

Policy Statement | PS6/15

# Depositor and dormant account protection

April 2015



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



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Policy Statement | PS6/15

# Depositor and dormant account protection

April 2015

This policy statement contains the final rules, supervisory statement and statements of policy to implement the proposals made in consultation papers CP20/14 and CP4/15 in relation to depositor and dormant account protection.



## 1 Introduction

1.1 This Prudential Regulation Authority (PRA) policy statement (PS) provides feedback to responses to CP20/14<sup>(1)</sup> on Depositor Protection and CP4/15<sup>(2)</sup> on Depositor, Dormant Account and Policyholder Protection (the CPs). It sets out final rules intended to reduce the adverse effects the failure of firms could be expected to have on the stability of the UK financial system and enhance depositor confidence and therefore advance the PRA's general objective of promoting the safety and soundness of firms. In respect of paragraph 1.5 below, this CP sets out final rules intended to advance the PRA's insurance objective of contributing to an appropriate degree of policyholder protection for those who are or may become policyholders.

1.2 CP20/14 set out proposed changes to PRA rules in order to implement the recast Deposit Guarantee Schemes Directive (DGSD), new rules for firms to develop systems intended to facilitate that depositors protected by the Financial Services Compensation Scheme (FSCS) can have continuity of access (CoA) to their accounts during resolution, as well as changes to the existing Single Customer View (SCV) rules applying to firms. CP4/15 set out proposals for transitional provisions and new rules in the PRA Rulebook and consequential amendments to the PRA Handbook that arise as a result of the rules being proposed in CP20/14 and CP21/14, including new rules establishing a separate Dormant Account Scheme (DAS).

1.3 The annex of this PS contains the final depositor protection rules, including transitional rules, found in: the Depositor Protection Part of the PRA Rulebook (see Appendix 1); final Dormant Account Scheme rules found in the Dormant Account Scheme Part of the PRA Rulebook (see Appendix 2); final rules on FSCS management expenses found in the Management Expenses and Base Costs Part (see Appendix 3); and Management Expenses in Respect of Relevant Schemes Part (see Appendix 4); and certain consequential amendments to the PRA Handbook (see Appendix 5). The final depositor protection supervisory statement SS18/15 (see Appendix 6), DGS statement of policy (see Appendix 7), and DAS statement of policy (see Appendix 8) are published alongside this PS. The Depositor Protection supervisory statement combines in one place the disclosure and SCV supervisory statements from CP20/14 and the supervisory statement on marking eligible deposits and accounts and transitional issues from CP4/15, as well as additional guidance in response to consultation feedback.

1.4 This PS is relevant to:

- UK banks, building societies and credit unions as well as to overseas firms with PRA deposit-taking permission and UK branches of European Economic Area (EEA) credit institutions;

- the FSCS, as the administrator of the United Kingdom's Deposit Guarantee Scheme;
- depositors;
- dormant account holders; and
- dormant account fund operators.

1.5 The PRA received 63 responses in total to CP20/14 and CP4/15. In light of this, some of the proposals have been revised. Where a material change in policy is proposed, the PRA has set out revised proposals in CP15/15, which is published alongside this PS. The principal changes are that:

- the PRA is considering extending eligibility for DGS cover to local authorities with an annual budget of less than €500,000 (see CP15/15);
- where a host DGS is paying compensation on behalf of the FSCS, payment will be in the host state currency (rather than sterling);
- the PRA has set out additional guidance regarding how it expects firms to meet recast DGSD disclosure requirements in SS18/15 (see Appendix 6) and included a new rule requiring firms to provide a list of exclusions from eligibility to depositors alongside the information sheet (replacing a previous general requirement);
- the PRA is making minor amendments to the SCV and CoA rules, as well as to the corresponding guidance in SS18/15 (see Appendix 6). The timeline for implementation of SCV and CoA rules has also been extended slightly to 1 December 2016 in light of outstanding related issues in CP15/15; and
- the PRA is proposing to extend CoA requirements in relation to overdrawn accounts (see CP15/15).

1.6 These changes are explained below or in CP15/15 where indicated above. The PRA has also given additional clarity in SS18/15 (see Appendix 6).

1.7 This PS is also relevant to PRA-authorised insurers,<sup>(3)</sup> the FSCS, as the administrator of the United Kingdom's

(1) *PRA Consultation Paper CP20/14*, 'Depositor protection', October 2014; [www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2014.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp2014.aspx).

(2) *PRA Consultation Paper CP4/15*, 'Depositor, dormant account and policyholder protection — amendments', January 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp415.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp415.aspx).

(3) PRA-authorised insurers means UK insurers (including those that establish a branch or operate on a freedom of services basis in the EEA), EEA insurers that establish a UK branch or operate in the United Kingdom on a freedom of services basis, and Channel Islands insurers or Isle of Man insurers with United Kingdom, Channel Island or Isle of Man risks or commitments. For the purpose of this PS, references to PRA-authorised insurers include all such firms, even though EEA insurers will, in fact, be authorised by their own home state regulator.

policyholder protection rules, firms that have assumed responsibility for liabilities from PRA-authorized insurers (successors) and the Society of Lloyd's, found in the final rules on Management Expenses Levy Limit and Base Costs Part (see Appendix 3), the Management Expenses in respect of Relevant Schemes Part (see Appendix 4) and certain consequential amendments to the PRA Handbook (see Appendix 5). All other final rules on policyholder protection are set out in PS5/15 and are not discussed further in this PS.

### Impact on mutuals

1.8 The PRA is required by the Financial Services and Markets Act 2000 (FSMA) to publish a statement on the impact of rules on mutuals where the rule differs from the draft of the proposed rule. The PRA does not expect the impact on mutuals to be materially different to that set out in CP20/14 and CP4/15 as a result of the changes in the final rules.

## 2 Feedback to responses — implementing the recast Deposit Guarantee Schemes Directive

2.1 The PRA is required by FSMA to have regard to any representations made to the proposals in a consultation, to publish an account, in general terms, of those representations and its response to them, and to publish details of any significant differences in the rules as made.

2.2 This chapter sets out feedback to responses received to PRA proposals set out in CP20/14 to implement the recast DGSD and in CP4/15 in relation to the recast DGSD requirement to mark eligible deposits and accounts.

2.3 The PRA has deleted a number of draft depositor protection rules consulted on in CP20/14 which were intended to transpose recast DGSD requirements. This is because HM Treasury (HMT) regulations have instead transposed these requirements. For example, draft Depositor Protection 26 requiring the FSCS to pay compensation in respect of UK branches of incoming EEA credit institutions has been deleted.

### A Funding

2.4 A number of respondents welcomed the Government's intention to use the bank levy to meet the recast DGSD *ex-ante* funding requirements. Some concerns were raised regarding the potential risk-based levy framework which, at the time of publication of CP20/14 was yet to be published by the European Banking Authority (EBA). The EBA has since published its consultation on the guidelines and, as noted in CP20/14, the PRA expects to publish a CP on risk-based levies, including the application to legacy costs, once EBA guidelines are final.<sup>(1)</sup>

2.5 The PRA understands that HMT intends to make use of the option in Article 20(1)(3) of the recast DGSD which permits Member States to delay implementing the risk-based funding requirements until 31 May 2016. This means that the first risk-based levy will not be raised until 2017. Accordingly, the requirement for FSCS levies to be risk-based has been removed from final PRA rules for the time being.

### B Eligibility

2.6 A number of respondents requested further clarity on changes to the definition of eligible deposits and depositors under the recast DGSD. They focused on the extension of eligibility to large companies, the eligibility of credit unions' own deposits and the eligibility of small local authorities' deposits. The PRA has set out further explanation in SS18/15 (see Appendix 6).

#### Extension of scope to large companies

2.7 A number of respondents questioned whether it was appropriate for DGS protection to be extended to large companies. There were concerns over a potential increase in FSCS levies though some also noted that the levy burden will be spread more widely. Some respondents welcomed the reduced operational burden in relation to performing annual eligibility reviews for corporate customers.

2.8 Respondents broadly welcomed the proposal that firms will have 18 months in which to include large companies in their SCV file, which they felt acknowledged the difficulty firms face in establishing new feeds of data from previously excluded systems. As mentioned earlier, the transition period has now been extended to 20 months in light of outstanding issues to be covered in CP15/15.<sup>(2)</sup>

#### FSCS protection for deposits made by credit unions on their own behalf and for their own account

2.9 Concern was expressed by a number of respondents that credit unions' own deposits made on their own behalf and for their own account are no longer eligible for DGS protection under the PRA's proposed rules. While the PRA acknowledges this concern, the PRA considers that to continue to provide these funds with DGS protection would not be consistent with the recast DGSD. Therefore the PRA does not propose to change its proposals in this respect. This means firms will also need to ensure deposits made by a credit union on its own behalf and for its own account are

(1) EBA/CP/2014/35, November 2014; [www.eba.europa.eu/documents/10180/887892/EBA-CP-2014-35+Draft+CP+on+GL+on+DGS+Contributions.pdf](http://www.eba.europa.eu/documents/10180/887892/EBA-CP-2014-35+Draft+CP+on+GL+on+DGS+Contributions.pdf).

(2) The 'transition period' refers to the time between 3 July 2015 when most depositor protection rules (with the exception of rules in Depositor Protection 12–15) take effect and 1 December 2016 (when rules in Depositor Protection 49–52 cease to have effect and rules in Depositor Protection 11–15 take effect). The transition period outlined in CP20/14 and CP4/15 was proposed as 18 months from the publication of the policy statement. This has been extended to 20 months in final rules in light of the outstanding issues covered in CP15/15. As outlined previously, and in SS18/15 (see Appendix 6), firms are able under the rules to implement requirements in Depositor Protection 12–15 ahead of the implementation date.

removed from their SCV file from 3 July 2015. As noted in CP20/14, depositors with credit unions will continue to be protected by the FSCS.

### FSCS protection for public authorities and small local authorities

2.10 In CP20/14, the PRA consulted on a rule excluding *public sector entities* (as defined in Regulation (EU) No 575/2013) from deposit protection. Depositor Protection 2.2(4)(j) has been amended to exclude *public authorities*, to reflect recast DGSD Article 5(1)(j), and the PRA is consulting on a definition of *public authority* in CP15/15.

2.11 A number of respondents urged the PRA to exercise the discretion in Article 5(2)(b) of the recast DGSD which allows Member States to extend eligibility for deposit protection to local authorities with an annual budget of up to €500,000.<sup>(1)</sup> In CP20/14 the PRA did not propose to do so. However, the PRA recognises that a number of parish and town councils may fall within this threshold and there could be a case to extend protection to these entities. The PRA is therefore consulting on extending protection to these bodies in CP15/15 (although they remain excluded in the rules published in this policy statement).

### Requirement to mark eligible deposits

2.12 Respondents welcomed the additional clarity given in CP4/15 regarding the PRA's expectations of how firms should meet the recast DGSD requirement to mark eligible deposits as well as to mark accounts of natural persons and micro, small and medium-sized enterprises (SMEs) to support the use of Bank Recovery and Resolution Directive (BRRD) tools. In particular, flexibility in setting out different ways by which firms could meet this requirement was strongly welcomed, as was the PRA's decision to delay implementation of the BRRD marking requirement until after the transition period.

2.13 Some respondents suggested that the expectation that marked accounts be produced to the FSCS or the PRA within five hours of a request should be changed to 72 hours within the transition period and reduced to 24 hours after the transition period, to align with the SCV generation and BRRD marking timescales. The PRA does not consider these limits should be aligned as they serve different purposes. The marking of eligible deposits and accounts enables the PRA, FSCS and Bank of England (as the resolution authority) to immediately identify eligible and ineligible accounts at the point of resolution. The SCV file is produced to a longer timeframe and provides details of aggregated covered deposits and supporting depositor information to allow for a transfer or payout of such deposits. The BRRD marking can also be produced to a longer timeframe as it provides details of the creditor hierarchy for the purposes of bail-in. The PRA, however, acknowledges the operational challenges

highlighted by firms in identifying eligible and/or ineligible accounts within five hours and has set out in SS18/15 (see Appendix 6) that it considers twelve hours to be acceptable, as this would still support effective resolution objectives.

2.14 The guidance in SS18/15 (see Appendix 6) has been added to help clarify expectations on firms.

### C Temporary high balances

2.15 Respondents broadly welcomed the proposals in CP20/14 regarding the PRA's proposed operational approach for the FSCS to verify temporary high balances (THBs) post default. Clarification was requested on a number of points and the PRA has therefore added further information to the DGS statement of policy (see Appendix 7).

2.16 The PRA has also extended Depositor Protection 10.9 to allow the FSCS to defer payment of a THB beyond the standard three month time limit where the FSCS has had to contact a third party to ask for information or evidence about the depositor's claim.

### D New disclosure requirements

#### (1) Prescribed information about compensation arrangements

2.17 Greater clarity was requested on the new disclosure requirements, and in particular around the recast DGSD requirement to provide depositors with the information sheet annually and before entering into the contract on deposit-taking, and the requirement for depositors to acknowledge receipt. The PRA has set out more detail on this and on the other recast DGSD disclosure requirements in SS18/15 (see Appendix 6).

2.18 Chapters 16 and 17 of the Depositor Protection Part (which set out firms' disclosure obligations in respect of the information sheet and account statements) have been extended to require firms to provide, to existing and intending depositors, an exclusions list (as prescribed by the PRA) setting out the applicable exclusions from eligibility in line with Article 16(1) of the recast DGSD. This must be provided alongside the information sheet before entering into the contract on deposit-taking and at least annually. There is also a requirement for firms to inform depositors of the exclusions relating to own funds and debt securities where the firm has determined that one of those exclusions applies. These requirements replace proposed Depositor Protection 16.1 in CP20/14 which required firms to inform existing and intending depositors of the applicable exclusions, but did not specify the format or timing. However, the PRA does not expect this change to add materially to the costs identified in CP20/14; in particular as the PRA has clarified that the information sheet is

(1) Article 5(2)(b) of the recast DGSD; <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0049>.

only required to be delivered annually, not with every statement of account as proposed in CP20/14.

2.19 The PRA recognises that Article 6(5) of the recast DGSD requires the deposits protection limit to be reviewed on 3 July 2015. Given this, consultation on the rules subject to the limit and related provisions including disclosure remain open.

#### Disclosure and other requirements relating to mergers or conversions

2.20 A number of respondents asked whether any transitional arrangements would be put in place in respect of the recast DGSD notification and other requirements relating to transfers to a non-UK DGS taking place within six months of 3 July 2015 (see Depositor Protection 22.1) and mergers or conversions of subsidiaries into branches, transfer or similar operations taking place within three months of 3 July 2015 (see Depositor Protection 19.1). The PRA has not provided transitional arrangements to cover these circumstances as this would not be consistent with recast DGSD requirements. Affected firms should contact their supervisor in the first instance to discuss implications.

2.21 Depositor Protection 19.1 takes a 'copy out' approach in order to ensure implementation of the recast DGSD requirement that depositors shall be given a three month period following notification of the merger or conversion or similar operation to withdraw or transfer their eligible deposits without incurring any penalty in so far as they exceed the relevant coverage level.<sup>(1)</sup> The PRA can further assess requirements with firms in the event of a merger, conversion of subsidiaries into branches, transfer or similar operation. Additional clarity on the application of Depositor Protection 19.1 is also set out in SS18/15 (see Appendix 6).

#### E Host DGS payment on behalf of the home DGS

2.22 The PRA set out proposals in CP20/14 to reflect recast DGSD requirements for the DGS in a host Member State to repay depositors with branches of credit institutions headquartered in another Member State on behalf of the DGS in the home Member State. Since consulting, the PRA has learned that many EEA DGSs do not have (or would find it very difficult to obtain) facilities to pay in currencies other than their host state currency. The PRA has therefore amended final rules to reflect that, where a host DGS is paying compensation on behalf of the FSCS, payment would be made in the host state currency instead of sterling. The PRA has not provided for the payment of currency to be determined according to the circumstances in each payment scenario, as, under the recast DGSD, depositors must be informed of the currency of payment in advance. The PRA recognises that in the event of a failure the FSCS may be exposed to exchange rate risk which could result in increased compensation costs (which would be passed on to DGS levy payers). This is not expected to add materially to the overall costs, however.

## 3 Feedback to responses — Single Customer View (SCV)

3.1 A number of respondents recognised that enhanced SCV requirements would support depositor protection. Some respondents highlighted increased costs relative to the benefits, while others welcomed areas where the rules proposed a consistent and standardised approach.

### A SCV file

#### Production of the SCV file in 24 hours

3.2 A number of respondents highlighted the costs and system changes that would be required to be able to produce an SCV file within 24 hours, and queried the reasons for the reduced production time, with some respondents suggesting maintaining the current 72 hour requirement, or only reducing it to 48 hours. The majority of respondents indicated that production of an SCV file within 24 hours would be deliverable within the proposed transition period.

3.3 The PRA understands that production of an SCV file within 24 hours will require systems changes by firms, but the prompt production of information on covered deposits is vital in resolution to support prompt payout and continuity of access over a short timescale. Also, the approach proposed by the PRA for the treatment of in-flight transactions (IFTs), which was generally welcomed by respondents, will remove a significant barrier to producing an SCV file more quickly.<sup>(2)</sup>

3.4 The SCV requirements, including the 24 hour element and the other measures proposed in CP20/14, form part of an overall SCV package designed to: improve the provision of an accurate and comprehensive view of all eligible deposits, thus helping to ensure the fast payout of depositors; minimise the adverse effect of firm failure on the stability of the UK financial system; and meet the repayment deadlines imposed by the recast DGSD.

3.5 The PRA has allowed extended transition of implementation of elements of the SCV requirements where possible (eg the inclusion of large corporate deposits in the SCV file), but considers that the requirements as proposed are necessary and proportionate, including for smaller firms where SCV requirements are the main measure to ensure resolvability, and lower cost SCV options are available, as set out in SS18/15 (see Appendix 6).

3.6 Therefore, the PRA has implemented the requirement to produce an SCV file within 24 hours, but with a slightly extended 20 month transition period.

(1) Article 16(6) of the recast DGSD, <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0049>.

(2) The original 72 hour SCV requirement was set in light of the previous inconsistency on the treatment of IFTs.

### Standardisation of the SCV file

3.7 There was general support from respondents for the proposed standardisation of the SCV file and recognition that a standardised format would help ensure prompt payout and verification by the FSCS. Some respondents indicated there would be costs to adopting the new SCV format, time would be needed to update systems, and greater clarity was requested on how to complete some of the new SCV fields and which were mandatory. The PRA has had regard to the costs of system changes and the time required to make these, and the new SCV requirements will take effect after a 20 month transition period. The PRA has also made minor amendments to Depositor Protection 12.9 to clarify data requirements and added additional guidance to SS18/15 (see Appendix 6) on how to complete the new SCV fields.

### Standardisation of the exclusions file

3.8 A number of respondents felt that it would be costly to require accounts excluded from the SCV file to be provided in a standardised exclusions file alongside the SCV file within 24 hours, particularly in relation to older accounts. While the PRA acknowledges this concern, the PRA considers that similar standards should be applied to excluded accounts as well as accounts in the SCV file to ensure that accurate and timely information is provided to the FSCS to enable recast DGSD payout timelines to be met. Legally dormant accounts would not be subject to changes in customer information or balance amount, so only a one-off exercise would be required to bring these into the scope of the exclusions file. The exclusions file requirements will take effect following the 20 month transition period.

### In-flight transactions

3.9 Generally the proposed approach to in-flight transactions (IFTs) was welcomed by respondents. A number of respondents requested additional detail on how IFTs should be treated. The PRA has set out some further detail on its expectations to support these rules in SS18/15 (see Appendix 6), but this is limited in nature and the IFT requirements remain at an intentionally high level to enable flexible implementation by firms based on their own circumstances.

## B Scope of SCV requirements

### Removal of the opt-out from electronic SCV rules

3.10 A range of views were received in relation to the proposal to remove the option to opt out of electronic SCV requirements for firms with fewer than 5,000 eligible accounts. Some respondents expressed the view that it would be disproportionate to require firms with few eligible accounts to implement electronic SCV systems and suggested a 1,000 account limit for the opt-out. Other respondents felt that requiring all firms to adopt electronic SCV systems would help improve SCV standards, although the need for suitable transition time and support for firms was highlighted.

3.11 The PRA has considered the points raised by respondents and considers it is appropriate that the electronic opt-out will be removed after the 20 month transition period. Requiring all firms to meet electronic SCV requirements will help ensure firms have effective SCV arrangements in place to support a payout and will enable the PRA and the FSCS to more easily verify firms' SCV files. To support firms with transition to new SCV requirements, the FSCS is holding a series of workshops. Also, SS18/15 sets out the PRA's expectations around how firms can meet the electronic SCV requirements (see Appendix 6). Firms will be able to adopt an approach proportionate to their circumstances, with lower cost options for meeting electronic SCV requirements available for smaller firms.

### Scope of firms

3.12 Some respondents indicated that certain sets of firms should not be subject to all or some of the SCV requirements, such as smaller firms, firms offering very few eligible accounts or firms only offering accounts to large corporate depositors. The PRA's new SCV rules will apply to all firms following the 20 month transition period, to ensure effective depositor protection arrangements across the industry.

3.13 The PRA will consider waivers or modifications in accordance with section 138A of FSMA if compliance with the rules (or the rules as unmodified) would be unduly burdensome or would not achieve the purpose for which the rules were made, and the waiver or modification would not adversely affect the advancement of any of the PRA's objectives. Likely factors the PRA would consider in granting any such waiver or modification are outlined in SS18/15 (see Appendix 6).

## C SCV verification and reporting

### SCV file verification

3.14 There were limited responses on the proposals to require firms to submit a full rather than sample SCV file and to formalise the business as usual (BAU) process for the FSCS to review firms' SCV files by requiring SCV and exclusions file submission to the PRA or FSCS on request. Those that commented were generally supportive of the proposed approach, with some requests for clarity on how the staggered verification approach would work in practice.

3.15 The PRA advised in CP4/15 that minor changes to firms' SCV systems to implement changes required by the transitional rules would not be considered material changes, and so submission of the SCV file was not required in these circumstances. This approach is confirmed in SS18/15 (see Appendix 6), and as such the PRA and the FSCS will not seek to verify all firms' SCV changes during the transitional period, although firms will continue to be selected for review as part of the BAU process.

3.16 Following the transition period when all firms will be required to have implemented full SCV requirements, the PRA and the FSCS will need to verify firms' SCV and exclusions files in relation to the new requirements, including firms implementing SCV for the first time and firms no longer subject to electronic SCV opt-out. As advised in CP20/14, to ensure a co-ordinated approach to verification, the PRA and the FSCS will verify files in a staggered process over several years. To support this, Depositor Protection 12 has been amended to remove the requirement to submit an SCV and exclusions file within three months of a material change. Firms will remain subject to the requirement to submit their SCV and exclusions files to the FSCS and the PRA following authorisation and upon request, and firms should be ready to submit files at any time in response to a request from the FSCS or the PRA. SS18/15 gives further guidance on SCV and exclusions file verification (see Appendix 6).

### SCV effectiveness report and marking effectiveness report

3.17 Respondents generally welcomed the replacement of existing reports by the proposed SCV effectiveness report and marking effectiveness report, but some respondents identified the reports as an additional burden, and clarity was sought on when the reports should be submitted and when a report template would be provided.

3.18 Further guidance is provided in SS18/15 on submission circumstances, which have been aligned with SCV and exclusions file submission arrangements (see Appendix 6). Depositor protection rules have also been amended to change the annual submission requirement for the SCV effectiveness report and CoA report to a requirement to annually update the reports internally. The reports must still be provided at any time on the request of the PRA or the FSCS, and when newly authorised. The report templates will be made available by the FSCS before the depositor protection rules take effect on 3 July 2015.

3.19 The marking effectiveness report remains as a requirement only during the transition period, but the rules on CoA report requirements have been amended to cover reporting on marking arrangements after the transition period.

3.20 The PRA has amended the depositor protection rules to remove the requirements to submit a marking effectiveness report, SCV effectiveness report, and CoA report to the PRA and the FSCS within three months of a material change to the relevant systems. However, firms will be subject to requirements to notify the PRA and the FSCS within three months of a material change to their marking, SCV, or CoA systems, including an attestation from the firm's governing body that the firm meets the relevant PRA requirements. As mentioned above, the PRA and the FSCS may request such reports at any time.

## 4 Feedback to responses — Continuity of Access (CoA)

### A Overall CoA proposals

#### Cost and timeline of implementation

4.1 A range of respondents recognised the enhanced depositor protection that would result from continuity of access for depositors as an alternative option to payout in the event of firm failure. Points were made by a number of respondents around the cost of the proposals for firms to be able to freeze, separate, and prioritise accounts. Some respondents indicated that the overall costs of implementing the CoA rules would be higher than the estimate provided by the PRA in CP20/14, and that firms would need until end-2018 to be able to develop the necessary CoA systems.

