitions, and the creation of the PRA and FCA Handbooks from the FSA's material were necessary for expediency.

4.4 The PRA recognises that in the longer term, it will be desirable to address the clarity and accessibility of the legacy FSA material in the PRA's rules and provisions. Given that timescales for the completion of such work are not fixed, the provisions in GEN 2 have not been explicitly time-limited.

Reports by Skilled Persons (SUP 5 and FEES 3)

4.5 The rules and guidance in SUP 5 relating to Skilled Persons reports have been amended to align the Handbook with the new s.166 and s.166A powers introduced by the Act. The final amendments to SUP 5 can be found at Appendix 3.

4.6 The draft instrument which we consulted on in CP12/24 also included changes to the FEES manual. These changes will now be made as part of the larger FEES instrument, which is Appendix 13 and is described in Chapter 5 of this policy statement.

4.7 The vast majority of respondents understood and agreed with the proposed amendments to SUP 5 and FEES 3. A number of respondents expressed concern that the level of guidance included in SUP 5 did not give sufficient transparency of the process surrounding the power to contract directly with the Skilled Persons.

4.8 Further clarity on the way in which the power to contract directly with the Skilled Person will be used in practice will be

beneficial to firms, and as such additional guidance will be added where appropriate to the PRA's website in due course.

Applications to vary and cancel Part 4A permissions and to impose, vary or cancel requirements (SUP 6)

4.9 SUP 6 sets out the process for firms to apply to vary or cancel their permission (given under Part 4A of FSMA) to carry out PRA-regulated activities. It has been amended to reflect the procedural changes to authorisations made by the Act. The final amendments to the Handbook can be found at Appendix 4.

4.10 There were no substantive comments on the drafting of the instrument.

Waiver and modification of rules (SUP 8)

4.11 SUP 8 sets out rules and guidance in relation to the waiver and modification of rules. The PRA has amended these to reflect changes made to FSMA and the existence of two regulators. The final amendments to SUP 8 can be found at Appendix 5.

4.12 Several respondents requested further information on the transitional arrangements for waivers and modifications at legal cutover, or asked when this information will be released. The effect of the Treasury's secondary legislation on transitional arrangements is that existing waivers will be 'grandfathered' to the new regulator(s), as appropriate, at legal cutover. Thereafter any changes to existing waivers or modifications will need to be assessed against the factors set out in s.138A of FSMA. Otherwise, we expect that it should be possible for waivers to be continued until expiry as long as the requirement in question remains.

Controllers and close links (SUP 11)

4.13 The PRA has amended the requirements in SUP 11 relating to close links and proposed changes in control to align the material with the amendments made to FSMA by the Act. The final amendments to SUP 11 can be found at Appendix 6.

4.14 One respondent requested clarity on the new revised Change in Control form which firms will be required to complete in order to notify the appropriate regulator about a change in control. The updated forms are available on the FCA's website.

Passporting and related issues (SUP 13, 13A and 14)

4.15 The rules and guidance in SUP 13, 13A and 14 relating to passporting firms have been amended to reflect the PRA's responsibilities under FSMA for notification procedures for the exercise of passporting rights under Single Market Directives. The final amendments to the Handbook are at Appendix 7. The only change made to the draft text included in CP12/24 is to confirm that the FCA is the relevant competent authority for UCITS management companies.

4.16 A number of concerns were raised about the procedures in consultation responses. Consultation between the FCA and PRA will take place within the timescales set by the relevant EU Directives. The circumstances in which consent by one regulator to an outward passporting notification from a UK-authorized firm might be refused will be the same as they were before legal cutover, as provided for by the relevant Directives, and as indicated in SUP 13. The scope for each regulator to raise any issues or concerns will be consistent with its respective regulatory remit and focus.

4.17 The FSA has explained to its EEA counterparts how the new UK division of roles and responsibilities will operate and to which UK regulator (ie PRA or FCA) notifications should be sent. The regulators will endeavour to inform their EEA counterparts when notifications have been sent to the wrong regulator and forward them on where possible, to assist with the transition to the new structure.

Notifications to the FCA or PRA (SUP 15)

4.18 The notification requirements in SUP 15 have been amended to clarify which regulator firms would be required to notify in relation to a significant incident, such as the firm failing to meet the Threshold Conditions. The final amendments to SUP 15 can be found at Appendix 8.

