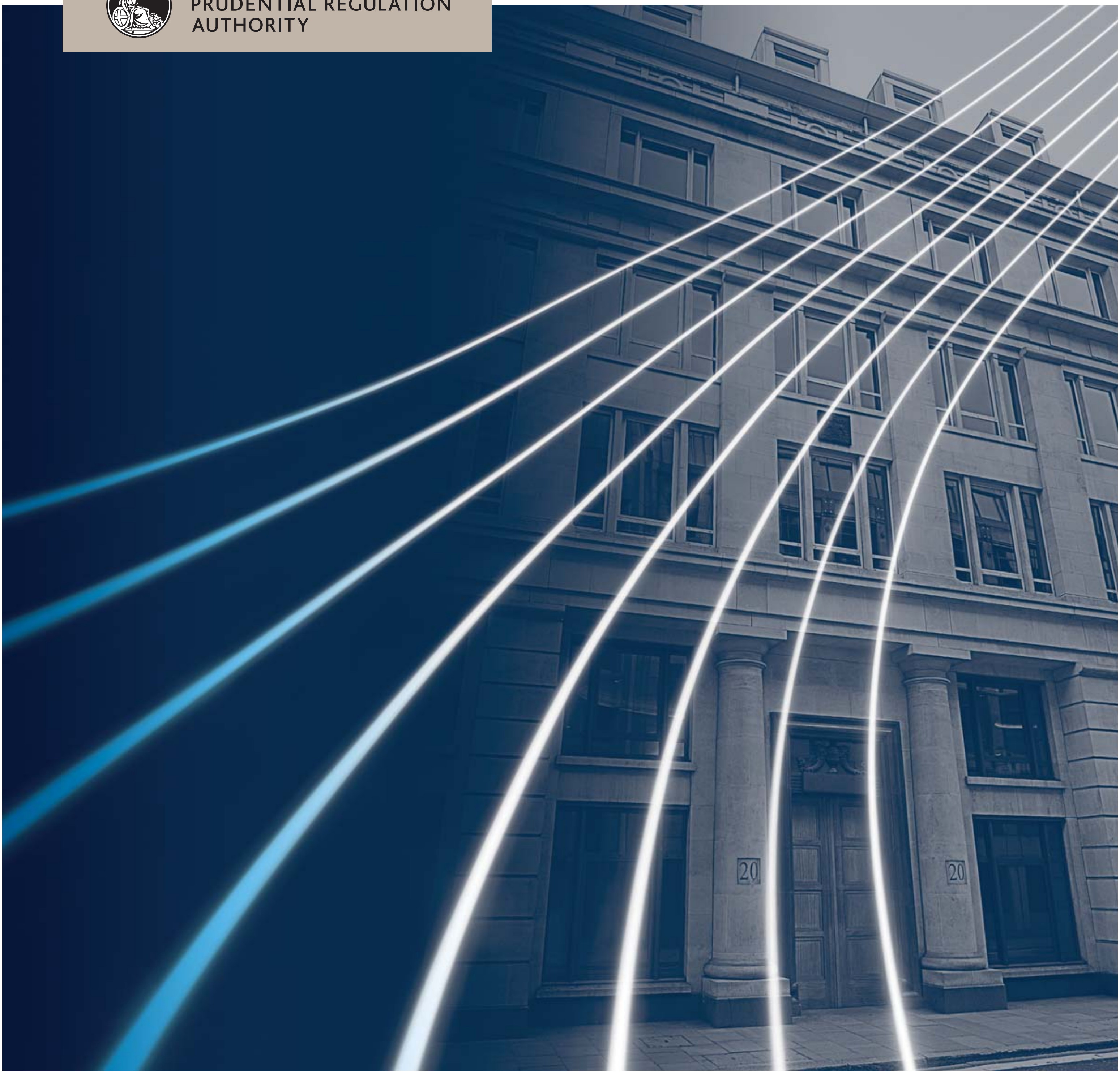
Policy Statement | PS5/13

Special project fees

October 2013

BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



Prudential Regulation Authority
20 Moorgate
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.
Registered in England and Wales No: 07854923

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UPDATE 25 SEPTEMBER 2018: This policy statement has been superseded by SS3/16 ‘Fees: PRA approach and application’ and is available for information only. SS3/16 is available at: https://www.bankofengland.co.uk/prudential-regulation/publication/2016/fees-pra-approach-and-application-ss.

Introduction

1. This statement sets out factors which the Prudential Regulation Authority (PRA) will consider when deciding whether to introduce a new special project fee (SPF). SPFs are fees which fall outside the scope of the periodic fees which the PRA charges to PRA-authorised firms. At the time of publication, the PRA's fees rules make provision for the PRA to charge two types of SPF, namely the Special Project Fee for Restructuring[1] and the Solvency 2 Special Project Fee.[2]

Factors to be considered by the PRA when deciding whether to introduce a new SPF

2. The following paragraphs set out factors which the PRA will consider when deciding whether or not to introduce a new SPF. These factors are not intended to be exhaustive and the factors should not be read as a list of criteria of which a set number must be satisfied before the PRA will introduce an SPF. Before introducing a new SPF the PRA would publish draft rules for consultation as required by the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012).

3. **Population of affected firms:** The PRA may use an SPF to recover some or all of the costs it incurs in undertaking regulatory activity which:

- results from a request from a fee payer (or group of fee payers) for the PRA to undertake specific regulatory activity on its (or their) behalf; or

- where the regulatory activity would primarily relate to one fee payer (or group of fee payers) rather than all fee payers in a particular fee block.

4. **Transparency:** The PRA may use an SPF to recover some or all of the costs it incurs in undertaking regulatory activity where it considers that to do so would benefit transparency (ie it would lead to a clearer charging policy which allows authorised firms to better understand how fees will be spent). However, the PRA will also consider increasing periodic fees for its ongoing regulatory activity (ORA) and explaining such increases in policy statements and/or consultation papers as an alternative means of ensuring transparency.

5. **Duration:** The PRA will have regard to the likely duration of a project when considering whether to charge for the costs relating to that project by introducing an SPF or through fees for ORA.

6. **Minimum costs:** The PRA will not generally use an SPF to recover costs it incurs in undertaking regulatory activity where the annual costs it expects to incur in relation to that activity:

- are insignificant in terms of its total annual costs; or

- would not have a significant effect on the annual costs of firms to which the work in question will not directly relate.

This minimum level of costs will not apply in relation to the Special Project Fee for Restructuring (in relation to which a *de minimis* level (currently £50,000) will continue to apply) or to work carried out at the request of a single fee payer (or group of fee payers) which will not benefit other firms in the same fee block.

7. Where the PRA introduces an SPF, it will generally seek to recover only staff and other direct costs relating to the project through the SPF. It will not generally seek to recover all costs associated with the project. The PRA does not propose to recover any contribution to general overheads or any 'profit' element through SPFs.

8. **Statutory duties and objectives:** When considering whether to use an SPF to recover costs, the PRA will act in accordance with its statutory duties and objectives.

(1) See Fees 3 Annex 9.
(2) See Fees 4 Annex 2B.