4.2 The PRA has considered respondents' views, and CoA rules will come into effect after a 20 month transition period. While the PRA recognises the costs that firms may incur in developing the necessary CoA systems, the PRA judges that such costs and timetables are proportionate in light of the benefits. CoA is a vital tool to make it easier for FSCS-covered deposits to be transferred in a resolution. By facilitating this, the requirements are intended to ensure that continued access for depositors to FSCS-covered deposits remains a feasible option in the event of the failure of a firm. This enhanced resolvability for firms supports the PRA's safety and soundness objective, and the Bank of England's objective for executing an orderly resolution under the special resolution regime.

#### Wider resolution context

4.3 Several respondents were keen to understand the role of CoA in the Bank's wider approach to firm resolvability, and some queried the need for the CoA requirements for larger banks subject to resolution strategies which were unlikely to include a transfer of deposits and more likely to use a bail-in approach.

4.4 The PRA considers the requirements for the enhanced protection of depositors are fundamental for improving the resolvability of UK deposit-takers. The PRA, as the United Kingdom's competent authority, is working with the Bank of England, as resolution authority, on a number of requirements that are in place (or are being developed) that relate to improving the resolvability of firms, including rules or guidance on: recovery and resolution planning; enhanced protection for depositors; ring-fencing of core UK financial services and activities; minimum requirement for own funds and eligible liabilities (MREL); and the Bank power of direction and operational continuity in resolution. The PRA recognises that the applicability of all requirements, including CoA, to deliver resolvability will be related to the wider context of the resolution strategy of a firm. However, firms are currently developing their resolution approaches, the United Kingdom

and international resolution regulatory framework is still being developed, and maximum flexibility in resolution is beneficial. The CoA requirements will enable the most basic option for ensuring continuity for depositors to be available.

4.5 Therefore CoA requirements will be applicable to firms (except credit unions) to ensure continuity of access is a viable option to ensure depositor protection across the industry, and to complement and support the wider resolution agenda.

### Scope of firms

4.6 As outlined above, a number of respondents felt there should be flexibility or exemptions to the CoA requirements on grounds of costs, timing for implementation, and relevance to a firm's individual circumstances.

4.7 The PRA will implement the CoA requirements as proposed applying to all relevant firms, with a 20 month transition period. The PRA will consider waivers or modifications in accordance with section 138A of FSMA if compliance with the rules (or the rules as unmodified) would be unduly burdensome or would not achieve the purpose for which the rules were made, and the waiver or modification would not adversely affect the advancement of any of the PRA's objectives. Likely factors the PRA would consider in granting any such waiver or modification are outlined in SS18/15 (see Appendix 6).

## B Detail of CoA proposals

4.8 There was a general desire among respondents for further detail and clarity on aspects of the CoA requirements, particularly associated with how prioritisation and separation should work, how individual types of in-flight transactions should be treated, and how CoA systems would interact with payment systems.

### Account freezing, separation and prioritisation

4.9 Respondents raised a range of queries including how certain product types should be treated and how deposits should be transferred into shadow or suspense accounts. The PRA has set out some further detail on its expectations in SS18/15 (see Appendix 6), but this is limited in nature and the CoA requirements remain at an intentionally high level to enable flexible implementation by firms based on their own products and systems. There have also been some minor amendments to CoA rules in Depositor Protection Chapter 13 to provide clarity.

4.10 Several respondents also sought clarity on exactly how quickly a firm would be required to complete the freezing, separation and prioritisation processes required under the CoA rules. While CP20/14 and CP4/15 included messaging and guidance on this point, the PRA is confirming the timing requirements in the final rules. Depositor Protection 13.8 sets out that firms must be able to freeze accounts within 5 hours,

and Depositor Protection 13.7 sets out that CoA systems must be able to complete separation and prioritisation processes within 48 hours.

4.11 A number of respondents queried how eligible products that did not fit within any of the categories in the hierarchy in Depositor Protection 13.5 should be reported in the SCV and treated in the prioritisation of accounts. The PRA has clarified the position in Depositor Protection 12.9 and 13.5 to accommodate such products, along with supporting guidance in SS18/15 (see Appendix 6).

4.12 The point was made by some respondents that a fixed hierarchy for prioritising accounts under CoA rules could prevent depositors from achieving the most advantageous transfer option in their individual circumstances. While the PRA recognises this aspect of the CoA rules, the CoA rules will ensure there is the option for depositors to have access to an equivalent amount of covered deposits as they would receive in payout but with the additional benefit of continued access to deposits (a 48-hour CoA timeframe versus 7-day payout) and continued account usability. As long as the high-level requirements in the depositor protection rules are met, firms may design additional arrangements as they see fit to benefit depositors.

4.13 A number of respondents requested additional detail on what steps firms needed to take in relation to maintaining payment system access and functionality for accounts being transferred through CoA. The PRA has set out some further detail on its expectations to support these rules in SS18/15 (see Appendix 6), but this is limited in nature and the CoA requirements remain at an intentionally high level to enable flexible implementation by firms based on their own circumstances.

4.14 Several respondents queried the treatment of overdrafts under CoA requirements. This point is addressed in CP15/15.

## C CoA reporting and verification

4.15 Several respondents stated that the CoA reporting requirements were proportionate and called for a pragmatic approach to CoA verification. The PRA will implement the proposed rules that all firms must submit a self-certification report that describes how they comply with the CoA rules after the 20 month transition period. The final rules still require submission of a CoA report upon authorisation but the rules have been amended to replace the annual reporting requirement with a requirement for a firm to annually update its internal CoA report and submit the report upon a request from the PRA. This will ensure the PRA remains able to review firms' CoA requirements but without the burden of an annual reporting requirement on firms. The PRA has amended the depositor protection rules to remove the requirement to submit a CoA report to the PRA within three months of a

material change to CoA systems. However, firms will be subject to a requirement to notify the PRA within three months of a material change to their CoA system, including an attestation from the firm's governing body that the firm meets the relevant PRA requirements. The PRA may request a CoA report at any time.

4.16 The PRA advised in CP20/14 that a more intensive assessment process will be developed by the PRA and the Bank of England to work alongside the CoA report in order to verify the system changes made by firms and to assess their capacity to execute an FSCS-covered deposit book transfer in the event of a resolution. Work is ongoing to consider verification assessment options. No additional rules to support verification are being made by the PRA at this time, but the Bank of England and PRA retain the relevant powers to commission skilled persons reviews as required on a targeted basis.

## 5 Feedback to responses — Dormant Account Scheme

5.1 The PRA's proposals relating to the funding of the Dormant Account Scheme (DAS) were set out in CP4/15. The draft rules provided for compensation to be payable in circumstances where a dormant account fund operator is unable to meet claims against it in respect of the dormant accounts it holds.

5.2 Respondents were generally supportive of the PRA's proposed approach in creating a separate FSCS funding class for DAS members (DGS members excluding credit unions and dormant account fund operators). Any costs arising from the failure of a dormant account fund operator would be funded by deposit-takers (with the exception of credit unions who are not able to transfer dormant accounts to a dormant account fund operator under the Dormant Account Bank and Building Society Act 2008)<sup>(1)</sup> in addition to their DGS funding requirements and any other dormant account fund operators. The PRA proposed that there should not be corresponding funding of DGS members' compensation costs by a dormant account fund operator given the limited nature of a dormant account operator.

5.3 As deposit-takers would be required to contribute to the default of a dormant account fund operator under the existing rules, and contribute to the costs of a failure in the deposits class at a significant discount, the PRA did not consider that the proposed new dormant account funding class represented a significant policy change.

5.4 Respondents noted that the PRA's proposal that a dormant account fund operator should provide the FSCS with basic information regarding dormant accounts, where held, was unlikely to be feasible given that firms do not generally

provide this information to the dormant account fund operator when dormant account funds are transferred.

5.5 The PRA has therefore deleted the relevant rule (Dormant Account Scheme 27.2 in CP4/15) from final rules and is consulting (in CP15/15) on a rule for firms to provide to the FSCS, following a request by the PRA or the FSCS, basic information about dormant accounts that they have transferred to a dormant account fund operator.

5.6 The PRA has also deleted rules (Dormant Account Scheme 25.4 to 25.8 proposed in CP4/15) allowing the FSCS to exempt a firm from paying a DAS specific costs levy or a DAS compensation costs levy in certain circumstances. This is because the PRA has not identified any examples where such an exemption may be granted and as such it is not necessary.

## 6 Feedback to responses — transitional rules

6.1 This chapter sets out feedback to responses received to PRA proposals set out in CP4/15 for transitional rules relating to SCV and reporting requirements, and the PRA's proposed approach to existing compensation sourcebook (COMP) rule waivers and modifications granted to firms in accordance with section 138A of FSMA.

### Transitional rules

6.2 Respondents generally welcomed the proposed transitional rules, which will apply from 3 July 2015 until final SCV and CoA rules take effect after the 20 month transition period. There was support for the PRA's approach of implementing a number of requirements after the transition period, including the inclusion of large corporates in the SCV file, the marking of accounts of natural persons and SMEs to support the use of BRRD tools, and the removal of the opt-out from electronic SCV requirements.

6.3 There was general acceptance among respondents for the reporting requirements during the transition period. Some respondents queried when the SCV effectiveness report and the marking effectiveness report needed to be submitted, when the report templates would be available, and further details on the content of the reports. The PRA has made minor amendments to the transitional rules (Depositor Protection 49–53) and added additional guidance to SS18/15 to clarify these points (see Appendix 6). Report templates will be made available by the FSCS ahead of 3 July 2015.

### Existing waivers and modifications to COMP

6.4 Respondents had a number of views and questions regarding the PRA's proposal that existing waivers and

(1) Dormant Account Bank and Building Society Act 2008; [www.legislation.gov.uk/ukpga/2008/31/contents](http://www.legislation.gov.uk/ukpga/2008/31/contents)

modifications to COMP would not be automatically transitioned to depositor protection rules, so would cease to have effect when the new rules took effect on 3 July 2015, particularly in relation to waivers from SCV and disclosure rules for positive credit card balances.

6.5 Respondents asked if the decision not to transition existing waivers was indicative of a changed position of the PRA in relation to the treatment of positive credit card balances and if FSCS guidance on the reporting of such balances was still valid. They highlighted the cost and confusion that might result if credit cards were to be newly subject to SCV and disclosure requirements.

6.6 The PRA is mindful of respondents' views and can confirm that the PRA has not adopted a new attitude to the treatment of positive credit card balances. Whether a positive balance on a credit card, or any other related product, meets the definition of a deposit under PRA rules is a matter for firms to assess based on the characteristics of their products. Where any funds do meet the definition of a deposit and a relevant waiver or modification is not in place, then related

requirements in the depositor protection rules will apply, including SCV and disclosure requirements.

6.7 As outlined in CP4/15, the PRA currently offers waivers to these requirements in COMP for positive credit card balances, where they meet the definition. Although the limited number of existing such waivers will not be transferred to the depositor protection rules, individual firms may apply to the PRA for waivers or modifications to the new rules, and the PRA will consider waivers or modifications in accordance with section 138A of FSMA if compliance with the rules (or with the rules as unmodified) would be unduly burdensome or would not achieve the purpose for which the rules were made, and the waiver or modification would not adversely affect the advancement of any of the PRA's objectives. Firms should continue to refer to FSCS guidance in relation to the inclusion of information in the SCV file, which is being updated to reflect the Depositor Protection rules.

6.8 Therefore, the PRA is implementing the proposal not to transition existing COMP waivers to depositor protection rules.



# Appendices

- 
- 1 Depositor Protection Instrument 2015 (PRA 2015/39)

---

  - 2 Dormant Account Scheme Instrument 2015 (PRA 2015/37)

---

  - 3 FSCS Management Expenses Levy Limit and Base Costs Instrument 2015 (PRA 2015/40)

---

  - 4 Management Expenses in respect of Relevant Schemes Instrument 2015 (PRA 2015/41)

---

  - 5 Handbook (Rulebook Consequentials No. 1) Instrument 2015 (PRA 2015/38)

---

  - 6 Supervisory Statement — Depositor Protection (SS18/15)

---

  - 7 Statement of Policy — Deposit Guarantee Scheme

---

  - 8 Statement of Policy — Dormant Account Scheme

**PRA RULEBOOK: CRR FIRMS: NON CRR FIRMS: NON AUTHORISED PERSONS: DEPOSITOR PROTECTION INSTRUMENT 2015**

**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 (The compensation scheme);
  - (4) section 214 (General);
  - (5) section 215 (Rights of the scheme in insolvency); and
  - (6) section 218A (Regulators power to require information).
- 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: Non Authorised Persons: Depositor Protection Instrument 2015**

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

**Commencement**

- E. With the exception of the rules in Chapters 12 to 15, the rules in the Annex come into force on 3 July 2015.
- F. The rules in Chapters 12 to 15 in the Annex come into force on 1 December 2016.
- G. With effect from 1 December 2016, the PRA deletes rules 9.6(2) and the rules in Chapters 49 to 52 in the Annex.
- H. With effect from 1 January 2024, the PRA deletes rule 9.6(1) and 9.6(3) in the Annex.

**Citation**

- I. This instrument may be cited as the PRA Rulebook: CRR Firms: Non CRR Firms: Non Authorised Persons: Depositor Protection Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**  
30 March 2015

## Annex

In this Annex, the text is all new and is not underlined.

Part

# DEPOSITOR PROTECTION

---

## Chapter content

1. APPLICATION AND DEFINITIONS
2. ELIGIBILITY
3. CIRCUMSTANCES IN WHICH THE FSCS PAYS COMPENSATION IN RESPECT OF ELIGIBLE DEPOSITS
4. LIMITS ON COMPENSATION PAYABLE
5. CALCULATING COMPENSATION
6. PAYING COMPENSATION
7. FORM AND METHOD OF COMPENSATION
8. CURRENCY OF COMPENSATION
9. TIME LIMITS
10. TEMPORARY HIGH BALANCES
11. MARKING AND INFORMATION REQUIREMENTS
12. SINGLE CUSTOMER VIEW REQUIREMENTS
13. *BRRD* MARKING AND CONTINUITY OF ACCESS
14. SINGLE CUSTOMER VIEW AND EXCLUSIONS VIEW REPORTING
15. MARKING AND CONTINUITY OF ACCESS REPORTING
16. FIRMS' DISCLOSURE OBLIGATIONS - INFORMATION SHEET AND EXCLUSIONS
17. FIRMS' DISCLOSURE OBLIGATIONS - STATEMENTS OF ACCOUNT
18. REFERENCES TO THE DEPOSIT GUARANTEE SCHEME IN ADVERTISING
19. DISCLOSURE OF TRANSFER OF DEPOSITS
20. DISCLOSURE OF WITHDRAWAL OR EXCLUSION FROM THE DEPOSIT GUARANTEE SCHEME
21. METHOD OF COMMUNICATION
22. NOTIFICATION REQUIREMENTS ON TRANSFER TO A NON-UK SCHEME
23. DEPOSIT COMPENSATION INFORMATION - BRANCHES AND WEBSITES
24. DUTIES OF THE FSCS
25. CLAIMS AGAINST THE FSCS AND CHALLENGING FSCS DECISIONS
26. CONFIDENTIALITY, INFORMATION SHARING AND CO-OPERATION
27. PAYMENTS IN RESPECT OF UK BRANCHES OF INCOMING FIRMS AND EEA BRANCHES OF DGS MEMBERS
28. SUBROGATION
29. DUTIES ON THE FSCS TO PURSUE RECOVERIES

- 30. RECOVERIES OF ELIGIBLE DEPOSITS - RETURN OF SURPLUS TO COMPENSATION RECIPIENT**
- 31. FUNDING - AVAILABLE FINANCIAL MEANS**
- 32. FUNDING - USE OF EXISTING MANDATORY CONTRIBUTIONS**
- 33. FUNDING - FSCS'S POWER TO LEVY AND LIMITS ON LEVIES**
- 34. FUNDING - DGS COMPENSATION COSTS LEVY**
- 35. FUNDING - DGS MANAGEMENT EXPENSES LEVY**
- 36. FUNDING - LEGACY COSTS LEVY**
- 37. FUNDING - MANAGEMENT OF FUNDS LEVIED**
- 38. FUNDING - ADJUSTMENTS TO LEVY SHARES**
- 39. FUNDING - BUSINESS ACQUISITIONS FROM DGS MEMBERS**
- 40. FUNDING - BUSINESS ACQUISITIONS FROM NON-DGS MEMBERS**
- 41. FUNDING - MANAGEMENT EXPENSES**
- 42. FUNDING - DGS COMPENSATION COSTS**
- 43. FUNDING - CLASS A TARIFF BASE CALCULATION**
- 44. FUNDING - REPORTING REQUIREMENTS**
- 45. FUNDING - OBLIGATION TO PAY**
- 46. FUNDING - OVERPAYMENTS AND DEFERRAL OF PAYMENTS**
- 47. FUNDING - PAYMENT OF LEVIES**
- 48. FUNDING - TRANSFER OF LEVIES**
- 49. TRANSITIONAL PROVISIONS – MARKING EFFECTIVENESS REPORT**
- 50. TRANSITIONAL PROVISIONS – SINGLE CUSTOMER VIEW**
- 51. TRANSITIONAL PROVISIONS – SINGLE CUSTOMER VIEW EFFECTIVENESS REPORT**
- 52. TRANSITIONAL PROVISIONS – CLASS A TARIFF BASE CALCULATION**
- 53. TRANSITIONAL PROVISIONS – APPLICATION OF COMP**

**ANNEX 1 – INFORMATION SHEET (CHAPTER 16)**

**ANNEX 2 – CONTENT OF COMPENSATION STICKERS AND POSTERS (CHAPTER 23)**

**ANNEX 3 – EXCLUSIONS LIST (CHAPTER 1)**

**Links**

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) the *FSCS*;
- (2) *UK banks*;
- (3) *credit unions*;
- (4) *Northern Ireland credit unions*;
- (5) *building societies*; and
- (6) an *overseas firm* that:
  - (a) is not an *incoming firm*; and
  - (b) has a *Part 4A permission* that includes *accepting deposits*.

1.2 Chapter 23 applies to a *UK branch* of an *incoming firm* that is a *credit institution*.

1.3 This Part also applies to a *firm* which used to have a *Part 4A permission to accept deposits* but which has ceased to have a *Part 4A permission to accept new deposits*, or which is subject to a requirement not to accept new *deposits*, and which is not a member of a *non-UK scheme*.

1.4 Unless otherwise stated, in this Part, the following definitions shall apply:

*available financial means*

means cash, *deposits* and *low-risk assets* which can be liquidated within a period not exceeding seven *business days*.

**[Note: Art. 2(1)(12) of the *DGSD*]**

*base costs*

means *management expenses* which are not attributable to any particular *class*.

*base costs levy*

means a levy, forming part of the *management expenses levy*, to meet the *base costs* in the financial year of the *compensation scheme* to which the levy relates.

*class*

means one of the classes to which the *FSCS* allocates levies in accordance with the rules of the *compensation scheme*.

*class A*

means the *class* which consists of *DGS members*.

*class A tariff base*

has the meaning given in 43.1.

*class J*

has the meaning given in the Dormant Account Scheme Part.

*claim*

means a valid claim made in respect of a civil liability owed by a *DGS member* to the claimant.

*compensation date*

means the date on which a determination is made by the *PRA*, the *FSCS* or a judicial authority that *deposits* held by a *DGS member* are *unavailable deposits* such that the *DGS member* is *in default*.

*compensation recipient*

means the *person* to whom the *FSCS* is required to pay compensation, as set out in Chapter 6.

*compensation scheme*

means the Financial Services Compensation Scheme established under section 213 of *FSMA*.

*continuity of access systems*

means a firm's systems for satisfying 13.4 to 13.9.

*covered deposit*

means the part of an *eligible deposit* that does not exceed the coverage levels set out in Chapter 4.

**[Note: Art. 2(1)(5) of the *DGSD*]**

*DAS compensation costs*

has the meaning given in the Dormant Account Scheme Part.

*DAS specific costs*

has the meaning given in the Dormant Account Scheme Part.

*deferred share*

means:

- (1) in relation to a *credit union*, any share of a class defined as a deferred share by section 31A of the Credit Unions Act 1979;
- (2) in relation to a *building society*, any share of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986.

*deposit*

means:

- (1) a credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a *credit institution* is required to repay under the legal and contractual conditions applicable, including a fixed-term deposit and a savings deposit, but excluding a credit balance where:
  - (a) its existence can only be proven by a financial instrument as defined in *MiFID II*, unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which exists in a Member State on 2 July 2014;
  - (b) its principal is not repayable at par; or
  - (c) its principal is only repayable at par under a particular guarantee or agreement provided by the *credit institution* or a third party;
- (2) a share in a *building society*, excluding a *deferred share*;
- (3) a share in a *credit union*, excluding a *deferred share*; or
- (4) a share in a *Northern Ireland credit union*, excluding a *deferred share*.

**[Note: Art. 2(1)(3) of the DGSD]**

*deposit guarantee scheme*

means the *compensation scheme* for compensating persons in respect of *deposits*.

*deposit guarantee scheme regulations*

means the Deposit Guarantee Scheme Regulations 2015 (SI 2015/486).

*depositor*

means the holder or, in the case of a *joint account*, each of the holders, of a *deposit*.

**[Note: Art. 2(1)(6) of the DGSD]**

*DGS base costs levy*

means a *base costs levy* imposed by the *FSCS* on *DGS members*.

*DGS compensation costs*

means the costs incurred:

- (1) in paying compensation under the *deposit guarantee scheme*;
- (2) under section 214B or section 214D of *FSMA*; or
- (3) by virtue of section 61 of the Banking Act 2009;

(including the costs of paying interest, principal and other costs of borrowing to pay such costs).

*DGS compensation costs levy*

means a levy imposed by the *FSCS* on *DGS members* to meet *DGS compensation costs*.

*DGS levy*

means a *DGS compensation costs levy*, a *DGS management expenses levy* or a *legacy costs levy*.

*DGS management expenses levy*

means a levy imposed by the *FSCS* on *DGS members* to meet *management expenses* and which is made up of one or more of a *DGS base costs levy* and a *DGS specific costs levy*.

*DGS member*

means:

- (1) a *UK bank*;
- (2) a *building society*;
- (3) a *credit union*;
- (4) a *Northern Ireland credit union*; or
- (5) an *overseas firm* that is not an *incoming firm* and has a *Part 4A permission* that includes *accepting deposits*.

*DGS specific costs*

means *management expenses* attributable to the *deposit guarantee scheme* other than *base costs*, which the *FSCS* has incurred or expects to incur.

*DGS specific costs levy*

means a levy, forming part of the *DGS management expenses levy*, to meet the *DGS specific costs* in the financial year of the *deposit guarantee scheme* to which the levy relates.

*DGSD*

means Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast).

*dormant account*

has the meaning given in section 10 of the Dormant Bank and Building Society Accounts Act 2008.

*EEA right*

means the entitlement of a *person* to establish a *branch* or provide services in an *EEA State* other than that in which they have their relevant office in accordance with the *Treaty* as applied in the *European Economic Area*; and subject to the conditions of the *CRR* and *CRD*.

*eligible deposit*

has the meaning given in Chapter 2.

*exclusions view*

means a single, consistent view of a *depositor's* aggregate *eligible deposits* with a *firm* which contains the information required by 12.9, limited to accounts which:

- (1) hold any funds to which the *depositor* is not absolutely entitled; or
- (2) are *not active*.

*exclusions list*

has the meaning given in 16.2.

*European Economic Area*

means the area established by the *EEA agreement*.

*home state scheme*

means a scheme or arrangement (including the *deposit guarantee scheme*) for the payment of compensation in respect of *eligible deposits*, which was established in the *EEA State* which is, with regard to a particular *institution*, the *home Member State*.

*host state scheme*

means a scheme or arrangement (including the *deposit guarantee scheme*) for the payment of compensation in respect of *eligible deposits*, which was established in the *EEA State* which is, with regard to a particular *institution*, the *host Member State*.

*in default*

describes the status of a *firm* following a determination that its *deposits* are *unavailable deposits*.

*information sheet*

has the meaning given in 16.2.

*joint account*

means an account opened in the name of two or more *persons* or over which two or more *persons* have rights that are exercised by means of the signature of one or more of those *persons*.

**[Note: Art. 2(1)(7) of the DGSD]**

*legacy costs*

means the costs incurred prior to 3 July 2015 by the *FSCS*:

- (1) in paying compensation; or
- (2) under section 214B or section 214D of *FSMA*; or
- (3) by virtue of section 61 of the Banking Act 2009;

(including the costs of paying interest, principal and other costs of borrowing to pay such costs).

*legacy costs levy*

means a levy imposed by the *FSCS* to meet *legacy costs*.

*low-risk assets*

means items falling into the first or second category of Table 1 of Article 336 of the *CRR*.