4.19 Some respondents were concerned about the number of notifications required, suggesting instead a single notification to one regulator. Given the potential significance of notifications made under SUP 15 and the impact on the PRA's objectives, the firm must be responsible for notifying both the FCA and the PRA directly.

Reporting requirements (SUP 16)

4.20 SUP 16 has been amended to make clear which regulator will review the different reports firms are required to submit. The final text of the amendments can be found at Appendix 9.

4.21 Some respondents raised concerns about duplication on the grounds that dual-regulated firms would have to submit a number of reports to both the PRA and FCA and suggested a single submission to the lead regulator. The proposals in CP12/24 were about which regulator will be *reviewing* which report and did not set out the submission mechanism for SUP 16 reports. Dual-regulated firms will not be required to submit any reports under SUP 16 to more than one regulator. More information on submissions to the PRA is available on the PRA website.

Transfers of business (SUP 18)

4.22 SUP 18 sets out guidance on transfers of insurance business. The PRA has made amendments to reflect the changes introduced by the Act and related draft Orders, including those which set out the roles and responsibilities of the PRA (and FCA) in relation to such transfers. The final amendments to SUP 18 can be found at Appendix 10.

4.23 Responses to the consultation proposals were generally supportive of the revised guidance, noting that the material is helpful in clarifying the role of the two regulatory bodies.

4.24 A concern was raised that the overriding principle for each regulator should be to protect the interests of consumers and to ensure no policyholder is disadvantaged. Whilst both regulators will seek to advance their objectives of providing an appropriate degree of protection for policyholders and potential policyholders, this would not necessarily extend to ensuring that no policyholder will be disadvantaged by the transfer. The regulators will wish to be satisfied that the policyholders involved in a transfer have received sufficient clear and timely information to consider the proposed transfer and to raise any objections. In addition, the PRA will have equal regard to its general objective to promote the safety and soundness of firms.

4.25 A concern was raised about the proposed lead time of six weeks for the production of documents prior to the final hearing. This lead time is indicative guidance to firms. Firms may discuss with their supervisors whether a shorter period may be appropriate or suitable in their case.

Other changes to the PRA Handbook

Deletions

4.26 SUP TP 1.3 and 1.4 have been deleted. One respondent to CP12/26 noted that this deletion may affect non-EEA insurers with branch operations in the UK, who currently submit a shortened return in respect of their global business based on a pre-FSA concession. The PRA recognises that it may be disproportionate to require firms currently taking advantage of this concession to submit full returns, and therefore is offering a modification by consent which will have the same effect as the existing transitional provision. The modification is available via the PRA website.

Actions for damages

4.27 Amendments to FSMA mean that no rule in the PRA Handbook is actionable by a private person unless the PRA specifically provides for such a right. A limited number of the Handbook modules which have been designated by the PRA were actionable in the FSA Handbook. CP12/24 set out a list of Handbook chapters for which the PRA proposed to accept the new, automatic, non-actionable status, because no benefit had been identified from retaining rights of action. Respondents agreed with this approach and the rationale for not making the rules actionable.

4.28 The PRA has now concluded that the same rationale applies to other parts of the Handbook not specifically listed in CP12/24. Therefore, the only rules in the PRA Handbook which will give rise to a right of action under s.138D(1) of FSMA are those in SUP 10B, as described in paragraph 2.6 above.

Other comments

4.29 Whilst there were few specific comments on the other miscellaneous changes proposed in Chapter 12 of CP12/24, respondents took the opportunity to comment on the need to develop a clearer and more accessible rulebook over time. The PRA recognises this, and after legal cutover, will work to refine and improve the PRA's set of rules and other provisions and ensure that its policy material is clear in intent and straightforward to understand. As set out in the PRA's Approach documents,⁽¹⁾ the PRA will, over time, replace the Handbook with a PRA rulebook.

Forms and cross-references

4.30 Also published in this policy statement are instruments which make minor consequential changes to amend various forms (Appendix 11) and update cross-references in the Handbook (Appendix 12).

General transitional arrangements (GEN TP)

4.31 The PRA has introduced general transitional provisions in GEN TP which cover all parts of the Handbook not covered by a specific transitional arrangement. These provide that actions taken by firms before legal cutover remain effective after the PRA Handbook comes into force. For example, where either Handbook requires a firm or other person to submit a report it has already submitted to the FSA before legal cutover, it will be treated as if it had been submitted to the new regulator.