**[Note: Art. 2(1)(14) of the *DGSD*]**

*management expenses*

has the meaning given in section 223(3) of *FSMA*.

*mandatory contributions*

means the mandatory contributions described in Article 10(4) of the *DGSD*.

*micro, small and medium-sized enterprises*

means micro, small and medium-sized enterprises as defined with regard to the annual turnover criterion referred to in Article 2(1) of the Annex to Commission Recommendation 2003/361/EC .

*money laundering*

has the meaning given in Article 1(2) of the *money laundering directive*.

*money laundering directive*

means Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.

*money-purchase benefits*

means in relation to a member of a *personal pension scheme* or an *occupational pension scheme* or the widow or widower or surviving civil partner of a member of such a scheme, benefits the rate or amount of which is calculated solely by reference to the schemes assets which (because of the nature of the calculation) must necessarily suffice to provide the benefits which fall within section 181 of the Pensions Scheme Act 1993 and section 99 of the Pensions Act 2008, each as amended by section 29 of the Pensions Act 2011.

*non-UK scheme*

means a scheme established pursuant to the *DGSD* in an *EEA State* other than the *UK*.

*Northern Ireland credit union*

means a *firm* which is either a society registered under the Credit Unions (Northern Ireland) Order 1985 or a society registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a credit union.

*not active*

an account is not active if it:

- (1) is a *dormant account*; or
- (2) is an account for which the *firm* has received formal notice of a legal dispute or competing claims to the proceeds of the account; or
- (3) is an account owned or controlled by a person whose name appears on the “Consolidated list of financial sanctions targets in the United Kingdom” that is maintained by HM Treasury or which is otherwise subject to restrictive measures imposed by national governments or international bodies.

*occupational pension scheme*

has the meaning given in article 3(1) of the *Regulated Activities Order*.

*personal pension scheme*

has the meaning given in article 3(1) of the *Regulated Activities Order*.

*private residential property*

means freehold, heritable or leasehold property (or the equivalent in another country), including land, which was, is, or is intended to become the *depositor's* only or main residence.

*single customer view*

means a single, consistent view of a *depositor's* aggregate *eligible deposits* with a *firm* which contains the information required by 12.9, but excludes from view those accounts included in the *exclusions view*.

*SCV effectiveness report*

means a report from a *firm's* board of directors confirming that the *firm's SCV system* satisfies the *SCV requirements*.

*SCV requirements*

means the requirements on *firms* set out in Chapter 12.

*SCV system*

means a *firm's* system for satisfying the *SCV requirements*.

*small self-administered scheme*

means an *occupational pension scheme* of a kind described in article 4(4) and 4(5) of the Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001/1177).

*stakeholder pension scheme*

has the meaning given in article 3(1) of the *Regulated Activities Order*.

*statement of business*

means the information required under 44.2.

*target level*

means the amount of *available financial means* which the *deposit guarantee scheme* is required to reach, which is 0.8% of the amount of *covered deposits* (excluding *temporary high balances*) of *DGS members*.

*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 4.2 which meets the additional criteria set out in 10.2.

**[Note: Art. 6(2) of the DGSD]**

*transferable eligible deposit*

means the portion of an *eligible deposit* up to and including the coverage level provided for in 4.2, identified in accordance with Chapter 13 and 12.9.

*unavailable deposit*

means a *deposit* that is due and payable but has not been paid by a *DGS member* 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* 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* financial circumstances and the ruling has had the effect of suspending the rights of *depositors* to make claims against it.

**[Note: Art. 2(1)(8) of the DGSD]**

- 1.5 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

**2 ELIGIBILITY**

---

- 2.1 This Chapter applies only to the *FSCS*.

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

- (1) A *deposit* is an *eligible deposit* only if it is held by:
  - (a) a *UK establishment* of a *DGS member*, or
  - (b) a *branch* of a *DGS member* established in another *EEA state* under an *EEA Right*.
- (2) A *deposit* is held by a *UK establishment* or a *branch* if it is assigned by the *firm* to an account of that *UK establishment* or that *branch*.

- (3) A *deposit* is, subject to the other rules in this Chapter, an *eligible deposit* if it is held by a *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 a *non-UK scheme* which protects such *deposits*.
- (4) The following are not *eligible deposits*:
- (a) a *deposit* made by another *credit institution* on its own behalf or for its own account;
  - (b) *own funds*;
  - (c) a *deposit* arising out of a transaction in connection with which there has been a criminal conviction for *money laundering*;
  - (d) a *deposit* by a *financial institution*;
  - (e) a *deposit* by an *investment firm*;
  - (f) a *deposit* the holder and any beneficial owner (as defined in regulation 6 of the Money Laundering Regulations 2007) of which have not, at the *compensation date* had their identity verified in accordance with regulation 9 of the Money Laundering Regulations 2007 (or equivalent *EEA* requirements);
  - (g) a *deposit* by an *insurance undertaking* or a *reinsurance undertaking*;
  - (h) a *deposit* by a collective investment undertaking;
  - (i) a *deposit* by a pension or retirement fund (but excluding *deposits* by *personal pension schemes*, *stakeholder pension schemes* and *occupational pension schemes* of *micro, small and medium-sized enterprises*);
  - (j) a *deposit* by a public authority;
  - (k) a debt security issued by the *DGS member* and any liabilities arising out of own acceptances and promissory notes.

**[Note: Art. 4(3), 4(6), 5(1), 5(2)(a) and 14(1) of the DGSD]**

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

---

- 3.1 This Chapter applies only to the *FSCS*.
- 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 *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 a *non-UK scheme* which covers such *deposits*.

#### 4 LIMITS ON COMPENSATION PAYABLE

---

- 4.1 This Chapter applies only to the *FSCS*.
- 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 applies.

**[Note: Art. 6(1) of the *DGSD*]**

- 4.3 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.

**[Note: Art. 6(2) of the *DGSD*]**

#### 5 CALCULATING COMPENSATION

---

- 5.1 This Chapter applies only to the *FSCS*.
- 5.2 Compensation shall be calculated by reference to *eligible deposits* held on the *compensation date*.

**[Note: Art. 7(4) of the *DGSD*]**

- 5.3 The limit provided for in 4.2 applies to the aggregate *eligible deposits* placed by a *depositor* with the same *credit institution*, irrespective of the number of accounts, the currency, or the location within the *EEA*.

**[Note: Art. 7(1) of the *DGSD*]**

- 5.4 The share of each *depositor* of a *joint account* shall be considered separately in calculating the limits provided for in 4.2 and 4.3, except where 5.5 applies. In the absence of contrary provision, the *joint account* shall be divided equally among the *depositors* to the nearest penny.

**[Note: Art. 7(2) of the *DGSD*]**

- 5.5 *Deposits* in an account to which two or more *persons* are entitled as members of a business partnership, association or grouping of a similar nature, without legal personality, must be aggregated and treated as if made by a single *depositor* for the purpose of calculating the limits provided for in 4.2 and 4.3.

**[Note: Art. 7(2) of the *DGSD*]**

- 5.6 Where several *persons* are absolutely entitled to a beneficial interest in a *deposit*, the share of each, under the arrangements subject to which the *deposit* is managed, shall be considered separately in calculating the amount payable to each of them.

**[Note: Art. 7(3) of the *DGSD*]**

- 5.7 Where several *persons* are absolutely entitled to a beneficial interest in a *deposit*, and some of them are *persons* whose own *deposits* would not be *eligible deposits*, the *FSCS* must adjust the amount of the overall *deposit* to eliminate the part of it which, in the *FSCS*'s view, relates to those beneficiaries' interest in the overall *deposit*.
- 5.8 Liabilities of the *depositor* against the *DGS member* shall not be taken into account when calculating the compensation sum.

**[Note: Art. 7(4) of the DGSD]**

- 5.9 Except where the compensation sum arises from a *temporary high balance*, the *FSCS* shall reimburse interest owed on *eligible deposits* which had accrued, but has not been credited, at the *compensation date*. The limit provided for in 4.2 shall not be exceeded by the payment of any such interest.

**[Note: Art. 7(7) of the DGSD]**

## **6 PAYING COMPENSATION**

---

- 6.1 This Chapter applies to the *FSCS*.
- 6.2 The *FSCS* must pay any compensation to the *depositor*, with the following exceptions:
- (1) where the *FSCS* is required to make payments on behalf of a *non-UK scheme* in accordance with the *deposit guarantee scheme regulations*;
  - (2) where the *FSCS* must instruct a *non-UK scheme* to make payments on its behalf in accordance with 27.3;
  - (3) where the *FSCS* is required to make payments to a *person* other than the *depositor* in accordance with section 214B or section 214D of *FSMA* or section 61 of the Banking Act 2009;
  - (4) where the *depositor* directs that any compensation be paid to another *person*, the *FSCS* may pay the compensation as directed by the *depositor*;
  - (5) where the *depositor* is not absolutely entitled to the *eligible deposit*:
    - (a) if another *person* is absolutely entitled to the *eligible deposit*, that *person* is the *person* entitled to compensation in respect of the *deposit*, and accordingly the *FSCS* must pay any compensation to the *person* who is absolutely entitled to the *eligible deposit*, provided that the *person* has been identified or is identifiable before the *compensation date*; and
    - (b) if no *person* is absolutely entitled to the *eligible deposit*, the *FSCS* must pay any compensation in accordance with such of 6.3, 6.4, 6.5 and 6.6 as applies.

**[Note: Art. 7(3) of the DGSD]**

- 6.3 If a *person* is:
- (1) a trustee (other than a bare trustee); or
  - (2) the operator of, or the *person* carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*,

the FSCS must treat that person's entitlement to compensation in this capacity as separate from the entitlement to compensation in any other capacity, as if the two entitlements were held by different *persons*.

6.4 If a *deposit* is held:

- (1) for the trustees of a *small self-administered scheme*, an *occupational pension scheme* of *micro, small and medium sized enterprise*, or the trustee or operator of, or the *person* carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*;
- (2) for one or more members of a pension scheme (or, where relevant, the beneficiary of any member) whose benefits are *money-purchase benefits*,

the FSCS must treat the member or members (or, where relevant, the beneficiary of any member) separately as *persons* entitled to receive compensation.

6.5 If any group of *persons* are:

- (1) co-trustees (other than bare co-trustees); or
- (2) *operators* of, or *persons* carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or a *personal pension scheme*

(or any combination thereof), the FSCS must treat them as a single and continuing *person* distinct from the *persons* who may from time to time be the trustees, or the *operators* or *persons* winding up the relevant pension scheme.

6.6 Where the same person is:

- (1) trustee for different trusts or for different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*; or
- (2) the *operator* of, or the *person* carrying on the *regulated activity* of winding up, different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*,

the FSCS shall treat that *person's* entitlement to compensation in respect of each of these trusts or schemes as if they were entitlements of a different *person*.

6.7 Where any of the provisions of 6.3, 6.5 or 6.6 apply, the FSCS must try to ensure that any amount paid to:

- (1) the trustee; or
- (2) the *operator* of, or the *person* carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*

is, in each case:

- (3) for the benefit of members or beneficiaries whose own *deposits* would be *eligible deposits*; and
- (4) no more than the amount of the loss suffered by those members or beneficiaries.

6.8 Where a *person* holds a *deposit* as the personal representative of another or on behalf of another, the *FSCS* must treat the personal representative or the person acting on behalf of another in respect of that *deposit* as if they were standing in the shoes of that other *person*.

6.9 In applying this Chapter to *deposits* held with a *branch* outside the *UK* of a *DGS member*, the *FSCS* must interpret references to:

- (1) *persons* entitled as personal representatives, trustees, bare trustees, *operators of pension schemes* or *persons* carrying on the *regulated activity* of winding up *pension schemes*; or
- (2) *persons* having a *joint account* or joint interest in a *deposit* or carrying on business in partnership,

as references to *persons* entitled, under the law of the relevant country or territory, in a capacity appearing to the *FSCS* to correspond as nearly as may be to that capacity.

## 7 FORM AND METHOD OF COMPENSATION

---

7.1 This Chapter applies only to the *FSCS*.

7.2 The *FSCS* may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:

- (1) by paying the compensation (on such terms as the *FSCS* considers appropriate) to a *DGS member* or an *incoming firm* which agrees to become liable to the *compensation recipient* in a like sum;
- (2) by paying compensation directly into an existing deposit account of (or for the benefit of) the *compensation recipient*, with a *DGS member* or an *incoming firm* (but before doing so the *FSCS* must take such steps as it considers appropriate to verify the existence of such an account and to give notice to the *depositor* of its intention to exercise this power);
- (3) where two or more *persons* are absolutely entitled to a *deposit*, by accepting communications from and/or paying compensation to any one of those *persons* where this is in accordance with the terms and conditions for communications and withdrawals of the *eligible deposit*.

7.3 This Chapter is subject to:

- (1) Chapter 6;
- (2) section 214B and section 214D of *FSMA*; and
- (3) section 61 of the Banking Act 2009.

## 8 CURRENCY OF COMPENSATION

---

8.1 This Chapter applies only to the *FSCS*.

8.2 Subject to 8.3, the *FSCS* must make compensation payments in respect of *eligible deposits* in pounds sterling. Where the account in which the *eligible deposit* was held was maintained in a different currency, the *FSCS* must use the exchange rate applying on the *compensation date*.

- 8.3 Where the *FSCS* is instructing a *non-UK scheme* to make a payment under 27.3, the *FSCS* must instruct the relevant *non-UK scheme* to make such payments in the currency of that *host Member State*.

**[Note: Art. 6(4) of the *DGSD*]**

## **9 TIME LIMITS**

---

- 9.1 This Chapter applies only to the *FSCS*.
- 9.2 The *FSCS* must pay compensation in respect of *eligible deposits* within the applicable time period and as soon as reasonably practicable after:
- (1) it is satisfied that the conditions in 3.2 have been met; and
  - (2) it has calculated the amount of compensation due to the *compensation recipient*.
- 9.3 The applicable time period referred to in 9.2 is the period starting on the day following the *compensation date* and ending:
- (1) until 31 December 2018: twenty *business days* later;
  - (2) from 1 January 2019 until 31 December 2020: fifteen *business days* later;
  - (3) from 1 January 2021 until 31 December 2023: ten *business days* later;
  - (4) from 1 January 2024: seven *business days* later;
- unless 6.2(5) applies, or the *FSCS* reasonably believes that it may, in which case it ends three months later.

**[Note: Art. 8(1), (2) and (3) of the *DGSD*]**

- 9.4 The *FSCS* may decide to defer the payment of compensation beyond the time period set out in 9.3 where:
- (1) it is uncertain whether a *person* is entitled to receive compensation;
  - (2) the *deposit* is subject to a legal dispute;
  - (3) the *deposit* is subject to restrictive measures imposed by national governments or international bodies;
  - (4) there has been no transaction on the account within the last 24 months;
  - (5) the amount to be repaid is deemed to be part of a *temporary high balance*, in which case 10.8 applies;
  - (6) the amount to be repaid is to be paid out by the *host state scheme*; or
  - (7) the *depositor* or the *compensation recipient* has been charged with an offence arising out of or in relation to *money laundering*.

**[Note: Art. 8(5) and (8) of the *DGSD*]**

- 9.5 The *FSCS* may decide not to pay compensation where there has been no transaction on the account in which the *deposit* is held within the 24 months prior to the *compensation*

*date* and the amount of the *deposit* is lower than the administrative costs that would be incurred by the *FSCS* in paying compensation.

**[Note: Art. 8(9) of the *DGSD*]**

9.6 (1) From 1 June 2016 until 31 December 2023, in cases to which 9.3 applies, where the *FSCS* cannot pay compensation within seven *business days* starting on the day following the *compensation date*, the *FSCS* shall, provided the *FSCS* receives sufficient information to enable it to make a payment, ensure that within five *business days* of receipt of a request from a *depositor*:

(a) the *depositor* who is an individual, has access to an appropriate amount of their *covered deposits* to cover the cost of living; and

(b) the *depositor* which is not a *large company* has access to an appropriate amount of their *covered deposits* to cover necessary business expenses.

**[Note: Art 8(4) of the *DGSD*]**

(2) From 3 July 2015 until 1 December 2016, in cases to which 9.3 applies, the *FSCS* shall ensure that a *depositor* which is a *large company* has access to their *covered deposits* within fifteen *business days* of receipt of a request from the *depositor* which contains sufficient information to enable the *FSCS* to make a payment.

(3) In 9.6 the following definition shall apply:

*large company*

means a *body corporate* which does not qualify as a small company under section 382 of the Companies Act 2006.

## **10 TEMPORARY HIGH BALANCES**

---

10.1 This Chapter applies only to the *FSCS*.

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 meet at least one of the following additional criteria:

(1) it comprises:

- (a) monies deposited in preparation for the purchase of a *private residential property* (or an interest in a *private residential property*) by the *depositor*;
- (b) monies which represent the proceeds of sale of a *private residential property* (or an interest in a *private residential property*) of the *depositor*; or
- (c) monies which represent the proceeds of an equity release by the *depositor* in a *private residential property*;

(2) it comprises sums paid to the *depositor* in respect of:

- (a) benefits payable under an insurance policy;
- (b) a claim for compensation for personal (including criminal) injury;
- (c) State benefits paid in respect of a disability or incapacity;

- (d) a claim for compensation for wrongful conviction;
  - (e) a claim for compensation for unfair dismissal;
  - (f) their redundancy (whether voluntary or compulsory);
  - (g) their marriage or civil partnership;
  - (h) their divorce or dissolution of their civil partnership; or
  - (i) benefits payable on retirement;
- (3) it comprises sums paid to the *depositor* in respect of:
- (a) benefits payable on death;
  - (b) a claim for compensation in respect of a person's death; or
  - (c) a legacy or other distribution from the estate of a deceased person;
- (4) it is held in an account on behalf of the personal representatives of a deceased person for the purpose of realising and administering the deceased's estate; or
- (5) it otherwise serves a social purpose provided for, or of the type provided for, in the law of a part of the *United Kingdom*, which is linked to the marriage, civil partnership, divorce, dissolution of civil partnership, retirement, incapacity, death of an individual, or to the buying or selling of a *depositor's* only or main residence that is not freehold, heritable or leasehold property.
- 10.3 Following the *compensation date*, the *FSCS* must review the *single customer view* of each *depositor* with the *DGS member* and provide written notice to an individual with aggregate *eligible deposits* in excess of the coverage levels set out in 4.2 of the following:
- (1) that the *depositor* 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*;
  - (3) that the *depositor* may make more than one *claim* for a *temporary high balance* if there are multiple events giving rise to a *temporary high balance*; and
  - (4) the date by which such written application and supporting evidence should be submitted to the *FSCS*.
- 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* has with any one *DGS member*.
- 10.6 The *FSCS* may pay compensation in respect of a *temporary high balance* to a *person* who makes a *claim* on behalf of another *person* if the *FSCS* is satisfied that the *person* on whose behalf the *claim* is made would have been paid compensation by the *FSCS* in respect of that *temporary high balance* had the person been able to make the *claim* themselves, or to pursue their application for compensation further.
- 10.7 The protection for *temporary high balances* under 4.3 shall run for a period of six months from the later of:
- (1) the first date on which a *temporary high balance* is credited to a 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.

**[Note: Art. 6(2) of the *DGSD*]**

- 10.8 The *FSCS* must, within three 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.

**[Note: Art. 8(5)(d) of the *DGSD*]**

- 10.9 The *FSCS* may defer payment in respect of a *temporary high balance* for a period in excess of the period specified in 10.8 where:
- (1) the *depositor* provides the written application and evidence referred to in 10.3 to the *FSCS* more than two *months* following the date of the written notice from the *FSCS* under 10.3;
  - (2) the *FSCS* has informed the *depositor* that the *FSCS* is contacting a third party to ask for additional information necessary to determine the *claim*; or
  - (3) one or more of the circumstances set out in 9.4 (1)-(7) arise.
- 10.10 If the *FSCS* considers that the written application and evidence provided by a *depositor* under 10.3 does not demonstrate a sufficient link between an event giving rise to a *temporary high balance* and the *eligible deposit* being in excess of the coverage levels provided for in 4.2, the *FSCS* must write promptly to that *depositor* to:
- (1) request any additional information that the *FSCS* considers necessary to determine the *claim* (within such time as the *FSCS* may specify); or
  - (2) confirm that the *FSCS* has determined that the deposit is not a *temporary high balance* and that it rejects the *claim*.
- 10.11 If the written application or evidence provided by the *depositor* under 10.3 contains any material inaccuracy or omission, the *FSCS* may reject the *claim* for compensation unless this is considered by the *FSCS* to be wholly unintentional.
- 10.12 Where all or part of a *temporary high balance* is transferred to another *DGS member* after the start of the coverage period referred to in 10.7, the *FSCS* must pay compensation if it considers that the transferred *deposit* is sufficiently linked to the *temporary high balance*.

The coverage period in 10.7 shall be calculated by reference to the point at which the *temporary high balance* was credited to the first account.

10.13 Where the *FSCS* rejects a *claim* made under this Chapter, it must give:

- (1) written reasons for its decision;
- (2) a summary of any right to request an internal *FSCS* review of the decision; and
- (3) a summary of any right to appeal the decision.

## 11 MARKING AND INFORMATION REQUIREMENTS

---

11.1 A *firm* must mark *eligible deposits* in a way that allows for the immediate identification of such *deposits*.

**[Note: Art. 5(4) of the *DGSD*]**

11.2 A *firm* must mark accounts (including client accounts and trust accounts) which are held on behalf of beneficiaries and which contain or may contain *eligible deposits* in a way that allows immediate identification of such accounts.

**[Note: Art 5(4) and 7(3) of the *DGSD*]**

11.3 A *firm* must be able to provide the *FSCS* with the aggregated amount of *eligible deposits* of every *depositor*.

11.4 Upon receipt of a request by the *FSCS*, a *firm* must provide the information in 11.3 to the *FSCS*.

**[Note: Art 7(6) of the *DGSD*]**

11.5 A *firm* must be able to provide the *FSCS* with all information necessary to enable the *FSCS* to prepare for the payment of compensation in accordance with this Part.

**[Note: Art 4(8) and 8(6) of the *DGSD*]**

11.6 Upon receipt of a request by the *FSCS*, a *firm* must provide the information in 11.5 so as to enable the *FSCS* to prepare for and pay compensation in accordance with this Part.

**[Note: Art 4(8) and 8(6) of the *DGSD*]**

11.7 A *firm* must take reasonable steps to ensure the accuracy of the data it holds to satisfy the requirements of this Chapter.

11.8 The information required by 11.1 and 11.2 must be electronically stored.

## 12 SINGLE CUSTOMER VIEW REQUIREMENTS

---

12.1 A *firm* must provide to the *FSCS* all *single customer views* and *exclusions views* within 24 hours of the relevant *deposits* becoming *unavailable deposits*.

12.2 A *firm* must provide all *single customer views* and *exclusions views* to the *PRA* or *FSCS* within 24 hours of a request by the *PRA* or *FSCS*.

12.3 If a *firm* does not have any accounts or balances which are required to be included within the *exclusions view*, the *firm* must provide confirmation of this to the *FSCS*.

**[Note: Art. 4(8), 7(6) and 8(6) of the DGSD]**

- 12.4 A *firm* must provide the information required by 12.1 and 12.2 by secure electronic transmission and in a format which is readily transferable to and compatible with the FSCS's systems.
- 12.5 A *firm* must provide the FSCS with *single customer views* and *exclusions views* within three *months* of receiving a *Part 4A permission to accept deposits*.
- 12.6 The FSCS must, within six *months* of receiving the information required by 12.2 or 12.5, advise the PRA whether the information provided by a *firm's SCV system* is capable of being submitted to the FSCS and whether it is compatible with the FSCS's systems to enable it to pay compensation within the time limits contained in 9.2.
- 12.7 A *firm* must ensure that its *SCV system*:
- (1) automatically identifies the amount of *covered deposits* payable to each *depositor*, and
  - (2) includes a facility which identifies any portion of an *eligible deposit* that is over the coverage level provided for in 4.2.
- 12.8 A *firm* must take reasonable steps to ensure the accuracy of the data it holds in order to satisfy the requirements of this Chapter.
- 12.9 A *firm* must ensure that each *single customer view* and *exclusions view* contains all the information set out in the table below.

	Field identifier	Field descriptor	Notes
	<b>Customer details</b>		
1.	<i>Single customer view</i> record number	Unique customer identifier.	Maximum number of characters in field: 200
2.	Title	Title [if applicable and where held by the <i>firm</i> ].	Maximum number of characters in field: 20
3.	Customer first forename	First forename [if applicable].	Maximum number of characters in field: 50
4.	Customer second forename	Second forename [if applicable and where held by the <i>firm</i> ].	Maximum number of characters in field: 50
5.	Customer third forename	Third forename [if applicable and where held by the <i>firm</i> ].	Maximum number of characters in field: 50
6.	Customer Surname [or company name or name of account holder]	Surname [or company name or name of account holder].	Maximum number of characters in field: 100
7.	Previous Name	Any former name of the account holder [where held by the <i>firm</i> ].	Maximum number of characters in field: 200
8.	National Insurance number	National Insurance number [if applicable and where held by the <i>firm</i> ].	Maximum number of characters in field: 9
9.	Passport number	Passport number [if applicable and where held by the <i>firm</i> ].	Maximum number of characters in field: 200
10.	Other national identifier	The type of national identifier being provided [if applicable and where held by the <i>firm</i> ].	Maximum number of characters in field: 50

11.	Other national identity number	The national identity number [if applicable and where held by the <i>firm</i> ].	Maximum number of characters in field: 50
12.	Company number	Company registration number or other business registration number [if applicable].	Maximum number of characters in field: 50
13.	Customer date of birth	Date of birth [if applicable and where held by the <i>firm</i> ].	DDMMYYYY Maximum number of characters in field: 8
<b>Contact details</b>			
14.	<i>Single customer view</i> record number	Unique customer identifier.	Maximum number of characters in field: 200
15.	Address line 1	First line of address.	Maximum number of characters in field: 100
16.	Address line 2	Second line of address.	Maximum number of characters in field: 100
17.	Address line 3	Third line of address [if applicable].	Maximum number of characters in field: 100
18.	Address line 4	Fourth line of address [if applicable].	Maximum number of characters in field: 100
19.	Address line 5	Fifth line of address [if applicable].	Maximum number of characters in field: 100
20.	Address line 6	Sixth line of address [if applicable].	Maximum number of characters in field: 100
21.	Postcode	Postcode [except where not used by a country].	Maximum number of characters in field: 30
22.	Country	Country [for countries outside the <i>UK</i> ].	Maximum number of characters in field: 30
23.	Email address	Email address [where held by the <i>firm</i> ].	Maximum number of characters in field: 50
24.	Main phone number	Daytime phone or main phone number [where held by the <i>firm</i> ].	Numeric Maximum number of characters in field: 40
25.	Evening phone number	Phone number 2 [where held by the <i>firm</i> ].	Numeric Maximum number of characters in field: 40
26.	Mobile phone number	Phone number 3 [where held by the <i>firm</i> ].	Numeric Maximum number of characters in field: 30
<b>Details of account(s)</b>			
27.	<i>Single customer view</i> record number	Unique customer identifier.	Maximum number of characters in field: 200
28.	Account title	Surname, first name, any other initials or middle name identifier or company name or name of account holder.	Maximum number of characters in field: 50
29.	Account number	Unique number for this account.	Maximum number of characters in field: 35
30.	BIC	Business Identifier Code for the customer [if applicable and where held by the <i>firm</i> ].	ISO 9362 or alternative code if ISO 9362 is unavailable Maximum number of

			characters in field: 11
31.	IBAN	International Bank Account Number [if applicable].	ISO 13616 or alternative code if ISO 13616 is unavailable  Maximum number of characters in field: 34
32.	Sort code	If applicable.	Numeric  Maximum number of characters in field: 6
33.	Product type	<i>Firms</i> must allocate products to one of the following categories: <ul style="list-style-type: none"> <li>• Instant Access Accounts (including current accounts);</li> <li>• Individual Savings Accounts (ISAs);</li> <li>• notice accounts;</li> <li>• fixed term <i>deposits</i> with a term of less than one year;</li> <li>• fixed term <i>deposits</i> with a term of one year or more but less than two years;</li> <li>• fixed term <i>deposits</i> with a term of two years or more but less than four years;</li> <li>• fixed term <i>deposits</i> with a term of four years or more;</li> <li>• other.</li> </ul>	Values: <ul style="list-style-type: none"> <li>• IAA</li> <li>• ISA</li> <li>• NA</li> <li>• FD1</li> <li>• FD2</li> <li>• FD4</li> <li>• FP4P</li> <li>• Other</li> </ul> Maximum number of characters in field: 5
34.	Product name	The name of the product held.	Maximum number of characters in field: 50
35.	Account holder indicator	This field applies to joint or multiple accounts. It must identify how many account holders there are in relation to the account.	If the account has one account holder, the "Account Holder Indicator = 001". If the account has two owners, the "Account Holder Indicator = 002" for both account holders.  Maximum number of characters in field: 3
36.	Account status code	If applicable, this field should set out any flags that the <i>firm</i> has against an account, including (but not limited to): <ul style="list-style-type: none"> <li>• whether the <i>depositor</i> has any special communication requirements (e.g., Braille)</li> </ul>	Maximum number of characters in field: 50
37.	Exclusion type	If applicable, where the file is an <i>exclusions view</i> , an	Values: a) BEN

		<p>indication of why the account falls within an <i>exclusions view</i>.</p> <p>Identify all of the following which apply:</p> <p>a) The <i>depositor</i> is not absolutely entitled to the sums held in the account;</p> <p>b) The account is a <i>dormant account</i>;</p> <p>c) The account is an account for which the <i>firm</i> has received formal notice of a legal dispute or competing claims to the proceeds of the account;</p> <p>d) The account appears on the “Consolidated list of financial sanctions targets in the United Kingdom” that is maintained by HM Treasury or is otherwise subject to restrictive measures imposed by national governments or international bodies.</p>	<p>b) LEGDOR</p> <p>c) LEGDIS</p> <p>d) HMTS</p> <p>Maximum number of characters in field: 6</p>
38.	Recent transactions.	Has there been any transaction relating to the <i>deposit</i> within the 24 months prior to production of the <i>single customer view</i> or <i>exclusions view, as applicable</i> ?	<p>Values: Yes / No</p> <p>Maximum number of characters in field: 3</p>
39.	Account branch jurisdiction.	If the account is held in a branch outside the United Kingdom, please state in which jurisdiction the account is held [if applicable].	<p>ISO 3166-1 Alpha-3 or alternative code if ISO 3166-1 is unavailable</p> <p>Maximum number of characters in field: 3</p>
40.	<i>BRRD</i> marking	Is the account marked under 13.2? [if applicable].	<p>Value: Yes / No</p> <p>Maximum number of characters in field: 3</p>
41.	Structured deposit accounts	State whether or not the account is a structured deposit account where the account balance is calculated in accordance with 12.11.	<p>Value: Yes / No</p> <p>Maximum number of characters in field: 3</p>
42.	Account balance in sterling	<p>Account balance including any interest, at end of business on:</p> <ul style="list-style-type: none"> <li>the date on which the <i>deposit</i> becomes an <i>unavailable deposit</i>;</li> </ul>	Do not include any non-numeric symbols such as commas, currency symbols (e.g., £).

		<ul style="list-style-type: none"> <li>or</li> <li>the date of request from <i>FSCS</i> or <i>PRA</i> as applicable.</li> </ul>	<p>All balances must be rounded up to two decimal places.</p> <p>Maximum number of characters in field: 15</p>
43.	Currency of account	Currency in which the account is held.	<p>ISO 4217 or alternative code if ISO 4217 is unavailable</p> <p>Maximum number of characters in field: 3</p>
44.	Account balance in original currency	The original balance in the original currency, including any interest at the end of business before conversion to sterling [if applicable].	<p>Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to two decimal places.</p> <p>Maximum number of characters in field: 15</p>
45.	Exchange rate	The exchange rate used to calculate the sterling balance, and the date on which the calculation was undertaken [if applicable].	<p>Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to nine decimal places.</p> <p>Maximum number of characters in field: 29</p>
46.	Original account balance before interest	Account balance in original currency before interest accrued applied.	<p>Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to two decimal places.</p> <p>Maximum number of characters in field: 15</p>
47.	<i>Transferable eligible deposit</i>	If the file is a <i>single customer view</i> , the amount of the <i>transferable eligible deposit</i> [if applicable].	<p>Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to two decimal places.</p> <p>Maximum number of characters in field: 15</p>
<b>Aggregate balance</b>			
48.	<i>Single customer</i>	Unique customer identifier.	Maximum number of

	view record number		characters in field: 200
49.	Aggregate balance in sterling	Aggregate balance across all accounts at end of business on: <ul style="list-style-type: none"> <li>the date the <i>deposit</i> becomes an <i>unavailable deposit</i>, or</li> <li>the date of request from <i>FSCS</i> or <i>PRA</i> as applicable.</li> </ul>	Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to two decimal places.  Maximum number of characters in field: 15
50.	Compensatable amount in sterling	The amount to be compensated subject to the limit check that must be performed by the <i>firm</i> pursuant to 12.7(2) (this could be lower than the aggregate balance across all accounts if this exceeds the coverage level provided for in 4.2).  For beneficiary accounts, it may not be possible to calculate this amount and this field may be left blank.	Do not include any non-numeric symbols such as commas, currency symbols (e.g., £). All balances must be rounded up to two decimal places.  Maximum number of characters in field: 15

- 12.10 Where a *firm* prepares both a *single customer view* and an *exclusions view* for a *depositor*, the “unique customer identifier” on both the *single customer view* and the *exclusions view* must be identical.
- 12.11 Where the account is a structured deposit account where the return cannot be calculated until the maturity date because the return is based on growth of an index as determined at a future date, the figure in the account balance (Field 42) must be the total of the principal, any attributable contractual minimum return and any interest accrued prior to the product start date.
- 12.12 Where a *depositor* holds more than one account, the section of the *single customer view* and *exclusions view* which sets out “Details of account(s)” must be completed for each account held.
- 12.13 The amount inserted into each *single customer view* and *exclusions view* as the account balance (Field 42) and aggregate balance across all accounts (Field 49) must be the total of principal plus any interest or premium attributable up to the *compensation date* (or the date on which the *PRA* or *FSCS* requests the *firm* to provide the *single customer view* and *exclusions view* in accordance with 12.2).
- 12.14 A *firm* must ensure that the amount inserted into each *single customer view* and *exclusions view* as the account balance (Field 42), original account balance before interest (Field 46) and aggregate balance across all accounts (Field 49) includes any payment made to the *depositor* for which value has been credited to the *depositor’s* account regardless of whether the *firm* has received the value itself. A *firm* must ensure that the amount inserted into each *single customer view* and *exclusions view* as the account balance (Field 42), original account balance before interest (Field 46) and aggregate

balance across all accounts (Field 49) excludes any payment sent by the *depositor* which has been debited from the *depositor's* account regardless of whether the *firm* has sent value itself.

- 12.15 At the end of the file containing the *single customer view* and *exclusions view* for all *depositors*, the *firm* must include a file footer indicating that the file is complete. The file footer must contain the figure "9" repeated 20 times. The file footer must appear at the end of the complete file containing the *single customer view* or *exclusions view* for all *depositors* after the last record.

### 13 BRRD MARKING AND CONTINUITY OF ACCESS

- 13.1 This Chapter does not apply to the *FSCS*, *credit unions* or *Northern Ireland credit unions*.

- 13.2 A *firm* must mark accounts which hold:

- (1) *eligible deposits* from natural persons and *micro, small and medium-sized enterprises*; and
- (2) *deposits* that would be *eligible deposits* from natural persons or *micro, small and medium-sized enterprises* if the *deposit* had not been made through a *branch* of the *firm* located outside the EEA

in a way that allows for the immediate identification of such accounts.

- 13.3 A *firm* must, at least annually, take reasonable steps to confirm that a *depositor* that it has classified as a *micro, small and medium-sized enterprise* continues to be a *micro, small and medium-sized enterprise* using the exchange rate prevailing on the 3 July immediately preceding the date on which any confirmation is undertaken.

- 13.4 A *firm* must ensure that its *SCV system*:

- (3) automatically identifies the *transferable eligible deposit* for each *depositor*, including the account or accounts in which the *transferable eligible deposit* is held; and
- (4) automatically identifies any account held by a *depositor* which contains both the *transferable eligible deposit* (or a portion of the *transferable eligible deposit*) and also other *deposits* of the *depositor* which do not form part of the *transferable eligible deposit*.

- 13.5 A *firm* must identify the *transferable eligible deposit* for each *depositor* by applying the amount of the maximum payment for an *eligible deposit* to the accounts included in the *single customer view* in accordance with the hierarchy set out in the table below:

1.	Instant Access Accounts (including current accounts)
2.	ISAs
3.	Notice accounts
4.	Fixed term deposits with a term of less than one year
5.	Fixed term deposits with a term of one year or more but less than two years
6.	Fixed term deposits with a term of two years or more but less than four years
7.	Fixed term deposits with a term of four years or more
8.	Other

- 13.6 A *firm* must have systems in place that enable it to transfer any *eligible deposits* which do not form part of the *transferable eligible deposit* into a separate account.

- 13.7 A *firm* must transfer any *eligible deposits* which do not form part of the *transferable eligible deposits* into a separate account within 48 hours of the *transferable eligible deposits* becoming *unavailable deposits*, or upon receipt of a request of the *PRA*.
- 13.8 A *firm* must have systems in place which enables it to freeze any account which is not marked in accordance with 11.1 and any account included in an *exclusions view* within 5 hours of the *transferable eligible deposits* becoming *unavailable deposits*, or on a request of the *PRA*.
- 13.9 A *firm* must take reasonable steps to ensure the accuracy of the data it holds in order to satisfy the requirements of this Chapter.
- 13.10 The information required by 13.2 must be electronically stored.

## 14 SINGLE CUSTOMER VIEW AND EXCLUSIONS VIEW REPORTING

---

- 14.1 This Chapter does not apply to the *FSCS*.
- 14.2 A *firm* must provide the *PRA* and *FSCS* with an *SCV effectiveness report* within three months of receiving a *Part 4A permission to accept deposits*.
- 14.3 A *firm* must notify the *PRA* and *FSCS* of a material change in the *firm's SCV system* within 3 months of the change.
- 14.4 The notification in 14.3 must be accompanied by a statement signed on behalf of the *firm's governing body* confirming that the *firm's SCV system* satisfies the *SCV requirements*.
- 14.5 A *firm* must provide an *SCV effectiveness report* to the *PRA* or *FSCS* promptly upon request by the *PRA* or *FSCS*.
- 14.6 A *firm* must update its *SCV effectiveness report* annually.
- 14.7 A description of a *firm's SCV system* and how it has been implemented must include an explanation of any code or keys used internally by the *firm* so that the *FSCS* can easily identify:
- (1) *eligible deposits* and accounts which are held on behalf of beneficiaries and which contain or may contain *eligible deposits*; and
  - (2) the accounts referred to in 13.2.
- 14.8 A *firm's SCV effectiveness report* must contain:
- (1) a description of:
    - (a) the *firm's SCV system* and how it has been implemented;
    - (b) how the *firm* proposes to transfer to the *FSCS single customer views* including specifying the transfer method and format;
    - (c) the testing undertaken with respect to the robustness of the *firm's SCV system* (including information on preparation of the *single customer view* in stressed scenarios, frequency of testing and reconciliation with core systems);
    - (d) the number of *single customer views* and *exclusions views* in the *firm's SCV system*;

- (e) the *firm's* plan for the ongoing maintenance of the *firm's* SCV system;
  - (f) how the *firm's governing body* will ensure that they remain satisfied that the *firm's* SCV system continues to satisfy the SCV requirements;
  - (g) how the facility required by 12.7(2) is applied;
  - (h) any other factors relevant to the design of the *firm's* SCV system or to an assessment of whether the *firm's* SCV system satisfies the PRA's SCV requirements;
  - (i) any dependencies in creating *single customer views* and *exclusions views* (such as reliance on group systems);
  - (j) treatment of accounts which are *dormant accounts*;
  - (k) how *exclusions views* are created; and
  - (l) a description of the procedures and controls that a *firm* has in place regarding the production of *single customer views* and *exclusions views* (such as secure storage and an indication of how key person dependencies are managed).
- (2) a statement signed on behalf of the *firm's governing body* confirming that the *firm's* SCV system satisfies the SCV requirements;
  - (3) the date when the *firm's* SCV system last produced a *single customer view* and *exclusions view* for each *depositor*;
  - (4) a statement of whether the *firm's* SCV effectiveness report has been reviewed by external auditors, and if so a statement of the findings of that review; and
  - (5) a statement of whether there has been a material change to the *firm's* SCV system since the date of the *firm's* previous SCV effectiveness report.

## 15 MARKING AND CONTINUITY OF ACCESS REPORTING

---

- 15.1 This Chapter does not apply to the FSCS.
- 15.2 A *firm* must provide the PRA with a report on its systems to comply with 11.1 and 11.2 and its *continuity of access systems* within three *months* of receiving a *Part 4A permission* to accept deposits.
- 15.3 A *firm* must notify the PRA and FSCS of a material change in the *firm's* systems to comply with 11.1 and 11.2 and its *continuity of access systems* within 3 months of the change.
- 15.4 The notification in 15.3 must be accompanied by a statement signed on behalf of the *firm's governing body* confirming that the *firm's* systems to comply with 11.1 and 11.2 and its *continuity of access systems* satisfy the requirements in 11.1, 11.2, 11.8 and 13.4 to 13.9.
- 15.5 A *firm* must provide the report to the PRA promptly upon request by the PRA.
- 15.6 A *firm* must update the report annually.
- 15.7 The report that a *firm* provides under 15.2 must contain:

- (1) a description of:
  - (a) the *firm's* systems to comply with 11.1 and 11.2 and *continuity of access systems* and how those systems have been implemented;
  - (b) the testing undertaken with respect to its systems to comply with 11.1 and 11.2 and *continuity of access systems*;
  - (c) the *firm's* plan for the ongoing maintenance of its systems to comply with 11.1 and 11.2 and *continuity of access systems*;
  - (d) how the *firm's governing body* will ensure that they remain satisfied that its systems to comply with 11.1 and 11.2 and *continuity of access systems* continue to satisfy the requirements of 13.4 to 13.9;
  - (e) any other factors relevant to the design of its systems to comply with 11.1 and 11.2 and *continuity of access systems* or to an assessment of whether those systems satisfy the requirements of 13.4 to 13.9;
  - (f) any dependencies in operating its systems to comply with 11.1 and 11.2 and *continuity of access systems* (such as reliance on group systems);
- (2) a statement signed on behalf of the *firm's governing body* confirming that the *firm's* systems to comply with 11.1 and 11.2 and *continuity of access systems* satisfy the requirements of 13.4 to 13.9;
- (3) a statement of whether the *firm's* systems to comply with 11.1 and 11.2 and *continuity of access systems* have been reviewed by internal or external auditors, and, if so, a statement of the findings of that review; and
- (4) a statement of whether there has been a material change to the *firm's* systems to comply with 11.1 and 11.2 and *continuity of access systems* since the date of the *firm's* previous report.

## 16 FIRMS' DISCLOSURE OBLIGATIONS – INFORMATION SHEET AND EXCLUSIONS

---

16.1 This Chapter does not apply to the *FSCS*.

16.2 A *firm* must:

- (1) prepare an 'information sheet', containing the categories of information set out in the template in Annex 1 to this Part and prepare an 'exclusions list' in the form set out in Annex 3 to this Part;
- (2) ensure that the *information sheet* is kept up-to-date;
- (3) before entering into a contract on *deposit-taking* with the intending *depositor*:
  - (a) provide the *exclusions list* to;
  - (b) provide the *information sheet* to; and
  - (c) obtain an acknowledgement of receipt of the *information sheet* from, each intending *depositor*.

- (4) before entering into a contract on *deposit-taking*, inform each intending *depositor* of the exclusions from *deposit guarantee scheme* protection that fall within 2.2(4)(b) and 2.2(4)(k), if applicable.

**[Note: Art. 16(1), (2), (3) and (4) of the DGSD]**

16.3 Where the *depositor* holds *eligible deposits* through a *UK* establishment, the information sheet must be in English, or, if different, in the language that was agreed between the *depositor* and the *firm* when the account was opened. A *firm* which accepts *eligible deposits* through a branch established in another *EEA* State may provide the information sheet in the official language of that *EEA* State.

**[Note: Art. 16(4) of the DGSD]**

## 17 FIRMS' DISCLOSURE OBLIGATIONS - STATEMENTS OF ACCOUNT

---

17.1 A *firm* must:

- (1) confirm that *deposits* are *eligible deposits* on a *depositor's* statements of account;
- (2) include a reference to the *information sheet* and a reference to the *exclusions list* in a *depositor's* statement of account;
- (3) at least annually, in a *depositor's* statement of account:
  - (a) provide to the *depositor*:
    - (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
- (4) include the following information in a *depositor's* statement of account:

For further information about the compensation provided by the FSCS, refer to the FSCS website at [www.FSCS.org.uk](http://www.FSCS.org.uk).

**[Note: Art. 16(1) and (3) of the DGSD]**

## 18 REFERENCES TO THE DEPOSIT GUARANTEE SCHEME IN ADVERTISING

---

18.1 A *firm* must not, in advertising materials, provide any further information about the *deposit guarantee scheme* beyond referring to the fact that the product advertised is or is not covered by the *deposit guarantee scheme*, and to any further factual information required by law including by this Part.

**[Note: Art. 16(5) of the DGSD]**

## 19 DISCLOSURE OF TRANSFER OF DEPOSITS

---

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 before the operation takes legal effect, save where the *PRA* allows a shorter deadline on grounds of commercial secrecy or financial stability; and
- (2) give *depositors* a three 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 (or, if applicable in the case of a *non-UK scheme*, other transposition of Article 6(1) of the *DGSD*) at the time of the operation.

**[Note: Art. 16(6) of the *DGSD*]**

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

---

20.1 A *firm* must inform *depositors* within one month if it withdraws from or is excluded from the *deposit guarantee scheme* or any *non-UK scheme*.

**[Note: Art. 16(7) of the *DGSD*]**

## 21 METHOD OF COMMUNICATION

---

21.1 A *firm* may discharge all its information-providing obligations in this Part:

- (1) to *depositors* who use internet banking facilities, by way of electronic communications;
- (2) to *depositors* who receive only paper statements, in writing in paper form; and
- (3) to *depositors* who neither receive paper statements nor use internet banking, in a way that brings it to the attention of the *depositor*,

but it must provide the information on paper if so requested by the *depositor*.

**[Note: Art. 16(8) of the *DGSD*]**

## 22 NOTIFICATION REQUIREMENTS ON TRANSFER TO A NON-UK SCHEME

---

22.1 If a *firm* which is a *DGS member* intends to transfer to become a member of a *non-UK scheme*, and cease to be a *DGS member*, it shall give at least six months' notice to the *FSCS* and the *PRA* of its intention to make such a transfer. During the six month period, the *firm* shall remain a *DGS member*.

**[Note: Art. 14(4) of the *DGSD*]**

## 23 DEPOSIT COMPENSATION INFORMATION - BRANCHES AND WEBSITES

---

23.1 This Chapter does not apply to the *FSCS*.

- 23.2 In this Chapter, references to “compensation sticker” and “compensation poster” are references to the sticker and poster set out in Annex 2 to this Part.
- 23.3 In this Chapter, references to “compensation leaflet” are:
- (1) in the case of a *DGS member*, references to the *FSCS*’s standard leaflet with respect to its protection of *deposits*; and
  - (2) in the case of an *incoming firm* that it is a *credit institution*, references to a leaflet with respect to the protection of *deposits* by the compensation scheme of its *home member state* where such a leaflet is provided electronically and in English by the *home state scheme* or, where a leaflet is not available, a link to the *home state scheme*’s website.
- 23.4 A *firm* that *accepts deposits* under a single brand or trading name must prominently display the compensation sticker and compensation poster in each *branch* in the following ways:
- (1) displaying the compensation sticker or compensation poster in the *branch* window; and
  - (2) displaying:
    - (a) the compensation sticker at each cashier window or desk; and
    - (b) the compensation poster inside the *branch*.
- 23.5 A *firm* that *accepts deposits* under multiple brands or trading names must prominently display the compensation sticker and compensation poster in each *branch* in the following ways:
- (1) displaying the compensation poster in the *branch* window; and
  - (2) displaying:
    - (a) the compensation sticker at each cashier window or desk; and
    - (b) the compensation poster inside the *branch*.
- 23.6 Where the physical design of the *branch* means that it is not possible to comply with any of the requirements of 23.4 and 23.5, a *firm* must display the compensation sticker or the compensation poster in an alternative place in the *branch* that has equal prominence.
- 23.7 A *firm* that *accepts deposits* under a single brand or trading name must, in a way that best brings the information to depositors’ attention:
- (1) display prominently (in electronic form) the compensation sticker; and
  - (2) provide from the compensation sticker an electronic link to the compensation leaflet.
- 23.8 A *firm* that *accepts deposits* under multiple brands or trading names must, in a way that best brings the information to *depositors*’ attention:
- (1) display prominently (in electronic form) the compensation poster; and
  - (2) provide from the compensation poster an electronic link to the compensation leaflet.

23.9 A *firm* must immediately provide the compensation leaflet to any *person* that requests further information about deposit protection.

23.10 A *firm* that accepts *eligible deposits* through a *branch* or *branches* established in other *EEA States* may provide the information required by this Chapter in the official language(s) of the *EEA State* (which may be either the compensation sticker, compensation poster or compensation leaflet in that language or the *firm's* own translation of that compensation sticker, compensation poster or compensation leaflet).