4.32 The majority of respondents to CP13/3 were in favour of the proposed approach.

(1) The PRA Approach documents are available at www.bankofengland.co.uk/publications/Pages/other/prapra.aspx.

5 Changes to the Fees module (FEES)

5.1 The PRA has made changes to rules and guidance related to fees. The final instrument making these Handbook changes is at Appendix 13.

Summary of final rules

5.2 The intended outcomes are that firms understand the way in which the PRA will collect the fees needed to carry out its functions, and that a framework is in place to do so from 1 April 2013. The key changes made to the Handbook are to:

- introduce separate PRA fee-blocks, including a PRA transition costs fee-block, and minimum fees for dual-regulated firms;
- introduce fee discounts for EEA branches, given that the Home country is largely responsible for prudential regulation of the EEA firm; and
- restructure special project fees (SPFs) which the PRA and FCA will levy separately where costs exceed £50,000.

5.3 There have been no changes to the consultation proposals resulting from responses received to the consultation; however the final Handbook text does include changes from the instrument consulted on in CP12/28 to reflect:

- changes to the structure of the rules to distinguish more clearly PRA rules from those shared with the FCA and those that apply to the FCA only (these include consequential changes to other parts of the Handbook);
- changes to accommodate the consequential impact arising from the PRA financial year being 1 March to 28 February and the FCA financial year being 1 April to 31 March;
- transitional rules to cover on-account payments and restructuring special project fees;
- changes to FEES 3 relating to skilled persons, which were consulted on in CP12/24 alongside changes to SUP 5, and are now included, unchanged, in this instrument; and
- the removal, from FEES 4 Annex 2BR Part 3, of a 100% EEA branch fees discount applying to the PT.1 (transition costs) fee-block. This was an error in the CP12/28 instrument and was not the policy intention. Costs allocated to PT.1 will be recovered in proportion to the periodic fees paid by firms in the other 'A' fee-blocks. In the case of EEA branches these other periodic fees take into account the discounts that do apply through this rule.

Summary of representations made and the PRA's response

5.4 In total 20 responses were received. No issues were raised regarding fee blocks and minimum fees. Eight respondents, representing banks, building societies and insurers made comments on PRA transition costs. These related to the need for clarity on the scale of the transition costs and over what period they would be recovered, the suggestion that such costs should be paid by the Government and a claim that insurers should make no contribution or a lower contribution to these transition costs.

5.5 More information on the PRA's funding requirement for 2013/14, the total amount of PRA transition costs and the period over which they will be recovered will be set out in the Fees Rates CP.

5.6 The Financial Services Act 2012 allows the PRA to recover transition costs of the PRA and the Bank of England via fees levied on the firms it regulates. Such fees will not be paid for by the Government. Insurers were not part of the banking crisis that prompted regulatory reform; however they were recognised by the Government as being systemically important to the overall stability of the UK financial system and the Government proposed to include them within the scope of PRA regulation in the Government's first consultation on regulatory reform. The transition costs therefore include costs for incorporating insurers within the new regulatory system. The majority of the PRA's costs will reflect supervision of deposit acceptors, who will account for around 68% of the annual funding requirement.

5.7 There was broad agreement with the proposals on SPFs.

Appendices

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|----|---|
| 1 | 2013/16 Legal cutover (Approved Persons) Instrument 2013 |
| 2 | 2013/14 Legal cutover (General Transitional and Miscellaneous Provisions) Instrument 2013 |
| 3 | 2013/6 Legal cutover (Skilled Persons) Instrument 2013 |
| 4 | 2013/7 Legal cutover (Variation of Permission) Instrument 2013 |
| 5 | 2013/8 Legal cutover (Waiver and Modification of Rules) Instrument 2013 |
| 6 | 2013/9 Legal cutover (Controllers and Close Links) Instrument 2013 |
| 7 | 2013/10 Legal cutover (Passporting) Instrument 2013 |
| 8 | 2013/11 Legal cutover (Notifications) Instrument 2013 |
| 9 | 2013/12 Legal cutover (Reporting Requirements) Instrument 2013 |
| 10 | 2013/13 Legal cutover (Transfer of Business) Instrument 2013 |
| 11 | 2013/17 Legal cutover (FCA and PRA Handbook Miscellaneous Amendments) Instrument 2013 |
| 12 | 2013/18 Legal cutover (FCA and PRA Handbook Miscellaneous Amendments No. 2) Instrument 2013 |
| 13 | 2013/15 Legal cutover (FEES) Instrument 2013 |