## 24 DUTIES OF THE FSCS

---

24.1 This Chapter applies to the *FSCS*.

24.2 The *FSCS* must administer the *deposit guarantee scheme*:

- (1) in accordance with the rules in this Part and any other rules prescribed by law;
- (2) in a manner that is procedurally fair; and
- (3) in accordance with the *European Convention on Human Rights*.

24.3 The *FSCS* must publish for *depositors* on its website all necessary information:

- (1) on the operation of the *deposit guarantee scheme*; and
- (2) on the process, eligibility, exclusions from protection and conditions for payment of compensation,

including all information specified in the *information sheet* as being available on its website.

### [Note: Art.16(1) and Art. 16(3) of the *DGSD*]

24.4 The *FSCS* may agree to pay the reasonable costs of a *depositor* bringing or continuing insolvency proceedings against a *DGS member* in respect of *eligible deposits* (whenever instituted), if the *FSCS* is satisfied that those proceedings would help it to discharge its functions under this Part.

24.5 The *FSCS* must have regard to the need to use its resources in an efficient and economic way in carrying out its functions under this Part.

24.6 The *FSCS* must perform stress tests of its systems relating to the payment of compensation in respect of *eligible deposits* at least once every three years and more frequently where the *FSCS* considers it necessary, with the first such stress test taking place by 3 July 2017.

### [Note: Art. 4(10) of the *DGSD*]

24.7 The *FSCS* shall use the information necessary to perform stress tests of its systems relating to the payment of compensation in respect of *eligible deposits* only for the performance of those tests and shall keep such information no longer than is necessary for that purpose.

### [Note: Art. 4(11) of the *DGSD*]

24.8 The *FSCS* must take appropriate steps to ensure that *depositors* are informed of the process for receiving compensation as soon as a possible after the *compensation date*.

24.9 The *FSCS* must inform the *PRA* immediately if it becomes aware of any instance of a *firm* not complying with its obligations as set out in this Part.

**[Note: Art. 4(4) of the *DGSD*]**

24.10 The *FSCS* must correspond with a *depositor* in any one of:

- (1) English; or
- (2) any other official Union language or Welsh if that language is used by the *firm* which holds the *eligible deposit* when communicating with that *depositor*.

**[Note: Art. 8(7) of the *DGSD*]**

24.11 The *FSCS* must have in place sound and transparent governance practices.

**[Note: Art. 4(12) of the *DGSD*]**

## 25 CLAIMS AGAINST THE FSCS AND CHALLENGING FSCS DECISIONS

---

25.1 The *FSCS* must ensure that a *person* who would be, or considers that they would be, affected by an *FSCS* decision in relation to compensation, has an opportunity to make representations in respect of that potential decision before it is finalised.

25.2 The *FSCS* may provide that *depositors* may only submit claims for compensation in respect of *deposits* within a specified period of time (not less than three months) from the expiry of the applicable time period for payment of compensation as specified in 9.2 or the decision of the *FSCS* under 9.3 or 9.4.

25.3 The *FSCS* must, if requested by the *depositor* and subject to other applicable laws, give reasons to the *depositor* for any decision not to pay compensation in relation to some or all of their *deposits*.

25.4 The procedure established by the *FSCS* under this Chapter must satisfy the minimum requirements of procedural fairness and comply with *the European Convention on Human Rights* for the handling of any complaints of maladministration relating to any aspect of the operation of the *deposit guarantee scheme*.

**[Note: Art. 9(1) and (3) of the *DGSD*]**

## 26 CONFIDENTIALITY, INFORMATION SHARING AND CO-OPERATION

---

26.1 The *FSCS* must ensure the confidentiality and the protection of the data pertaining to *depositors'* accounts. The processing of such data must be carried out in accordance with the Data Protection Act 1998.

**[Note: Art. 4(9) of the *DGSD*]**

26.2 The *FSCS* must exchange with *host state schemes* (in relation to a *DGS member*), information:

- (1) relating to the *DGS member's* compliance with this Part;
- (2) necessary to prepare for a repayment of *depositors*, including markings made under Chapter 11;
- (3) communicated to the *FSCS* by the *PRA* that the *PRA* has detected problems with a *DGS member* that are likely to give rise to the intervention of the *deposit guarantee scheme*.

**[Note: Art. 14(4) of the *DGSD*]**

26.3 The *FSCS* must have appropriate procedures in place to enable it to share information and communicate effectively with *non-UK schemes*, the members of such schemes, and bodies outside the *UK*. The *FSCS* shall inform the *PRA* of any cooperation agreement it enters into with a *non-UK scheme*.

**[Note: Art. 14(6) of the *DGSD*]**

26.4 In order to facilitate effective co-operation, the *FSCS* shall have written co-operation agreements in place with *non-UK schemes*. Such agreements shall take account of 26.1.

**[Note: Art. 14(5) of the *DGSD*]**

## **27 PAYMENTS IN RESPECT OF UK BRANCHES OF INCOMING FIRMS AND EEA BRANCHES OF DGS MEMBERS**

---

27.1 This Chapter applies only to the *FSCS*.

27.2 Where the *FSCS* is required under the *deposit guarantee scheme regulations* to pay compensation on behalf of a *non-UK scheme*, the *FSCS* must inform the *depositors* concerned that the relevant *credit institution* is *in default* and of their right to compensation on behalf of the *non-UK scheme*. The *FSCS* may receive correspondence from those depositors on behalf of the *non-UK scheme*.

**[Note: Art. 14(2) of the *DGSD*]**

27.3 Where the *FSCS* is required, under this Part, to pay compensation to a *depositor* in respect of *deposits* held with a branch of a *DGS member* in an *EEA state* other than the *UK*, the *FSCS* must instruct the relevant *non-UK scheme* to make such payments on its behalf. The *FSCS* must provide the necessary funding prior to payout by the *non-UK scheme* and must compensate the *non-UK scheme* for costs incurred by the *non-UK scheme* with regard to acts done by the *non-UK scheme* in accordance with the instructions given by the *FSCS*.

**[Note: Art. 14(2) of the *DGSD*]**

## **28 SUBROGATION**

---

28.1 This Chapter applies to the *FSCS*.

28.2 The *FSCS* may determine that the payment of compensation by the *FSCS* shall have all or any of the following effects:

- (1) the *FSCS* shall immediately and automatically be subrogated, subject to such conditions as the *FSCS* determines are appropriate, to all or any part (as determined by the *FSCS*) of the rights and claims in the *UK* and elsewhere of the *compensation recipient* against the *DGS member* and/or any third party (whether such rights are legal, equitable or of any other nature whatsoever and in whatever capacity the *DGS member* or third party is acting) in respect of or arising out of the *compensation recipient's deposits being unavailable*;
- (2) the *FSCS* may claim and take legal or any other proceedings or steps in the *United Kingdom* or elsewhere to enforce such rights in its own name or in the name of, and on behalf of, the *compensation recipient* or in both names against the *relevant credit institution* and/or any third party;
- (3) the subrogated rights and claims conferred on the *FSCS* shall be rights of recovery and claims against the *relevant credit institution* and/or any third party which are equivalent (including as to amount and priority and whether or not the relevant *DGS member* is insolvent) to and not exceed the rights and claims that the *compensation recipient* would have had; and/or
- (4) such rights and/or obligations (as determined by the *FSCS*) as between the *firm* and the *compensation recipient* arising out of the *compensation recipient's deposit being unavailable*, shall be transferred to, and subsist between, another *firm* and the *compensation recipient* provided that the *firm* has consented (but the transferred rights and/or obligations shall be treated as existing between the *firm* and the *FSCS* to the extent of any subrogation, transfer or assignment for the purposes of (1) to (3) and 28.3).

**[Note: Art. 9(2) of the *DGSD*]**

28.3

- (1) The *FSCS* may determine that, if it is necessary or desirable in conjunction with the exercise of the *FSCS's* powers under 28.2, that the *compensation recipient* shall be treated as having irrevocably and unconditionally appointed the chairman of the *FSCS* for the time being to be their attorney and agent and on their behalf and in their name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the *UK*, another *EEA State* or any other state or law-country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.
- (2) The execution of any deed or document under (1) shall be as effective as if made in writing by the compensation recipient or by his agent lawfully authorised in writing or by will.

28.4

- (1) The powers conferred on the *FSCS* in 28.2 and 28.3 to make a determination must be exercised in writing.
- (2) An instrument by which the *FSCS* makes a determination must specify the provision under which it is made, the date and the time from which it takes effect and the *DGS member* and the *eligible deposits* or classes of *eligible deposit* in respect of which it applies.

- (3) The *FSCS* must take appropriate steps to publish the determination as soon as possible after it is made. Such publication must be accompanied by a statement explaining the effect of 28.2 and the *FSCS*'s determination.
- (4) Failure to comply with any requirement under this rule does not affect the validity of the determination.
- (5) A determination by the *FSCS* under 28.2 may be amended, remade or revoked at any time and subject to the same conditions.

## 28.5

- (1) The production of a copy of the determination purporting to be made by the *FSCS* under this Chapter:
  - (a) on which is endorsed a certificate, signed by a member of the *FSCS*'s staff authorised by it for that purpose; and
  - (b) which contains the required statements;
 is evidence (or in Scotland sufficient evidence) of the facts stated in the certificate.
- (2) The required statements are:
  - (a) that the determination was made by the *FSCS*; and
  - (b) that the copy is a true copy of the determination.
- (3) A certificate purporting to be signed as mentioned in (1) is to be taken to have been properly signed unless the contrary is shown.
- (4) A *person* who wishes in any legal proceedings to rely on a determination may require the *FSCS* to endorse a copy of the determination with a certificate of the kind mentioned in (1).

## 29 DUTIES ON FSCS TO PURSUE RECOVERIES

---

- 29.1 If the *FSCS* takes a transfer of rights from the *compensation recipient* or is otherwise subrogated to the rights of the *compensation recipient*, it must pursue all and only such recoveries as it considers are likely to be both reasonably possible and cost effective to pursue.
- 29.2 If the *FSCS* decides not to pursue such recoveries and a *compensation recipient* wishes to pursue those recoveries and so requests in writing, the *FSCS* must comply with that request and assign the rights back to the *compensation recipient*.

### 30 RECOVERIES OF ELIGIBLE DEPOSITS: RETURN OF SURPLUS TO COMPENSATION

#### RECIPIENT

---

30.1 If the *FSCS*, in relation to a *claim* for *eligible deposits*, makes recoveries from the *credit institution* or any third party in respect of that *eligible deposit* the *FSCS* must:

- (1) retain from those recoveries a sum equal to the "FSCS retention sum"; and
- (2) as soon as reasonably possible after it makes the recoveries, pay to the *compensation recipient* (or, if not the *depositor*, as directed by the *depositor*), a sum equal to the "top up payment".

30.2 The *FSCS* must calculate the "FSCS retention sum" and the "top up payment" as follows:

- (1) calculate the "recovery ratio", being the ratio of:
  - (a) the amount recovered by the *FSCS* through rights assigned or transferred or otherwise subrogated (less any deduction from that amount the *FSCS* may make to cover part or all of its reasonable costs of recovery and distribution); to
  - (b) the compensation recipient's *claim* for *eligible deposits* against the *credit institution* less any liability of a *home state scheme*;
- (2) subtract the sum paid by the *FSCS* as compensation and any amount paid or payable by a *home state scheme* to the *compensation recipient* from the total value of the *compensation recipient's* overall *claim* for *eligible deposits*, to give the "compensation shortfall";
- (3) apply the recovery ratio to the sum paid by the *FSCS* as compensation to the *compensation recipient*, to give the "FSCS retention sum"; and
- (4) apply the recovery ratio to the compensation shortfall, to give the "top up payment".

### 31 FUNDING - AVAILABLE FINANCIAL MEANS

---

31.1 This Chapter applies only to the *FSCS*.

31.2 The *FSCS* must have in place adequate systems to determine the potential liabilities of the *deposit guarantee scheme* and ensure that the *available financial means* of the *deposit guarantee scheme* are proportionate to those liabilities.

**[Note: Art. 10(1)(first paragraph) of the *DGSD*]**

31.3 The *FSCS* must primarily use the *available financial means* of the *deposit guarantee scheme* to repay *depositors* pursuant to the *deposit guarantee scheme*.

**[Note: Art. 11(1) of the *DGSD*]**

### 32 FUNDING - USE OF EXISTING MANDATORY CONTRIBUTIONS

---

32.1 This Chapter applies only to the *FSCS*.

32.2 If the PRA determines, in accordance with the *deposit guarantee scheme regulations*, that the FSCS is unable to raise a *DGS compensation costs levy* from *DGS members* to meet the liabilities of the *deposit guarantee scheme*, the FSCS may borrow an amount equal to the amount of such *mandatory contributions* in order to meet the liabilities of the *deposit guarantee scheme*.

**[Note: Art. 10(4) (third paragraph) of the DGSD]**

32.3 The FSCS must impose a *DGS compensation costs levy* on *DGS members* sufficient to repay any amounts equal to *mandatory contributions* borrowed in accordance with Article 10 (4) of the DGSD within a reasonable time and in accordance with repayment deadlines under the applicable loan agreement and 34.3.

**[Note: Art. 10(4) (third paragraph) and Article 10(2) (second paragraph) of the DGSD]**

### 33 FUNDING - FSCS'S POWER TO LEVY AND LIMITS ON LEVIES

---

33.1 This Chapter applies only to the FSCS.

33.2 The FSCS may, at any time, impose on *DGS members* a:

- (1) *DGS compensation costs levy*;
- (2) *DGS management expenses levy*; or
- (3) *legacy costs levy*.

33.3 The maximum aggregate amount of *DGS compensation costs*, *legacy costs* and *DGS specific costs* for which the FSCS can levy *class A* in any one financial year of the *deposit guarantee scheme* is limited to £1,500,000,000 less whatever *DAS compensation costs* and *DAS specific costs* the FSCS has imposed on *class J* in the same year.

33.4 The maximum amount of *DGS compensation costs* for which the FSCS can levy *DGS members* per calendar year must not exceed 0.5% of total covered deposits (excluding *temporary high balances*) of all *DGS members*. The FSCS may in exceptional circumstances and with the prior consent of the PRA impose higher levies.

**[Note: Art. 10(8) of the DGSD]**

### 34 FUNDING - DGS COMPENSATION COSTS LEVY

---

34.1 This Chapter applies only to the FSCS.

34.2 The FSCS must raise *available financial means* by imposing a *DGS compensation costs levy* on *DGS members* at least once in each financial year for expenditure incurred or expected in the period of 12 months following 1 July in that year.

**[Note: Art. 10(1)(second paragraph) of the DGSD]**

34.3

- (1) If, after the *available financial means* of the *deposit guarantee scheme* have reached the *target level* for the first time, the *available financial means* have been reduced to less

than two-thirds of the *target level*, the *FSCS* must impose regular *DGS compensation cost levies* on *DGS members* at a level allowing the *target level* to be reached again within six years.

(2) The regular levies imposed under (1) shall take due account of the phase of the business cycle and the impact that procyclical contributions may have when setting annual contributions.

**[Note: Art. 10(2) (third and fourth paragraphs) of the *DGSD*]**

34.4 *DGS compensation cost levies* imposed on *DGS members* to raise the *available financial means* of the *deposit guarantee scheme* must be based on the amount of *covered deposits* (excluding *temporary high balances*) incurred by the respective *DGS member*.

**[Note: Art. 13(1) of the *DGSD*]**

34.5 The *FSCS* may decide that a *DGS member* must pay a minimum contribution under a *DGS compensation costs levy*, irrespective of the amount of its *covered deposits*.

**[Note: Art. 13(1) (fifth paragraph) of the *DGSD*]**

34.6 The *FSCS* may only impose a *DGS compensation costs levy* on *DGS members* if the *FSCS* has reasonable grounds for believing that the funds available to it to meet relevant expenses are, or will be, insufficient, taking into account expenditure already incurred, actual and expected recoveries and the level of the *FSCS*'s expected expenditure in respect of *DGS compensation costs* in the 12 *months* immediately following the levy.

34.7 The *FSCS* may include in a *DGS compensation costs levy* the costs of compensation paid by the *FSCS* in error, provided that the payout was not made in bad faith.

### **35 FUNDING - DGS MANAGEMENT EXPENSES LEVY**

---

35.1 This Chapter applies only to the *FSCS*.

35.2 The *FSCS* may only impose a *DGS management expenses levy* on *DGS members* if it has reasonable grounds for believing that the funds available to it to meet relevant expenses are, or will be, insufficient, taking into account expenditure already incurred, actual and expected recoveries and the level of the *FSCS*'s expected expenditure in respect of those expenses in the financial year of the *deposit guarantee scheme* in relation to which the levy is imposed.

35.3 The *FSCS* must apply any amount collected from a *DGS management expenses levy* to the payment of *management expenses* and, as such, must not treat such funds as available financial means of the *deposit guarantee scheme*.

### **36 FUNDING - LEGACY COSTS LEVY**

---

36.1 This Chapter applies only to the *FSCS*.

36.2 The *FSCS* must not impose a *legacy costs levy* on *Northern Ireland credit unions* in respect of *legacy costs* incurred before 31 March 2012.

- 36.3 The FSCS must apply any amount collected from a *legacy costs levy* to the payment of *legacy costs* and, as such, must not treat such funds as *available financial means* of the *deposit guarantee scheme*.
- 36.4 The FSCS must allocate any *legacy costs levy* to *DGS members* subject to the levy limit for *class A* under 33.3.
- 36.5 The FSCS must calculate each *DGS member's* share of a *legacy costs levy* by:
- (1) identifying the *legacy costs* allocated to *class A*;
  - (2) calculating the *DGS member's class A tariff base* as a proportion of the total *class A tariff base* of all *DGS members* (excluding *Northern Ireland credit unions*), using the *statement of business* most recently supplied;
  - (3) applying the proportion calculated in (2) to the figure in (1).
- 36.6 *Legacy cost levies* must be based on the amount of *covered deposits* (excluding *temporary high balances*) incurred by the respective *DGS member*.
- 36.7 A *firm* which becomes a *DGS member* part way through a financial year of the *deposit guarantee scheme* will not be liable to pay a share of a *legacy costs levy* made in that year.
- 36.8 41.5 applies to the calculation of a *DGS member's legacy costs levy* and its *class A tariff base* as it applies to the calculation of its *DGS specific costs levy*.

### 37 FUNDING - MANAGEMENT OF FUNDS LEVIED

---

- 37.1 This Chapter applies only to the FSCS.
- 37.2 If the FSCS invests any *available financial means* of the *deposit guarantee scheme*, it must invest it in a low-risk and sufficiently diversified manner.

**[Note: Art. 10(7) of the DGSD]**

- 37.3 The FSCS must hold any amount collected from a *DGS specific costs levy*, *DGS compensation costs levy* or *legacy costs levy* to the credit of *class A*.
- 37.4 Interest earned by the FSCS in the management of funds held to the credit of *class A* must be credited to that *class*, and must be set off against the *DGS management expenses*, *DGS compensation costs* and *legacy costs* allocated to that *class*.
- 37.5 The FSCS must keep accounts which include:
- (1) the funds held to the credit of *class A*; and
  - (2) the liabilities of *class A*.

### 38 FUNDING - ADJUSTMENTS TO LEVY SHARES

---

- 38.1 This Chapter applies only to the FSCS.

- 38.2 If a *DGS member's* share of a *DGS levy* or an additional administrative fee or interest under 45.3 would be so small that, in the opinion of the *FSCS*, the costs of collection would be disproportionate to the amount payable, the *FSCS* may treat the *DGS member* as if its share of the levy or additional administrative fee amounted to zero.
- 38.3 The calculation of *DGS levies* must take into account previous levies, where funds raised in anticipation of meeting liabilities prove either more or less than the amount actually required.
- 38.4 The *FSCS* may adjust the calculation of a *DGS member's* share of any *DGS levy* to take proper account of:
- (1) any excess, not already taken into account, between previous levies of that type imposed in relation to previous periods and the relevant costs actually incurred in that period; or
  - (2) amounts that the *FSCS* has not been able to recover from *DGS members* as a result of 33.3 or 33.4; or
  - (3) amounts that the *FSCS* has not been able to recover from *DGS members* after having taken reasonable steps; or
  - (4) payments deferred under 46.2, the calculation of levies after an acquisition of deposit business under Chapter 39 or Chapter 40, calculations under 41.6; or
  - (5) anything else that the *FSCS* believes on reasonable grounds should be taken into account.
- 38.5 The *FSCS* must not adjust the calculation of a *DGS member's* share of any *DGS levy* under 38.4 on the grounds that it would be inequitable for that *firm* to pay that share or part of it or on the grounds that it would be inequitable for the *FSCS* to retain that share or part of it. Any such claim should be dealt with under Chapter 46.

### **39 FUNDING - BUSINESS ACQUISITIONS FROM DGS MEMBERS**

---

- 39.1 This Chapter applies only to the *FSCS*.
- 39.2 If:
- (1) a *DGS member* (A) assumes a liability to repay *deposits* held by another *DGS member* (B);
  - (2) B is no longer liable to pay a *DGS levy* to the *FSCS*; and
  - (3) the assumption of liability takes place after the date to which, or as of which, A's most recent *statement of business* is drawn up,
- the *FSCS* must require A to pay an additional amount equal to the levy that would have been payable by B in relation to the relevant business and *class A* if the acquisition had not taken place and B had remained liable to pay *DGS levies*. The amount is based on the B's most recent *statement of business*.

39.3 This Chapter only applies with respect to those financial years of the *FSCS* for which A's levies are calculated on the basis of a *statement of business* drawn up to a date, or as of a date, before the assumption of liability took place.

#### 40 FUNDING - BUSINESS ACQUISITIONS FROM NON-DGS MEMBERS

---

40.1 This Chapter applies only to the *FSCS*.

40.2 If a *DGS member* (A) assumes a liability to repay *deposits* held by a non-*DGS member* (B) and the assumption of liability takes place after the date to which, or as of which, A's most recent *statement of business* is drawn up, the *FSCS* must not require A to pay an additional amount as a result of that acquisition.

40.3 This Chapter only applies with respect to those financial years of the *FSCS* for which A's levies are calculated on the basis of a *statement of business* drawn up to a date, or as of a date, before the assumption of liability took place.

#### 41 FUNDING - MANAGEMENT EXPENSES

---

41.1 A *DGS member's* share of a *DGS management expenses levy* consists of one or more of: (1) a share of a *DGS base costs levy* and (2) a share of a *DGS specific costs levy*.

41.2 The *FSCS* must ensure that each *DGS member's* share of a *DGS management expenses levy* separately identifies the *firm's* share of the *DGS base costs levy* and *DGS specific costs levy*.

41.3 The *FSCS* must allocate any *DGS specific costs levy* to *class A* up to the levy limit for *class A* under 33.3.

41.4 The *FSCS* must calculate a *DGS member's* share of a *DGS specific costs levy* by:

- (1) identifying *DGS specific costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *deposit guarantee scheme* allocated to *class A*, but not yet levied;
- (2) calculating the *DGS member's class A* tariff base as a proportion of the total *class A* tariff base, using the *statement of business* most recently supplied; and
- (3) applying the proportion calculated in (2) to the figure in (1).

41.5 The *FSCS* must not require a *firm* (A) which becomes a *DGS member* part way through a financial year of the *deposit guarantee scheme* to pay a share of a *DGS specific costs levy* until the financial year of the *FSCS* following the *FSCS* financial year in which A became a *DGS member*, at which time A's share of a *DGS specific costs levy* must be calculated under 41.6.

41.6

- (1) Unless otherwise provided in (2), A's *class A* tariff base is calculated, where necessary, using a projected valuation of the business to which the tariff relates.
- (2)

- (a) If A's *class A tariff base* is calculated using data from a period that begins on or after it became a *DGS member*, that data must be used to calculate A's *class A tariff base*
- (b) If A's *class A tariff base* satisfies the following conditions, it must be calculated under (c)
  - (i) A became a *DGS member* between 1 April and 31 December inclusive; and
  - (ii) A's *class A tariff base*, but for this rule, is calculated by reference to the financial year ended in the calendar year ending 31 December or the twelve *months* ending 31 December before the *FSCS* financial year.
- (c) If A satisfies the conditions in (b) it must calculate its *class A tariff base* as follows:
  - (i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;
  - (ii) the tariff is calculated by reference to the period beginning on the date it became a *DGS member* and ending on the 31 December before the start of the *FSCS* financial year; and
  - (iii) the figures are annualised by increasing them by the same proportion as the period of 12 *months* bears to the period starting from when the *DGS member* became a *DGS member* to the 31 December, as the case may be.
- (d) Where A is required to use the method in (c) it must notify the *FSCS* of its intention to do so by the date specified in 44.2.
- (e) Where A is required to use actual data under this rule, Chapter 43 is disappplied, to the extent it is incompatible, in relation to the calculation of that *DGS member's* valuation date in its second financial year.

## 42 FUNDING - DGS COMPENSATION COSTS

---

- 42.1 This Chapter applies only to the *FSCS*.
- 42.2 The *FSCS* must allocate any *DGS compensation costs levy* to *DGS members* in accordance with the amount of *DGS compensation costs* arising from, or expected to arise from claims in respect of *covered deposits* up to the levy limit of *class A* under 33.3.
- 42.3 The *FSCS* must calculate each *DGS member's* share of a *DGS compensation costs levy* by:
- (1) identifying the *DGS compensation costs* allocated to *class A*;
  - (2) calculating, in relation to *class A*, the *DGS member's* tariff base as a proportion of the total tariff base of all *DGS members* in *class A*, using the *statement of business* most recently supplied;

- (3) applying the proportion calculated in (2) to the figure in (1).
- 42.4 When calculating a *DGS member's* share of a *DGS compensation costs levy* or *DGS specific costs levy* allocated to *class A*, the *FSCS* must use the *class A tariff base*.
- 42.5 A *firm* which becomes a *DGS member* part way through a financial year of the *deposit guarantee scheme* will not be liable to pay a share of a *DGS compensation costs levy* made in that year.
- 42.6 41.5 applies to the calculation of a *DGS member's DGS compensation costs levy* and its tariff base as it applies to the calculation of its *specific costs levy*.

### 43 FUNDING - CLASS A TARIFF BASE CALCULATION

---

- 43.1 The *Class A tariff base* is *covered deposits* (excluding *temporary high balances*) as at 31 December except that, where the *covered deposit* is a *dormant account*, the applicable tariff base is *dormant account* multiplied by 0.2 as at 31 December.
- 43.2 The *class A tariff base* calculation must be made on the basis of the information that the *firm* would have to include in its *single customer views*. The information must be of the extent and standard required if the *firm* was preparing the *single customer view* in accordance with the *SCV requirements* as at the valuation date for the tariff base.
- 43.3 A *firm* must also include in its *class A tariff base* calculation the total balance of any *deposits* in any:
- (1) *not active* account; or
  - (2) account which holds funds to which the account holder is not absolutely entitled.

### 44 FUNDING - REPORTING REQUIREMENTS

---

- 44.1 This Chapter does not apply to the *FSCS*.
- 44.2 A *firm* must provide the *FSCS* by end of February each year (or, if it has become a *DGS member* part way through the financial year, by the date requested by the *PRA*) with a statement of the total amount of business (measured in accordance with the *class A tariff base*) which it conducted, in respect of the most recent valuation period ending before the relevant year in relation to *class A*.
- The relevant year means the year in which the month of February (referred to above) falls.
- The valuation period will be 31 December.
- 44.3 A new *DGS member* must calculate its *class A tariff base* in accordance with 41.6.
- 44.4 If a *firm* does not submit a complete *statement of business* by the date on which it is due in accordance with 44.2 and any prescribed submission procedures:
- (1) the *firm* must pay an administrative fee of £250 (but not if it is already subject to an administrative fee by the *PRA* for the same financial year); and

- (2) the *DGS compensation costs levy* and any *DGS specific costs levy* will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10 (or, if it has become a *DGS member* part way through a financial year, on the basis of the information provided to the *PRA* for the purposes of FEES 4.4.2 R or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known).

#### 45 FUNDING - OBLIGATION TO PAY

---

- 45.1 This Chapter does not apply to the *FSCS*.
- 45.2 A *firm* must pay to the *FSCS* its share of each:
- (1) *DGS management expenses levy*; and
  - (2) *DGS compensation costs levy* and *legacy costs levy* allocated to class A.
- 45.3 If a *firm* does not pay the total amount of its share of a *DGS levy*, before the end of the date on which it is due, it must pay an additional amount as follows:
- (1) if the *DGS levy* was not paid in full before the end of the due date, an administrative fee of £250; and
  - (2) interest on any unpaid part of the *DGS levy* or administrative fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

#### 46 FUNDING - OVERPAYMENTS AND DEFERRAL OF PAYMENTS

---

- 46.1 The *FSCS* may reduce, remit or refund any overpaid amounts paid by a *DGS member* in respect of a particular period, due to a mistake of law or fact by the *DGS member* provided that the claim is made by the *DGS member* not more than two years after the beginning of the period to which the overpayment relates.
- 46.2 The *PRA* may defer, in whole or in part, a *DGS member's* obligation to pay a *DGS compensation costs levy* or a *legacy costs levy* if the *PRA* considers that such contributions would jeopardise the liquidity or solvency of the *firm*. Such deferral shall not be granted for a longer period than six months but may be renewed upon request of the *firm*.
- 46.3 Any contributions deferred pursuant to 46.2 shall be paid when the payment no longer jeopardises the liquidity and solvency of the *firm*.

**[Note: Art. 10(8) of the *DGSD*]**

#### 47 FUNDING - PAYMENT OF LEVIES

---

- 47.1 This Chapter does not apply to the *FSCS*.

- 47.2 A *firm* must pay its share of a *DGS levy* in one payment.
- 47.3 A *firm's* share of a *DGS levy* is due on, and payable within, 30 days of the date when the invoice is issued.
- 47.4 A *firm* must pay its share of a *DGS levy* by either direct debit, credit transfer (e.g. BACS or CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard/American Express only).
- 47.5 If a *firm* ceases to be a *DGS member* part way through a financial year of the *deposit guarantee scheme*:
- (1) it will remain liable for any unpaid levies which the *FSCS* has already made on the *firm*; and
  - (2) the *FSCS* may make one or more levies upon it (which may be before or after the *firm* has ceased to be a *DGS member* but must be before it ceases to be a *firm*) for the costs which it would have been liable to pay had the *FSCS* made a levy on all *DGS members* in the financial year it ceased to be a *DGS member*.

#### 48 FUNDING - TRANSFER OF LEVIES

---

- 48.1 This Chapter applies only to the *FSCS*.
- 48.2 If a *firm* ceases to be a *DGS member* and joins a *non-UK scheme*, the *FSCS* must transfer the contributions paid by that *firm* to the *available financial means* of the *deposit guarantee scheme* during the 12 months preceding the end of the membership to the relevant *non-UK scheme*.
- 48.3 48.2 does not apply if the *firm* has been excluded from the *deposit guarantee scheme* pursuant to Article 4(5) of the *DGSD*.
- 48.4 If some of the activities of a *DGS member* are transferred to another *Member State* and become subject to a *non-UK scheme*, the contributions paid by that *firm* during the 12 months preceding the transfer shall be transferred to the relevant *non-UK scheme* in proportion to the amount of *covered deposits* transferred.

**[Note: Art. 14(3) of the *DGSD*]**

#### 49 TRANSITIONAL PROVISIONS – MARKING EFFECTIVENESS REPORT

---

- 49.1 This Chapter does not apply to the *FSCS*.
- 49.2 In this Chapter, the following definition shall apply:
- marking effectiveness report*
- means a report from a *firm's governing body* confirming that the *firm* satisfies the *marking requirements* and containing the information required by 49.7; and
- marking requirements*
- means the requirements in 11.1 and 11.2.

- 49.3 A *firm* must provide the *PRA* with a *marking effectiveness report* within three months of receiving a *Part 4A permission to accept deposits*.
- 49.4 A *firm* must notify the *PRA* and *FSCS* of a material change in the *firm's* systems to satisfy the *marking requirements* within 3 months of the change.
- 49.5 The notification in 49.4 must be accompanied by a statement signed on behalf of the *firm's governing body* confirming that the *firm's* systems satisfy the *marking requirements*.
- 49.6 A *firm* must provide a *marking effectiveness report* to the *PRA* or *FSCS* promptly upon request by the *PRA* or *FSCS*.
- 49.7 A *firm's marking effectiveness report* must contain:
- (1) a description of:
    - (a) the *firm's* systems or to satisfy the *marking requirements* and how they have been implemented (the *firm's* systems include any manual systems used by the *firm* and any code or keys used internally by the *firm* to mark *eligible deposits* and accounts which are held on behalf of beneficiaries and which contain or may contain *eligible deposits*);
    - (b) the testing undertaken with respect to the robustness of the *firm's* systems;
    - (c) the number of marked accounts that contain *eligible deposits*;
    - (d) the *firm's* plan for the ongoing maintenance of its systems;
    - (e) how the *firm's governing body* will ensure that they remain satisfied that the *firm's* systems continue to satisfy the *marking requirements*; and
    - (f) any other factors or dependencies relevant to the design and operation of the *firm's* systems or to an assessment of whether the systems satisfy the *marking requirements*;
  - (2) a statement signed on behalf of the *firm's governing body* confirming that the *firm* satisfies the *marking requirements*;
  - (3) a statement of whether the *firm's marking effectiveness report* has been reviewed by external auditors, and if so, a statement of the findings of that review; and
  - (4) a statement of whether there has been a material change to the *firm's* systems since the date of the *firm's* previous *marking effectiveness report*.

## 50 TRANSITIONAL PROVISIONS – SINGLE CUSTOMER VIEW

---

- 50.1 This Chapter does not apply to the *FSCS*.
- 50.2 This Chapter does not apply in relation to an *eligible deposit*:
- (1) of a *large company*;
  - (2) contained in an account that is *not active*; or
  - (3) contained in an account that holds funds to which a *depositor* is not absolutely entitled.
- 50.3 In this Chapter, the following definitions shall apply:

*large company*

means a *body corporate* which does not qualify as a small company under section 382 of the Companies Act 2006

*single customer view*

means a single, consistent view of a *depositor's* aggregate *eligible deposits* with a *firm* which contains the information required by 50.11;

50.4 A *firm* must be able to provide to the *PRA* or the *FSCS* its *single customer views* within 72 hours of a request being made by the *PRA* or *FSCS*.

50.5 A *firm* must be able to provide the *single customer view* by secure electronic transmission and in a format which is readily transferable to and compatible with the *FSCS's* systems.

50.6 A *firm* must ensure that the electronic systems which produce *the single customer view* must:

- (1) be capable of automatically identifying the amount of *covered deposits* payable to each *depositor*; and
- (2) include a check facility which allows the *firm* to identify any portion of an *eligible deposit* that exceeds the coverage level provided for in 4.2.

50.7 A *firm* that operates fewer than 5,000 accounts which contain *eligible deposits* on 3 July 2015 may:

- (1) elect that 50.5 and 50.6 do not apply; and
- (2) revoke any such election.

50.8 A *firm* that revokes an election, may not make a further election under 50.7.

50.9 A *firm* that operates 5,000 or more accounts which contain *eligible deposits* on 3 July 2015 may not make an election under 50.7 if, on a future date, it operates less than 5,000 accounts which contain *eligible deposits*.

50.10 The election or revocation of the election takes effect only where the *firm* provides written notice to the *PRA* of the election or revocation.

50.11 A *firm* must ensure that a *single customer view* contains all the information set out in the table below.

Field identifier	Field descriptor
<b>Customer details</b>	
<i>Single customer view</i> record number	Unique customer identifier
Title	Title [if applicable and where held by the <i>firm</i> ]
Customer 1st Forename	1st Forename [if applicable]
Customer 2nd Forename	2nd Forename [if applicable and where held by the <i>firm</i> ]
Customer 3rd Forename	3rd Forename [if applicable and where held by the <i>firm</i> ]

Field identifier	Field descriptor
Customer Surname [or company name or name of account holder]	Surname [or company name or name of account holder] <sup>3</sup>
Previous Name	Any former name of account holder [where held by the <i>firm</i> ]
National Insurance number	National Insurance number, where held by the <i>firm</i>
<b>Contact details</b>	
<b>EITHER Format A</b>	
<i>Single customer view</i> record number	Unique customer identifier
House number	House number/Premise name
Street	Street
Locality	Locality [where held by the <i>firm</i> ]
County	County [where held by the <i>firm</i> ]
Postcode	Postcode [where used by a country]
Country	Country [for countries outside the <i>UK</i> ]
<b>OR Format B</b>	
Single customer view record number	Unique customer identifier
ADDRESS LINE 1	As required
ADDRESS LINE 2	As required
ADDRESS LINE 3	As required
ADDRESS LINE 4	As required
ADDRESS LINE 5	As required
ADDRESS LINE 6	As required
Postcode	Postcode [where used by a country]
Country	Country [for countries outside the <i>UK</i> ]
<b>Details of account(s)</b>	
<i>Single customer view</i> record number	Unique customer identifier
Account title	Surname, first name, any other initials or middle name identifier or company name or name of account holder
Account number	Unique number for this account
Product type	Type of product or service - instant access/term
Account holder indicator	This field applies to joint or multiple accounts. It must identify whether the customer is the primary account holder or secondary account holder (or other such status)
Account status code	Active accounts only to be included
Account balance in the original currency	Account balance including any interest or premium attributable, at end of business on:

Field identifier	Field descriptor
	(a) the <i>compensation date</i> ; or (b) the date of request from the <i>FSCS</i> or the <i>PRA</i>
<b>Aggregate balance</b>	
<i>Single customer view</i> record number	Unique customer identifier
Aggregate balance across all accounts in sterling	Account balance including any interest or premium attributable, at end of business on:  (a) the <i>compensation date</i> ; or (b) the date of request from the <i>PRA</i> or <i>FSCS</i>
Compensatable amount	The amount to be compensated subject to the limit check that must be performed by the <i>firm</i> under 50.6(2) (this could be lower than the aggregate balance across all accounts if this exceeds the coverage level provided for in 4.2.

50.12 Where a *depositor* holds more than one account, the section in the *single customer view* which sets out “Details of account(s)” must be completed for each account held.

50.13 The amount inserted into the *single customer view* as the account balance and aggregate balance across all accounts must be the total of the principal plus any interest or premium attributable up to the *compensation date* (or in the absence of a *compensation date*, the date on which the *FSCS* or *PRA* makes a request to the *firm* to provide the *single customer view*).

50.14 If the account is a structured deposit account where the return cannot be calculated until the maturity date because the return is based on growth of an index as determined at a future date, the figure inserted into the *single customer view* as the account balance must be the total of the principal, any attributable contractual minimum return and any interest accrued prior to the product start date.

50.15 A *firm* must take reasonable steps to ensure the accuracy of the data it holds to satisfy the requirements of this Chapter.

## 51 TRANSITIONAL PROVISIONS – SINGLE CUSTOMER VIEW EFFECTIVENESS REPORT

51.1 This Chapter does not apply in relation to an *eligible deposit*:

- (1) of a *large company*;
- (2) contained in an account that is *not active*; or
- (3) contained in an account that holds funds to which a *depositor* is not absolutely entitled.

51.2 In this Chapter, the following definitions shall apply:

*large company*

means a *body corporate* which does not qualify as a small company under section 382 of the Companies Act 2006

*SCV effectiveness report*

means a report from a *firm's governing body* confirming that the *firm's* systems satisfy the requirements in Chapter 50 with respect to *single customer views* and containing the information required by 51.7.

*single customer view*

means a single, consistent view of a *depositor's* aggregate *eligible deposits* with a *firm* which contains the information required by 50.11;

51.3 A *firm* must provide the *PRA* with an *SCV effectiveness report* within three months of receiving a *Part 4A permission to accept deposits*.

51.4 A *firm* must notify the *PRA* and *FSCS* of a material change in the *firm's* systems to satisfy the requirements in Chapter 50 with respect to *single customer views*, within 3 months of the change.

51.5 The notification in 51.4 must be accompanied by a statement signed on behalf of the *firm's governing body* confirming that the *firm's* systems satisfy the requirements in Chapter 50 with respect to *single customer views*.

51.6 A *firm* must provide a *SCV effectiveness report* to the *PRA* or *FSCS* promptly upon request by the *PRA* or *FSCS*.

51.7 A *firm's SCV effectiveness report* must contain, to the extent applicable:

- (1) a description of:
  - (a) the *firm's* systems to satisfy the requirements in Chapter 50 with respect to *single customer views* and how they have been implemented (the *firm's* systems include any manual systems used by the *firm* and any code or keys used internally by the *firm* so that the *FSCS* can easily identify *eligible deposits* and accounts which are held on behalf of beneficiaries and which contain or may contain *eligible deposits*);
  - (b) how the *firm* proposes to transfer to the *PRA* or *FSCS* a *single customer view* for each *depositor* with *eligible deposits* including specifying the transfer method and format;
  - (c) the testing undertaken with respect to the robustness of the *firm's* systems (including information on preparation of the *single customer views* in stressed scenarios, frequency of testing and where relevant, reconciliation with core systems);
  - (d) the number of *single customer views*;
  - (e) the *firm's* plan for the ongoing maintenance of its systems;
  - (f) how the *firm's governing body* will ensure that they remain satisfied that the *firm's* systems continue to satisfy the requirements in Chapter 50 with respect to *single customer views*;
  - (g) how the check facility required by 50.6(2) is applied;

- (h) any other factors relevant to the design of the *firm's* systems or to an assessment of whether the systems satisfy the requirements in Chapter 50 with respect to *single customer views*;
  - (i) any dependencies in creating the *single customer views* (such as reliance on group systems); and
  - (j) the procedures and controls that a *firm* has in place regarding the production of the *single customer views* (such as secure storage and an indication of how key person dependencies are managed);
- (2) a statement signed on behalf of the *firm's governing body* confirming that the *firm* satisfies the requirements in Chapter 50 with respect to *single customer views*;
  - (3) the date when the *firm's* systems last produced:
    - (a) a *single customer view* for each *depositor*; and
    - (b) a sample of *single customer views* and the sample size;
  - (4) a statement of whether the *firm's SCV effectiveness report* has been reviewed by external auditors, and if so, a statement of the findings of that review; and
  - (5) a statement of whether there has been a material change to the systems since the date of the *firm's* previous *SCV effectiveness report*.

51.8 A *firm* to which 50.5 and 50.6 applies must provide the *FSCS* with a representative sample of 10% of its *single customer views* or 10,000 of its *single customer views* (whichever is the smaller number) within three months of receiving a *Part 4A permission to accept deposits*.

51.9 The representative sample must include all types of account which contain *eligible deposits* (where the *firm* operates under more than one trading name the sample must include all types of account which contain *eligible deposits* for each trading name).

51.10 The *FSCS* must advise the *PRA*, within six months of receiving the information required by 51.6 whether the information provided by the *firm's* systems to satisfy the requirements in Chapter 50 with respect to *single customer views* is suitable to be submitted to the *FSCS* and is compatible with the *FSCS's* systems.

## 52 TRANSITIONAL PROVISIONS – CLASS A TARIFF BASE CALCULATION

---

52.1 In this Chapter, the following definition shall apply:

*large company*

means a *body corporate* which does not qualify as a small company under section 382 of the Companies Act 2006

52.2 Until 1 December 2016:

- (1) the *class A tariff base* in 43.1 excludes from *covered deposits* any *eligible deposit* of a *large company*; and
- (2) in 43.2, the reference to *single customer view* is a reference to a *single customer view* compiled in accordance with the requirements in Chapter 50 and which contains the

information set out in 50.11 and the definitions of *single customer view* and *SCV requirements* in 1.4 are modified accordingly.

### 53 TRANSITIONAL PROVISIONS – APPLICATION OF COMP

---

53.1 In this Chapter the following definitions shall apply:

*COMP*

means the Compensation Sourcebook of the *PRA Handbook* in force immediately before 3 July 2015

*relevant person*

has the definition in the *Glossary* in force immediately before 3 July 2015

*in default*

has the definition in the *Glossary* in force immediately before 3 July 2015

*protected deposit*

has the definition in the *Glossary* in force immediately before 3 July 2015

*claim*

has the definition in the *Glossary* in force immediately before 3 July 2015

53.2 The rules *in COMP continue to apply to the FSCS in relation to a protected deposit claim in respect of a relevant person in default before 3 July 2015.*



## ANNEX 1

## INFORMATION SHEET (CHAPTER 16)

Basic information about the protection of your eligible deposits	
Eligible deposits in [insert name of <i>firm</i> ] are protected by:	the Financial Services Compensation Scheme ("FSCS") <sup>1</sup>
Limit of protection:	£85,000 per depositor per bank / building society / credit union <sup>2</sup>  [where applicable]The following trading names are part of your bank / building society / credit union:  [insert all trading names which operate under the same licence]
If you have more eligible deposits at the same bank / building society / credit union:	All your eligible deposits at the same bank / building society / credit union are "aggregated" and the total is subject to the limit of £85,000. <sup>2</sup>
If you have a joint account with other person(s):	The limit of £85,000 applies to each depositor separately. <sup>3</sup>
Reimbursement period in case of bank, building society or credit union's failure:	20 working days <sup>4</sup>
Currency of reimbursement:	Pound sterling (GBP, £) or, for branches of UK banks operating in other EEA Member States, the currency of that State.
To contact [insert name of <i>firm</i> ] for enquiries relating to your account:	[insert name of <i>firm</i> and contact details]
To contact the FSCS for further information on compensation:	Financial Services Compensation Scheme 10th Floor Beaufort House 15 St Botolph Street London EC3A 7QU  Tel: 0800 678 1100 or 020 7741 4100  Email: <a href="mailto:ICT@fscs.org.uk">ICT@fscs.org.uk</a>
More information:	<a href="http://www.fscs.org.uk">http://www.fscs.org.uk</a>
Acknowledgement of receipt by the depositor:	

Additional information (all or some of the below)

### **<sup>1</sup>Scheme responsible for the protection of your eligible deposit**

Your eligible deposit is covered by a statutory Deposit Guarantee Scheme. If insolvency of your bank, building society or credit union should occur, your eligible deposits would be repaid up to £85,000 by the Deposit Guarantee Scheme.

### **<sup>2</sup>General limit of protection**

If a covered deposit is unavailable because a bank, building society or credit union is unable to meet its financial obligations, depositors are repaid by a Deposit Guarantee Scheme. This repayment covers at maximum £85,000 per bank, building society or credit union. This means that all eligible deposits at the same bank, building society or credit union are added up in order to determine the coverage level. If, for instance a depositor holds a savings account with £80,000 and a current account with £20,000, he or she will only be repaid £85,000.

[only where applicable] This method will also be applied if a bank, building society or credit union operates under different trading names. [insert name of the account holding bank, building society or credit union] also trades under [insert all other trading names of the same bank, building society or credit union]. This means that all eligible deposits with one or more of these trading names are in total covered up to £85,000.

In some cases eligible deposits which are categorised as “temporary high balances” are protected above £85,000 for six months after the amount has been credited or from the moment when such eligible deposits become legally transferable. These are eligible deposits connected with certain events including:

- (a) certain transactions relating to the depositor’s current or prospective only or main residence or dwelling;
- (b) a death, or the depositor’s marriage or civil partnership, divorce, retirement, dismissal, redundancy or invalidity;
- (c) the payment to the depositor of insurance benefits or compensation for criminal injuries or wrongful conviction.

More information can be obtained under <http://www.fscs.org.uk>

### **<sup>3</sup>Limit of protection for joint accounts**

In case of joint accounts, the limit of £85,000 applies to each depositor.

However, eligible deposits in an account to which two or more persons are entitled as members of a business partnership, association or grouping of a similar nature, without legal personality, are aggregated and treated as if made by a single depositor for the purpose of calculating the limit of £85,000.

### **<sup>4</sup>Reimbursement**

The responsible Deposit Guarantee Scheme is the Financial Services Compensation Scheme, 10th Floor Beaufort House, 15 St Botolph Street, London, EC3A 7QU, Tel: 0800 678 1100 or 020 7741 4100, Email: [ICT@fscs.org.uk](mailto:ICT@fscs.org.uk). It will repay your eligible deposits (up to £85,000) within 20 working days until 31 December 2018; within 15 working days from 1 January 2019 until 31 December 2020; within 10 working days from 1 January 2021 to 31 December 2023; and within 7 working days from 1 January 2024 onwards, save where specific exceptions apply.

Where the FSCS cannot make the repayable amount available within 7 working days, it will, from 1 June 2016 until 31 December 2023, ensure that you have access to an appropriate amount of your covered deposits to cover the cost of living (in the case of a depositor which is an individual) or to

cover necessary business expenses (in the case of a depositor which is not an individual or a large company) within 5 working days of a request. Again, there are specific exceptions to this obligation.

In the case of a depositor which is a large company, where the FSCS cannot make the repayable amount available within 7 working days, it will, from 3 July 2015 until 1 December 2016, ensure that you have access to your covered deposits within fifteen working days of a request containing sufficient information to enable it to make a payment, save where specific exceptions apply.

If you have not been repaid within these deadlines, you should contact the Deposit Guarantee Scheme since the time to claim reimbursement may be barred after a certain time limit. Further information can be obtained under <http://www.fscs.org.uk>.

### **Other important information**

In general, all retail depositors and businesses are covered by Deposit Guarantee Schemes. Exceptions for certain deposits are stated on the website of the responsible Deposit Guarantee Scheme. Your bank, building society or credit union will also inform you of any exclusions from protection which may apply. If deposits are eligible, the bank, building society or credit union shall also confirm this on the statement of account.

## ANNEX 2

## CONTENT OF COMPENSATION STICKER AND POSTER (CHAPTER 23)

1	The compensation stickers must contain the following statements only:
	<p><b><i>UK banks</i></b></p> <p><b><i>building societies</i></b></p> <p><b><i>credit unions</i></b></p> <p><b><i>Northern Ireland credit unions</i></b></p> <p><b>An overseas firm that:</b></p> <p><b>(a) is not an <i>incoming firm</i>; and</b></p> <p><b>(b) has a <i>Part 4A permission</i> that includes <i>accepting deposits</i></b></p>
(1)	<p>"Your eligible deposits with [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the £85,000 limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>."</p> <p>As an alternative, for <i>credit unions</i> or <i>Northern Ireland credit unions</i> that <i>accept deposits</i> under a single brand or trading name:</p> <p>"Your eligible deposits are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the £85,000 limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a> "</p>
	<b>Incoming firm that is a <i>credit institution</i></b>
(2)	<p>"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent] by [insert name of compensation scheme] the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the [insert 100,000 euro or home state equivalent] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."</p>
2	The compensation posters must contain the following statements only:
	<p><b><i>UK banks</i></b></p> <p><b><i>building societies</i></b></p>

<p><b>credit unions</b></p> <p><b>Northern Ireland credit unions</b></p> <p><b>An overseas firm that:</b></p> <p>(a) is not an <i>incoming firm</i>; and</p> <p>(b) has a <b>Part 4A permission that includes accepting deposits</b></p>	
(1)	<p><i>Firms that accept deposits under a single brand or trading name</i></p> <p>"Your eligible deposits with [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the £85,000 limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>"</p> <p>As an alternative, for <i>credit unions</i> or <i>Northern Ireland credit unions</i> that <i>accept deposits</i> under a single brand or trading name:</p> <p>"Your eligible deposits are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the £85,000 limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>"</p>
(2)	<p><i>Firms that accept deposits under multiple brands or trading names</i></p> <p>"Your eligible deposits with [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. This limit is applied to the total of any deposits you have with the following: [insert names of brands as appropriate]. Any total deposits you hold above the £85,000 limit between these brands are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit <a href="http://www.fscs.org.uk">www.fscs.org.uk</a>"</p>
<p><b>Incoming firm that is a credit institution</b></p>	
(3)	<p><i>Incoming firm that is a credit institution and accepts deposits under a single brand or trading name</i></p> <p>"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent] by [insert name of compensation scheme] the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the [insert 100,000 euro or home state equivalent] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."</p>
(4)	<p><i>Incoming firm that accepts deposits under multiple brands or trading names</i></p>

	<p>"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent] by [insert name of compensation scheme] the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. This limit is applied to the total of any deposits you have with the following: [insert names of brands as appropriate]. Any total deposits above the [insert 100,000 euro or home state equivalent] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."</p>
3	Each of the statements in 1 and 2 must appear as written with the first and second statements on separate lines. The second statement must appear in smaller font.

## ANNEX 3

## EXCLUSIONS LIST (CHAPTER 16)

A deposit is excluded from protection if:

- (1) The holder and any beneficial owner of the deposit have never been identified in accordance with money laundering requirements. For further information, contact your bank, bank building society or credit union.
- (2) The deposit arises out of transactions in connection with which there has been a criminal conviction for money laundering.
- (3) It is a deposit made by a depositor which is one of the following:
  - credit institution
  - financial institution
  - investment firm
  - insurance undertaking
  - reinsurance undertaking
  - collective investment undertaking
  - pension or retirement fund<sup>1</sup>
  - public authority

For further information about exclusions, refer to the FSCS website at [www.FSCS.org.uk](http://www.FSCS.org.uk)

---

<sup>1</sup> Deposits by personal pension schemes, stakeholder pension schemes and occupational pension schemes of micro, small and medium sized enterprises are not excluded

**PRA RULEBOOK: CRR FIRMS: NON CRR FIRMS: NON AUTHORISED PERSONS:  
DORMANT ACCOUNT SCHEME INSTRUMENT 2015**

**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 213 (The compensation scheme);
  - (2) section 214 (General); and
  - (3) section 219 (Scheme manager’s power to require information)
- 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: Non Authorised Persons: Dormant Account Scheme Instrument 2015**

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

**Commencement**

- E. This instrument comes into force on 3 July 2015.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms Non CRR Firms Non Authorised Persons: Dormant Account Scheme Instrument 2015

**By order of the Board of the Prudential Regulation Authority**  
30 March 2015

## Annex

In this Annex, the text is all new and is not underlined.

### Part

# **DORMANT ACCOUNT SCHEME**

---

## Chapter content

1. APPLICATION AND DEFINITIONS
2. ELIGIBILITY
3. DORMANT ACCOUNT FUND OPERATORS IN DEFAULT
4. THE QUALIFYING CONDITIONS FOR PAYING COMPENSATION
5. LIMITS ON COMPENSATION PAYABLE
6. PAYING COMPENSATION
7. FORM AND METHOD OF COMPENSATION
8. CALCULATING COMPENSATION
9. DUTIES OF THE FSCS
10. CLAIMS AGAINST THE FSCS AND CHALLENGING FSCS DECISIONS
11. ASSIGNMENT OF RIGHTS
12. SUBROGATION
13. RECOVERIES
14. REJECTION OF APPLICATION AND WITHDRAWAL OF OFFER
15. TIME LIMITS AND POSTPONING PAYMENT
16. FUNDING - FSCS'S POWER TO LEVY AND LIMITS ON LEVIES
17. FUNDING - MANAGEMENT OF FUNDS LEVIED
18. FUNDING - ADJUSTMENTS TO LEVY SHARES
19. FUNDING - BUSINESS ACQUISITIONS FROM DAS MEMBERS
20. FUNDING - BUSINESS ACQUISITIONS FROM NON-DAS MEMBERS
21. FUNDING - MANAGEMENT EXPENSES
22. FUNDING - DAS COMPENSATION COSTS
23. FUNDING - REPORTING REQUIREMENTS
24. FUNDING - OBLIGATION TO PAY
25. FUNDING – OVERPAYMENTS AND DEFERRAL
26. FUNDING - PAYMENT OF LEVIES
27. INFORMATION REQUIREMENTS

## Links

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) the *FSCS*;
- (2) a *dormant account fund operator*;
- (3) *UK banks*;
- (4) *building societies*; and
- (5) an *overseas firm* that:
  - (a) is not an *incoming firm*; and
  - (b) has a *Part 4A permission* that includes *accepting deposits*.

1.2 In this Part, the following definitions shall apply:

*base costs*

means *management expenses* which are not attributable to any particular *class*.

*base costs levy*

means a levy, forming part of the *management expenses levy*, to meet the *base costs* in the financial year of the *compensation scheme* to which the levy relates.

*claim*

means a valid claim made in respect of a civil liability owed by a *dormant account operator* to the claimant.

*class*

means one of the classes to which *FSCS* allocates levies in accordance with the rules of the *compensation scheme*.

*class J*

means the *class* which includes *DAS members*.

*class J tariff base*

means *dormant accounts* multiplied by 0.2 as at *31 December*.

*compensation date*

means the date on which a *dormant account operator* is determined to be *in default*.

*compensation scheme*

means the Financial Services Compensation Scheme established under section 213 of *FSMA*.

*DAS base costs levy*

means a *base costs levy* imposed by the *FSCS* on *DAS members*.

*DAS compensation costs*

means the costs incurred in paying compensation under the *dormant account scheme* (including the costs of paying interest, principal and other costs of borrowing to pay such costs).

*DAS compensation costs levy*

means a levy imposed by the *FSCS* on *DAS members* to meet *DAS compensation costs*.

*DAS levy*

means a *DAS compensation costs levy* or a *DAS management expenses levy*.

*DAS management expenses levy*

a levy imposed by the *FSCS* on *DAS members* to meet *management expenses* and which is made up of one or more of a *DAS base costs levy* and a *DAS specific costs levy*.

*DAS member*

means:

- (1) a *dormant account fund operator* for claims against which the *dormant account scheme* provides cover;
- (2) a *UK bank*;
- (3) a *building society*; or
- (4) an overseas firm that is not an *incoming firm* and has a *part 4A permission* that includes *accepting deposits*.

*DAS specific costs*

means *management expenses* attributable to the *dormant account scheme* other than *base costs*.

*DAS specific costs levy*

means a levy, forming part of the *DAS management expenses levy*, to meet the *DAS specific costs* in the financial year of the *dormant account scheme* to which the levy relates.

*DGS compensation costs*

has the meaning given in the Depositor Protection Part.

*dormant account*

has the meaning given in section 10 of the Dormant Bank and Building Society Accounts Act 2008.

*depositor*

has the meaning given in the Depositor Protection Part.

*DGS member*

has the meaning given in the Depositor Protection Part.

*DGS specific costs*

has the meaning given in the Depositor Protection Part.

*dormant account fund operator*

a person with a *Part 4A permission for operating a dormant account fund*.

*dormant account scheme*

means the *compensation scheme* for compensating persons in respect of *protected dormant accounts*.

*eligible claimant*

means a claimant whose *dormant account*:

- (1) was transferred to a *dormant account fund operator* which accepted the liability to repay it; and
- (2) would be an *eligible deposit* if it were held by a *DGS member*.

*eligible deposit*

has the meaning given in the Depositor Protection Part.

*in default*

describes the status of a *dormant account fund operator* following a determination made under 3.3.

*legacy costs*

has the meaning given in the Depositor Protection Part.

*management expenses*

has the meaning given in the Depositor Protection Part.

*micro, small and medium-sized enterprises*

has the meaning given in the Depositor Protection Part.

*money laundering*

has the meaning given in the Depositor Protection Part.

*money purchase benefits*

has the meaning given in the Depositor Protection Part.

*occupational pension scheme*

has the meaning given in the Depositor Protection Part.

*operating a dormant account fund*

means any of the *regulated activities* specified in:

- (1) article 63N(1)(a) of the *Regulated Activities Order* (meeting of repayment claims); or
- (2) article 63N(1)(b) of the *Regulated Activities Order* (managing dormant account funds (including the investment of such funds)).

*personal pension scheme*

has the meaning given in the Depositor Protection Part.

*protected dormant account*

means a *dormant account* which is covered by the *dormant account scheme*.

*protected dormant account claim*

means a *claim* in respect of a *protected dormant account*.

*small self-administered scheme*

has the meaning given in the Depositor Protection Part.

*stakeholder pension scheme*

has the meaning given in the Depositor Protection Part.

*tariff statement*

means the statement required under 23.2.

## **2 ELIGIBILITY**

---

2.1 This Chapter applies only to the *FSCS*.

2.2 A *dormant account* is a *protected dormant account* only if:

- (1) the liability for it has been transferred to a *dormant account fund operator*;
- (2) it is not an *eligible deposit*; and
- (3) it would be an *eligible deposit* if it were held by a *DGS member*.

## **3 DORMANT ACCOUNT FUND OPERATORS IN DEFAULT**

---

3.1 This Chapter applies only to the *FSCS*.

- 3.2 The FSCS shall pay compensation in respect of a *protected dormant account* if it is satisfied that the *protected dormant account* is a *dormant account* of a *dormant account fund operator* who is *in default*.
- 3.3 A *dormant account fund operator* is *in default* if the FSCS has determined it to be *in default* under 3.4 or 3.5.
- 3.4 The FSCS may determine a *dormant account fund operator* to be *in default* when it is, in the opinion of the FSCS or the PRA:
- (1) unable to satisfy *protected dormant account claims* against it; or
  - (2) likely to be unable to satisfy *protected dormant account claims* against it.
- 3.5 The FSCS may determine a *dormant account fund operator* to be *in default* if it is satisfied that a *protected dormant account claim* exists, and the *dormant account fund operator* is the subject of one or more of the following proceedings in the *United Kingdom* (or of equivalent or similar proceedings in another jurisdiction):
- (1) the passing of a resolution for a creditors' voluntary winding up;
  - (2) a determination by the *dormant account fund operator's* home state regulator that the *dormant account fund operator* appears unable to meet *claims* against it and has no early prospect of being able to do so;
  - (3) the appointment of a liquidator or administrator, or provisional liquidator or interim manager;
  - (3) the making of an order by a court of competent jurisdiction for the winding up of a company, the dissolution of a partnership, the administration of a company or partnership, or the bankruptcy of an individual;
  - (4) the approval of a company voluntary arrangement, a partnership voluntary arrangement, or of an individual voluntary arrangement.
- 3.6 For the purposes of sections 219(1A)(b) and (d) of *FSMA* whether a *dormant account fund operator* is unable or likely to be unable to satisfy *claims* shall be determined by reference to whether it is *in default*.

#### **4 THE QUALIFYING CONDITIONS FOR PAYING COMPENSATION**

---

- 4.1 This Chapter applies only to the FSCS.
- 4.2 The FSCS may, subject to Chapter 5, pay compensation to an *eligible claimant* if it is satisfied that:
- (1) an *eligible claimant* has made an application for compensation;
  - (2) the claim is a *protected dormant account claim* against a *dormant account fund operator* who is *in default*, and
  - (3) where the FSCS so requires, the claimant has assigned the whole or any part of his rights against the *dormant account fund operator* or against any third party to the FSCS, on such terms as the FSCS thinks fit.

## 5 LIMITS ON COMPENSATION PAYABLE

---

- 5.1 This Chapter applies only to the *FSCS*.
- 5.2 The maximum compensation sum payable for the aggregate *protected dormant accounts* of each *eligible claimant* is the same sum as the maximum compensation sum payable for aggregate *eligible deposits* of each *depositor* under Depositor Protection 4.2 but without reference to the cases in which additional compensation may be payable under Depositor Protection 4.3.
- 5.3 In the event of a default of a *dormant account fund operator*, the *FSCS* will pay compensation in accordance with 5.2 on the basis of the authorisation of the *DGS member* who was liable for the *eligible deposit* immediately prior to the liability being transferred to the *dormant account fund operator* (and the relevant authorisation of the *DGS member* is the authorisation that was in place at the time that the liability was transferred).

## 6 PAYING COMPENSATION

---

- 6.1 This Chapter applies only to the *FSCS*.
- 6.2 The *FSCS* may treat *persons* who are or who may be entitled to claim compensation in respect of a *protected dormant account* as if they had done so.
- 6.3 The *FSCS* may also pay compensation (and any recovery or other amount payable by the *FSCS* to the claimant) to a *person* who makes a *protected dormant account claim* on behalf of another *person* if the *FSCS* is satisfied that the *person* on whose behalf the *claim* is made:
- (1) is or would have been an *eligible claimant*, and
  - (2) would have been paid compensation by the *FSCS* had he been able to make the *claim* himself, or to pursue his application for compensation further.
- 6.4 The *FSCS* must pay any compensation to the claimant, with the following exceptions:
- (1) where the claimant directs that any compensation be paid to another *person*, the *FSCS* may pay compensation as directed by the claimant;
  - (2) where the claimant is not absolutely entitled to the *protected dormant account*:
    - (a) if another *person* is absolutely entitled to the *protected dormant account*, that *person* is the *person* entitled to compensation in respect of the *protected dormant account*, and accordingly the *FSCS* must pay any compensation to the *person* who is absolutely entitled to the *protected dormant account*, provided that the *person* has been identified or is identifiable before the *compensation date*; and
    - (a) if no *person* is absolutely entitled to the *protected dormant account*, the *FSCS* must pay any compensation in accordance with such of 6.5 – 6.8 as applies.
- 6.5 If a *person* is:
- (1) a trustee (other than a bare trustee); or

- (2) the operator of, or the *person* carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*,

the *FSCS* must treat their entitlement to compensation in this capacity as separate from their entitlement to compensation in any other capacity, as if the two entitlements were held by different *persons*.

6.6 If a *protected dormant account* is held:

- (1) for the trustees of a *small self-administered scheme*, an *occupational pension scheme* of *micro, small or medium sized enterprise*, or the trustee or operator of, or the *person* carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*, or

- (2) for one or more members of a pension scheme (or, where relevant, the beneficiary of any member) whose benefits are *money-purchase benefits*;

the *FSCS* must treat the member or members (or, where relevant, the beneficiary of any member) separately as *persons* entitled to receive compensation.

6.7 If any group of *persons* are:

- (1) co-trustees (other than bare co-trustees); or
- (2) *operators* of, or persons carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or a *personal pension scheme*,

(or any combination thereof), the *FSCS* must treat them as a single and continuing *person* distinct from the *persons* who may from time to time be the trustees, or the operators or persons winding up the relevant pension scheme.

6.8 Where the same *person* is:

- (1) trustee for different trusts or for different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*; or
- (2) the operator of, or the *person* carrying on the *regulated activity* of winding up, different *stakeholder pension schemes* (which are not *occupational pension schemes*) or *personal pension schemes*,

the *FSCS* shall treat that person's entitlement to compensation in respect of each of these trusts or schemes as if they were entitlements of a *different person*.

6.9 Where any of the provisions of 6.5, 6.7 or 6.8 apply, the *FSCS* must try to ensure that any amount paid to:

- (1) the trustee; or
- (2) the operator of, or the person carrying on the *regulated activity* of winding up, a *stakeholder pension scheme* (which is not an *occupational pension scheme*) or *personal pension scheme*

is, in each case:

- (3) for the benefit of members or beneficiaries whose own *deposits* would be *eligible deposits* if they were held by a *DGS member*; and
  - (4) no more than the amount of the loss suffered by those members or beneficiaries.
- 6.10 Where a person holds a *protected dormant account* as the personal representative of another or on behalf of another, the *FSCS* must treat the personal representative or the person acting on behalf of another in respect of that *protected dormant account* as if they were standing in the shoes of that other *person*.
- 6.11 In applying this Chapter to *protected dormant accounts* held with a branch outside the *United Kingdom* of a *dormant account fund operator*, the *FSCS* must interpret references to:
- (1) *persons* entitled as personal representatives, trustees, bare trustees, *operators of pension schemes* or persons carrying on the *regulated activity* of winding up *pension schemes*; or
  - (2) persons having a joint account or joint interest in a deposit or carrying on business in partnership,
- as references to *persons* entitled, under the law of the relevant country or territory, in a capacity appearing to the *FSCS* to correspond as nearly as may be to that capacity.

## **7 FORM AND METHOD OF COMPENSATION**

---

- 7.1 This Chapter applies only to the *FSCS*.
- 7.2 Subject to Chapter 6, the *FSCS* may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:
- (1) by paying the compensation (on such terms as the *FSCS* considers appropriate) to a *firm* with a *Part 4A permission to accept deposits* or an *incoming firm* or another *dormant account fund operator* which agrees to become liable to the claimant in a like sum;
  - (2) by paying compensation directly into an existing deposit account of (or for the benefit of) the claimant, or as otherwise identified by (or on behalf of) the claimant, with a *firm* (but before doing so the *FSCS* must take such steps as it considers appropriate to verify the existence of such an account and to give notice to the claimant of its intention to exercise this power); or
  - (3) (where two or more *persons* have a joint *claim*) by accepting communications from and/or paying compensation to any one of those *persons* where this is in accordance with the terms and conditions for communications and withdrawals of the relevant *eligible deposit* immediately prior to the transfer of it to the *dormant account fund operator*.
- 7.3 If the *FSCS* is satisfied that, in principle, compensation is payable in connection with any *protected dormant account claim*, but considers that immediate payment in full would not be prudent because of uncertainty as to the amount of the claimant's

overall *claim*, it may decide to pay an appropriate lesser sum in final settlement, or to make payment on account.

- 7.4 The *FSCS* may also decide to make a payment on account or to pay a lesser sum in final settlement if the claimant has any reasonable prospect for recovery in respect of the *claim* from any third party or by applying for compensation to any other *person*.
- 7.5 The *FSCS* may pay interest on the compensation sum in such circumstances as it considers appropriate.
- 7.6 Interest under 7.5 is not to be taken into account when applying the limits on the compensation sum payable in respect of a *claim* for a *protected dormant account* under 5.2.
- 7.7 Where the *FSCS* considers that the conditions in 7.4 are satisfied but, in relation to a class of *claim*, in order to provide fair compensation for the generality of such *claims* it would be appropriate to take the approach in (1) and (2) rather than pay an appropriate lesser sum in final settlement or make a payment on account, it may for that class of *claim*:
- (1) receive whether by assignment, transfer or operation of law the whole or any part of a claimant's rights against the *dormant account fund operator*, or against any third party, or both on such terms as the *FSCS* thinks fit; and
  - (2) disregard the value of the rights so received in determining the claimant's overall *claim*.

## **8 CALCULATING COMPENSATION**

---

- 8.1 This Chapter applies only to the *FSCS*.
- 8.2 Subject to 5.2, the amount of compensation payable to the claimant in respect of a *protected dormant account claim* is the amount of his overall net *claim* against the *dormant account fund operator* at the *compensation date*.
- Any reference in this Part to overall *claim* means "overall net *claim*".
- 8.3 The *FSCS* must take into account any payments to the claimant (including amounts recovered by the *FSCS* on behalf of the claimant) made by the *dormant account fund operator* or the *FSCS* or any other *person*, if that payment is connected with the *dormant account fund operator's* liability to the claimant in calculating the claimant's overall *claim*.
- 8.4 The *FSCS* must calculate the amount of compensation due to the claimant as soon as reasonably possible after it is satisfied that the conditions in 4.2 have been met.
- 8.5 The share of each claimant of a joint *protected dormant account* shall be considered separately in calculating the limits provided for in 5.2. In the absence of contrary provision, the joint *protected dormant account* shall be divided equally among the claimants to the nearest penny.
- 8.6 *Protected dormant accounts* to which two or more *persons* are entitled as a members of a business partnership, association or grouping of a similar nature, without legal personality, must be aggregated and treated as if made by a single claimant for the purposes of calculating the limit in 5.2.

- 8.7 Where several *persons* are absolutely entitled to a beneficial interest in a *protected dormant account*, the share of each, under the arrangements subject to which the *protected dormant account* is managed, shall be considered separately in calculating the amount payable to each of them.
- 8.8 Where several *persons* are absolutely entitled to a beneficial interest in a *protected dormant account* and some of them are *persons* whose own *dormant account* would not be a *protected dormant accounts*, the *FSCS* must adjust the amount of the overall *protected dormant account* to eliminate the part of it which, in the *FSCS*'s view, relates to those beneficiaries' interest in the overall *dormant account*.

## **9 DUTIES OF FSCS**

---

- 9.1 This Chapter applies only to the *FSCS*.
- 9.2 The *FSCS* must administer the *dormant account scheme*:
- (1) in accordance with the rules in this Part and any other rules prescribed by law;
  - (2) in a manner that is procedurally fair; and
  - (3) in accordance with the *European Convention on Human Rights*.
- 9.3 The *FSCS* must publish for *claimants* on its website all necessary information:
- (1) on the operation of the *dormant account scheme*; and
  - (2) on the process, eligibility and conditions for payment of compensation.
- 9.4 The *FSCS* may agree to pay the reasonable costs of an *eligible claimant* bringing or continuing insolvency proceedings against a *dormant account fund operator* in respect of *protected dormant accounts* (whenever instituted), if the *FSCS* is satisfied that those proceedings would help it to discharge its functions under this Part.
- 9.5 The *FSCS* must have regard to the need to use its resources in the most efficient and economic way in carrying out its functions under this Part.
- 9.6 The *FSCS* must take appropriate steps to ensure that claimants are informed of how they can make a *claim* for compensation under the *dormant account scheme* as soon as a possible after the *compensation date*.

## **10 CLAIMS AGAINST THE FSCS AND CHALLENGING FSCS DECISIONS**

---

- 10.1 This Chapter applies only to the *FSCS*.
- 10.2 The *FSCS* must ensure that a person who would be, or considers that they would be, affected by an *FSCS* decision in relation to compensation, has an opportunity to make representations in respect of that potential decision before it is finalised.
- 10.3 The *FSCS* must, if requested by a claimant and subject to other applicable laws, give reasons to the claimant for any decision not to pay compensation in relation to some or all of their *protected dormant accounts*.
- 10.4 The procedure established by the *FSCS* under this Chapter must satisfy the minimum requirements of procedural fairness and comply with the *European Convention on Human Rights* for the handling of any complaints of

maladministration relating to any aspect of the operation of the *dormant account scheme*.

## **11 ASSIGNMENT OF RIGHTS**

---

- 11.1 This Chapter applies only to the *FSCS*.
- 11.2 The *FSCS* may make any payment of compensation to a claimant in respect of a *protected dormant account* conditional on the claimant assigning the whole or any part of his rights against the *dormant account fund operator*.
- 11.3 If a claimant assigns the whole or any part of his rights against any *person* to the *FSCS* as a condition of payment, the effect of this is the sum payable in relation to the rights so assigned will be payable to the *FSCS* and not the claimant.
- 11.4 Before taking the assignment of rights from the claimant under 11.2, the *FSCS* must inform the claimant that if, after taking assignment of rights, the *FSCS* decides not to pursue recoveries using those rights, it will, if the claimant so requests in writing, reassign the assigned rights to the claimant. The *FSCS* must comply with such a request in such circumstances.

## **12 SUBROGATION**

---

- 12.1 This Chapter applies only to the *FSCS*.
- 12.2 The *FSCS*'s powers in this Chapter may be used:
- (1) separately or in any combination as an alternative and in substitution for the powers and processes elsewhere in this Part;
  - (2) in relation to all or any part of a *claim* in respect of a *protected dormant account* or class of *claims* in respect of *protected dormant accounts*.
- 12.3 The *FSCS* may determine that the payment of compensation by the *FSCS* in respect of *protected dormant accounts* shall have all or any of the following effects:
- (1) the *FSCS* shall immediately and automatically be subrogated, subject to such conditions as the *FSCS* determines are appropriate, to all or any part (as determined by the *FSCS*) of the rights and claims in the *United Kingdom* and elsewhere of the claimant against the *dormant account fund operator* and/or any third party (whether such rights are legal, equitable or of any other nature whatsoever and in whatever capacity the *dormant account fund operator* or third party is acting) in respect of or arising out of the *claim* in respect of which the payment of or on account of compensation was made;
  - (2) the *FSCS* may claim and take legal or any other proceedings or steps in the *United Kingdom* or elsewhere to enforce such rights in its own name or in the name of, and on behalf of, the claimant or in both names against the *dormant account fund operator* and/or any third party;
  - (3) the subrogated rights and claims conferred on the *FSCS* shall be rights of recovery and claims against the *dormant account fund operator* and/or any third party which are equivalent (including as to amount and priority and whether or not the relevant *dormant account fund operator* is insolvent) to the

payment of compensation made by the *FSCS* and do not exceed the rights and claims that the claimant would have had; and/or

- (4) such rights or obligations (as determined by the *FSCS*) as between the *dormant account fund operator* and the claimant arising out of the *protected dormant account claim* in respect of which the payment was made shall be transferred to, and subsist between, another *dormant account fund operator* with an appropriate permission and the claimant provided that the other *dormant account fund operator* has consented (but the transferred rights and/or obligations shall be treated as existing between the *dormant account fund operator* and the *FSCS* to the extent of any subrogation, transfer or assignment for the purposes of (1) to (3) and 12.4.

12.4 (1) The *FSCS* may determine that, if it is necessary or desirable in conjunction with the exercise of the *FSCS*'s powers under 12.3, that the claimant shall be treated as having irrevocably and unconditionally appointed the chairman of the *FSCS* for the time being to be their attorney and agent and on their behalf and in their name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the *UK*, another *EEA State* or any other state or law-country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.

- (2) The execution of any deed or document under (1) shall be as effective as if made in writing by the compensation recipient or by his agent lawfully authorised in writing or by will.

12.5 (1) The powers conferred on the *FSCS* in 12.3 and 12.4 to make a determination must be exercised in writing.

- (2) An instrument by which the *FSCS* makes the determination must specify the provision under which it is made, the date and time from which it takes effect and the *dormant account fund operator* and *protected dormant account claims*, parts of *protected dormant account claims* and/or classes of *protected dormant account claims* in respect of which it applies.

- (3) The *FSCS* must take appropriate steps to publish the determination as soon as possible after it is made. Such publication must be accompanied by a statement explaining the effect of 12.3 and the *FSCS*'s determination.

- (4) Failure to comply with any requirement in this rule does not affect the validity of the determination.

- (5) A determination by the *FSCS* under 12.3 may be amended, remade or revoked at any time and subject to the same conditions.

12.6 (1) The production of a copy of a determination purporting to be made by the *FSCS* under this Chapter:

- (a) on which is endorsed a certificate, signed by a member of the *FSCS*'s staff authorised by it for that purpose; and
- (b) which contains the required statements; is evidence (or in Scotland sufficient evidence) of the facts stated in the certificate.

- (2) The required statements are:

- (a) that the determination was made by the *FSCS*; and
  - (b) that the copy is a true copy of the determination.
- (3) A certificate purporting to be signed as mentioned in (1) is to be taken to have been properly signed unless the contrary is shown.
- (4) A *person* who wishes in any legal proceedings to rely on a determination may require the *FSCS* to endorse a copy of the determination with a certificate of the kind mentioned in (1).

### **13 RECOVERIES**

---

- 13.1 This Chapter applies only to the *FSCS*.
- 13.2 If the *FSCS* takes assignment or transfer of rights from the claimant or is otherwise subrogated to the rights of the claimant, it must pursue all and only such recoveries as it considers are likely to be both reasonably possible and cost effective to pursue.
- 13.3 If the *FSCS* decides not to pursue such recoveries and a claimant wishes to pursue those recoveries and so requests in writing, the *FSCS* must comply with that request and assign the rights back to the claimant.
- 13.4 If the *FSCS* makes recoveries in relation to a *protected dormant account claim* it may deduct from any recoveries paid over to the claimant under 13.5 part or all of its reasonable costs of recovery and distribution (if any).
- 13.5 If a claimant assigns or transfers his rights to the *FSCS* or a claimant's rights and claims are otherwise subrogated to the *FSCS* and the *FSCS* subsequently makes recoveries through those rights or claims, those recoveries must be paid to the claimant:
- (1) to the extent that the amount recovered exceeds the amount of compensation (excluding interest paid under 7.5) received by the claimant in relation to the *protected dormant account claim*; or
  - (2) in circumstances where the amount recovered does not exceed the amount of compensation paid, to the extent that failure to pay any sums recovered to the claimant would leave a claimant who had promptly accepted an offer of compensation or whose rights and claims had been subrogated to the *FSCS* at a disadvantage relative to a claimant who had delayed accepting an offer of compensation or whose claims had not been subrogated.
- 13.6 The *FSCS* must endeavour to ensure that a claimant will not suffer disadvantage arising solely from his prompt acceptance of the *FSCS*'s offer of compensation or from the subrogation of his rights and claims to the *FSCS* compared with what might have been the position had he delayed his acceptance or had his claims not been subrogated.

### **14 REJECTION OF APPLICATION AND WITHDRAWAL OF OFFER**

---

- 14.1 This Chapter applies only to the *FSCS*.
- 14.2 If an application for compensation contains any material inaccuracy or omission, the *FSCS* may reject the application unless this is considered by the *FSCS* to be unintentional.

- 14.3 The *FSCS* must reject an application for compensation if:
- (1) the *FSCS* considers that a civil claim in respect of the liability would have been defeated by a defence of limitation at the earlier of:
    - (a) the date on which the *dormant account fund operator* is determined to be *in default*, and
    - b) the date on which the claimant first indicates in writing that he may have a claim against the *dormant account fund operator*,
 unless 14.4 applies.
- 14.4 The *FSCS* may withdraw any offer of compensation made to a claimant if the offer is not accepted or if it is not disputed within 90 days of the date on which the offer is made.
- 14.5 Where the amount of compensation offered is disputed, the *FSCS* may withdraw the offer but must consider exercising its powers to make a reduced or interim payment under 7.3 or 7.4 before doing so.
- 14.6 The *FSCS* may repeat any offer withdrawn under 14.4 or 14.5.
- 14.7 The *FSCS* must withdraw any offer of compensation if it appears to the *FSCS* that no such offer should have been made.
- 14.8 The *FSCS* must seek to recover any compensation paid to a claimant if it appears to the *FSCS* that no such payment should have been made, unless the *FSCS* believes on reasonable grounds that it would be unreasonable to do so, or that the costs of doing so would exceed any amount that could be recovered.

## 15 TIME LIMITS AND POSTPONING PAYMENT

---

- 15.1 This Chapter applies only to the *FSCS*.
- 15.2 The *FSCS* must pay a *protected dormant account claim* as soon as reasonably possible after:
- (1) it is satisfied that the conditions in 4.2 have been met; and
  - (2) it has calculated the amount of compensation due to the claimant
- and in any event within three months of that date, unless the *PRA* has granted the *FSCS* an extension, in which case payment must be made no later than six months from that date.
- 15.3 The *FSCS* may postpone paying compensation if the claimant has been charged with an offence arising out of or in relation to *money laundering* and those proceedings have not yet been concluded.
- 15.4 The *FSCS* may pay compensation in respect of a *protected dormant account* to a claimant in respect of assets held by a *dormant account fund operator* if an insolvency practitioner has been appointed to the *dormant account fund operator* and:

- (1) the FSCS considers it likely that the insolvency practitioner would, in due course, return the assets to the claimant;
- (2) the claimant has agreed to be compensated for the assets on the basis of the valuation provided by the FSCS; and
- (3) the claimant has agreed, to the satisfaction of the FSCS, that his rights to the assets in respect of which compensation is payable should pass to it.

## 16 FUNDING – FSCS’S POWER TO LEVY AND LIMITS ON LEVIES

---

16.1 This Chapter applies only to the FSCS.

16.2 The FSCS may at any time impose a:

- (1) *DAS compensation costs levy* on a *DAS member*;
- (2) *DAS specific costs levy* on a *DAS member*; or
- (3) *base costs levy* on a *dormant account fund operator*

provided that the FSCS has reasonable grounds for believing that the funds available to it to meet relevant expenses are, or will be, insufficient, taking into account expenditure already incurred, actual and expected recoveries and:

- (a) in the case of a *DAS management expenses levy*, the level of the FSCS's expected expenditure in respect of those expenses in the financial year of the *DAS compensation scheme* in relation to which the levy is imposed;
- (b) in the case of a *DAS compensation costs levy*
  - (i) the FSCS's expenditure in respect of *DAS compensation costs* expected in the 12 *months* following the levy; or, if greater
  - (ii) one third of the FSCS's expenditure in respect of *DAS compensation costs* expected in the 36 *months* following the levy.

16.3 The calculation of *DAS levies* must also take into account previous levies, where funds raised in anticipation of meeting liabilities prove either more or less than the amount actually required.

16.4 The maximum aggregate amount of *DAS compensation costs* and *DAS specific costs* for which the FSCS can levy *class J* in any one financial year of the *dormant account scheme* is limited to £1,500,000,000 less whatever *DGS compensation costs*, *legacy costs* and *DGS specific costs* the FSCS has imposed on *class A* in that same financial year.

## 17 FUNDING – MANAGEMENT OF FUNDS LEVIED

---

17.1 This Chapter applies only to the FSCS.

17.2 The FSCS must hold any amount collected from a *DAS specific costs levy* or *DAS compensation costs levy* to the credit of *class J*.

- 17.3 Any funds received by the *FSCS* by way of levy or otherwise for the purposes of the *dormant account scheme* are to be managed as the *FSCS* considers appropriate, and in doing this the *FSCS* must act prudently.
- 17.4 Interest earned by the *FSCS* in the management of funds held to the credit of *class J* must be credited to that *class*, and must be set off against the *DAS management expenses* or *DAS compensation costs* allocated to that *class*.
- 17.5 The *FSCS* must keep accounts which include:
- (1) the funds held to the credit of *class J*; and
  - (2) the liabilities of *class J*.
- 17.6 If the *FSCS* has more funds (whether from levies, recoveries or otherwise) to the credit of *class J* than the *FSCS* believes will be required to meet levies on *class J* for the next 12 months, it may refund the surplus to members or former members of *class J* on any reasonable basis.

## **18 FUNDING – ADJUSTMENTS TO LEVY SHARES**

---

- 18.1 This Chapter applies only to the *FSCS*.
- 18.2 The *FSCS* may adjust the calculation of a *DAS member's* share of a *DAS levy* to take proper account of:
- (1) any excess, not already taken into account, between previous levies of that type imposed in relation to previous periods and the relevant costs actually incurred in that period; or
  - (2) amounts that the *FSCS* has not been able to recover from *DAS members* as a result of 16.4; or
  - (3) amounts that the *FSCS* has not been able to recover from *DAS members* after having taken reasonable steps; or
  - (4) payments deferred under 25.2, the calculation of levies after an acquisition of business under 19 or 20, calculations under 21.7, remission of additional administrative fee under 23.4; or
  - (5) anything else that the *FSCS* believes on reasonable grounds should be taken into account.
- 18.3 The *FSCS* may not adjust the calculation of a *DAS member's* share of any *DAS levy* under 18.2 on the grounds that it would be inequitable for that *firm* to pay that share or part of it or on the grounds that it would be inequitable for the *FSCS* to retain that share or part of it. Any such claim should be dealt with under 25.
- 18.4 If a *DAS member's* share of a *DAS levy* or an additional administrative fee under this Part would be so small that, in the opinion of the *FSCS*, the costs of collection would be disproportionate to the amount payable, the *FSCS* may treat the *DAS member* as if its share of the levy or additional administrative fee amounted to zero.

## **19 FUNDING – BUSINESS ACQUISITIONS FROM DAS MEMBERS**

---

- 19.1 This Chapter applies only to the *FSCS*.

- 19.2 If:
- (1) a *DAS member* (A) assumes the liability to repay the *dormant accounts* of another *DAS member* (B);
  - (2) B is no longer liable to pay a *DAS levy* to the *FSCS*; and
  - (3) the assumption of liability takes place after the date to which, or as of which, A's most recent *tariff statement* is drawn up,

the *FSCS* must require A pay an additional amount equal to the levy that would have been payable by B in relation to the relevant business and *class J* if the acquisition had not taken place and B had remained liable to pay *DAS levies*. The amount is based on B's most recent *tariff statement*.

- 19.3 This Chapter only applies with respect to those financial years of the *FSCS* for which A's levies are calculated on the basis of a *tariff statement* drawn up to a date, or as of a date, before the assumption of liability took place.

## **20 FUNDING – BUSINESS ACQUISITIONS FROM NON-DAS MEMBERS**

---

- 20.1 This Chapter applies only to the *FSCS*.
- 20.2 If a *DAS member* (A) assumes a liability to repay *protected dormant accounts* held by a non-*DAS member* (B) and the assumption of liability takes place after the date to which, or as of which, A's most recent *tariff statement* is drawn up, the *FSCS* must not require A to pay an additional amount as a result of that acquisition.
- 20.3 This Chapter only applies with respect to those financial years of the *FSCS* for which A's levies are calculated on the basis of a *tariff statement* drawn up to a date, or as of a date, before the assumption of liability took place.

## **21 FUNDING – MANAGEMENT EXPENSES**

---

- 21.1 This Chapter applies only to the *FSCS*.
- 21.2 A *DAS member's* share of a *DAS management expenses levy* consists of:
- (1) one or more of a share of a *DAS base costs levy* and a share of a *DAS specific costs levy* if the *DAS member* is a *dormant account fund operator*;
  - (2) a share of a *DAS specific costs levy* if the *DAS member* is not a *dormant account fund operator*.
- 21.3 The *FSCS* must ensure that each *DAS member's* share of a *DAS management expenses levy* separately identifies the *firm's* share of the *DAS base costs levy* and *DAS specific costs levy* as applicable.
- 21.4 The *FSCS* must allocate any *DAS specific costs levy* to *class J* up to the levy limit for *class J* under 16.4.
- 21.5 The *FSCS* must calculate a *DAS member's* share of a *DAS specific costs levy* by:
- (1) identifying the *DAS specific costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the compensation schemes allocated to *class J*, but not yet levied;

- (2) calculating the *DAS member's class J tariff base* as a proportion of the *total class J tariff base*, using the *tariff statement* most recently supplied; and
  - (3) applying the proportion calculated in (2) to the figure in (1).
- 21.6 The *FSCS* must not require a *firm (A)* which becomes a *DAS member* part way through a financial year of the *dormant account scheme* to pay a share of a *DAS specific costs levy* until the financial year of the *FSCS* following the *FSCS* financial year in which *A* became a *DAS member*, at which time *A's* share of a *DAS specific costs levy* must be calculated under 21.7.
- 21.7 (1) Unless otherwise provided in (2) *A's class J tariff base* is calculated, where necessary, using the projected valuation of the business to which the tariff relates.
- (2)
- (a) If *A's class J tariff base* is calculated using data from a period that begins on or after it became a *DAS member*, that data must be used to calculate *A's class J tariff base*.
  - (b) If a *A's class J tariff base* satisfies the following conditions, it must be calculated under (c):
    - (i) *A* became a *DAS member* between 1 April and 31 December inclusive; and
    - (ii) *A's class J tariff base*, but for this rule, is calculated by reference to the financial year ended in the calendar year ending 31 December or the twelve *months* ending 31 December before the *FSCS* financial year.
  - (c) If *A* satisfies the conditions in (b) it must calculate its *class J tariff base* as follows:
    - (i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;
    - (ii) the tariff is calculated by reference to the period beginning on the date it became a *DAS member* and ending on the 31 December before the start of the *FSCS* financial year; and
    - (iii) the figures are annualised by increasing them by the same proportion as the period of 12 *months* bears to the period starting from when *A* became a *DAS member* to the 31 December, as the case may be.
  - (d) Where *A* is required to use the method in (c) it must notify the *FSCS* of its intention to do so by the date specified in 23.2.
  - (e) Where *A* is required to use actual data under this rule, 23.2 is disapplied, to the extent it is incompatible, in relation to the calculation of *A's* valuation date in its second financial year.

## 22 FUNDING – DAS COMPENSATION COSTS

---

- 22.1 This Chapter applies only to the *FSCS*.
- 22.2 The *FSCS* must allocate any *DAS compensation costs levy* to *DAS members* in accordance with the amount of *DAS compensation costs* arising from, or expected to arise from claims in respect of *protected dormant accounts* up to the levy limit of *class J* under 16.4.
- 22.3 The *FSCS* must calculate each *DAS member's* share of a *DAS compensation costs levy* by:
- (1) identifying the *DAS compensation costs* allocated to *class J*;
  - (2) calculating, in relation to *class J*, the *DAS member's* tariff base as a proportion of the total tariff base of all *DAS members* in *class J*, using the *tariff statement* most recently supplied;
  - (3) applying the proportion calculated in (2) to the figure in (1).
- 22.4 When calculating a *DAS member's* share of a *DAS compensation costs levy* or *DAS specific costs levy* allocated to *class J*, the *FSCS* must use the *class J tariff base*.
- 22.5 A *firm* which becomes a *DAS member* part way through a financial year of the *dormant account scheme* will not be liable to pay a share of a *DAS compensation costs levy* made in that year.
- 22.6 21.6 applies to the calculation of a *DAS member's DAS compensation costs levy* and its tariff base as it applies to the calculation of its *DAS specific costs levy*.

## 23 FUNDING – REPORTING REQUIREMENTS

---

- 23.1 This Chapter applies only to *DAS members*.
- 23.2 A *DAS member* must provide the *FSCS* by end of February each year (or, if it has become a *DAS member* part way through the financial year, by the date requested by the *PRA*) with a statement of its *class J tariff base* calculation (measured in accordance with the *class J tariff base*) which it conducted, in respect of the most recent valuation period ending before the relevant year in relation to *class J*.
- The relevant year means the year in which the month of February (referred to above) falls.
- The valuation period will be 31 December.
- 23.3 A new *DAS member* must calculate its *class J tariff base* in accordance with 21.7.
- 23.4 If a *DAS member* does not submit a complete *tariff statement* by the date on which it is due in accordance with 23.2 and any prescribed submission procedures:
- (1) the *DAS member* must pay an administrative fee of £250 (but not if it is already subject to an administrative fee by the *PRA* for the same financial year); and
  - (2) the *DAS compensation costs levy* and any *DAS specific costs levy* will be calculated using (where relevant) the valuation or valuations of business

applicable to the previous period, multiplied by the factor of 1.10 (or, if it has become a *DAS member* part way through a financial year, on the basis of the information provided to the *PRA* for the purposes of FEES 4.4.2 R) or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known.

## **24 FUNDING – OBLIGATION TO PAY**

---

- 24.1 This Chapter applies only to *DAS members*.
- 24.2 A *firm* must pay to the *FSCS* its share of each:
- (1) *DAS management expenses levy*; and
  - (2) *DAS compensation costs levy* allocated to *class J*.
- 24.3 If a *firm* does not pay the total amount of its share of a *DAS levy*, before the end of the date on which it is due, it must pay an additional amount as follows:
- (1) if the *DAS levy* was not paid in full before the end of the due date, an administrative fee of £250; plus
  - (2) interest on any unpaid part of the *DAS levy* or administrative fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

## **25 FUNDING – OVERPAYMENTS AND DEFERRAL**

---

- 25.1 The *FSCS* may reduce, remit or refund any overpaid amounts paid by a *DAS member* in respect of a particular period, due to a mistake of law or fact by the *DAS member* provided that the claim is made by the *DAS member* not more than 2 years after the beginning of the period to which the overpayment relates.
- 25.2 The *PRA* may defer, in whole or in part, a *firm's* obligation to pay a *DAS levy* if the *PRA* considers that such contributions would jeopardise the liquidity or solvency of the *firm*. Such deferral shall not be granted for a longer period than six months but may be renewed upon request of the *firm*.
- 25.3 Any contributions deferred pursuant to 25.2 shall be paid when the payment no longer jeopardises the liquidity and solvency of the *firm*.

## **26 PAYMENT OF LEVIES**

---

- 26.1 This Chapter applies only to *DAS members*.
- 26.2 A *firm* must pay its share of any levy made by the *FSCS* in one payment.
- 26.3 A *firm's* share of a *DAS levy* is due on, and payable within, 30 days of the date when the invoice is issued.

- 26.4 A *firm* must pay its share of a *DAS levy* by direct debit, credit transfer (e.g. BACS or CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/MasterCard/American Express only).
- 26.5 If a *firm* ceases to be a *DAS member* part way through a financial year of the *dormant account scheme*:
- (1) it will remain liable for any unpaid levies which the *FSCS* has already made on the *firm*; and
  - (2) the *FSCS* may make one or more levies upon it (which may be before or after the *firm* has ceased to be a *DAS member* but must be before it ceases to be a *firm* for the costs which it would have been liable to pay had the *FSCS* made a levy on all *DAS members* in the financial year it ceased to be a *DAS member*.

**PRA RULEBOOK: NON AUTHORISED PERSONS: FSCS MANAGEMENT EXPENSES LEVY  
LIMIT AND BASE COSTS INSTRUMENT 2015**

**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 213 (The compensation scheme); and
  - (2) section 223 (Management expenses).
- 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: Non Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2015**

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

**Commencement**

- E. This instrument comes into force on 3 July 2015.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Non Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

30 March 2015

**Annex**

In this Annex, the text is all new and is not underlined.

**Part**

# **FSCS MANAGEMENT EXPENSES LEVY LIMIT AND BASE COSTS**

---

**Chapter content**

- 1. APPLICATION AND DEFINITIONS**
- 2. LIMIT ON MANAGEMENT EXPENSES LEVIES**
- 3. BASE COSTS**

**Links**

## 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to the *FSCS*.

1.2 In this Part, the following definitions shall apply:

*contracts of insurance*

has the meaning given in Article 3(1) of the *Regulated Activities Order*.

*FCA compensation scheme rules*

means the rules of the *compensation scheme* that are *FCA* rules.

*management expenses levy*

means a levy imposed by the *FSCS* to meet *management expenses*.

*operating a dormant account fund*

means any of the *regulated activities* specified in:

- (1) article 63N(1)(a) of the *Regulated Activities Order* (meeting of repayment claims); or
- (2) article 63N(1)(b) of the *Regulated Activities Order* (managing dormant account funds (including the investment of such funds)).

*participant firm*

has the meaning given in the *PRA Handbook* for the purposes of the *PRA's* rules in FEES 1 and has the meaning given in the *FCA Handbook* for the purposes of the *FCA's* rules in FEES 1.

*policyholder protection scheme*

means the *compensation scheme* for claims under *contracts of insurance*.

*PRA class*

means a *class* to which the *FSCS* allocates levies in accordance with *PRA* rules.

*regulatory costs*

means the periodic fees payable to the *PRA* or *FCA* by a *participant firm* (and where applicable, the *Society*) in accordance with FEES 4 in the *PRA Handbook* and FEES 4 in the *FCA Handbook*.

1.3 Unless otherwise defined, an italicised expression used in this Part and in the Depositor Protection Part, has the same meaning as in the Depositor Protection Part.

1.4 Unless otherwise defined, an italicised expression used in this Part and in the Dormant Account Scheme Part, has the same meaning as in the Dormant Account Scheme Part.

## 2 LIMIT ON MANAGEMENT EXPENSES LEVIES

---

- 2.1 The total of all *management expenses levies* attributable to the period 1 April 2015 to 31 March 2016 of the *deposit guarantee scheme*, the *dormant account scheme* or the *policyholder protection scheme* may not exceed £74,429,000 less whatever *management expenses levies* the FSCS has imposed in accordance with *FCA compensation scheme rules* attributable to that period.

## 3 BASE COSTS

---

- 3.1 The FSCS must calculate a share of a *base costs levy* for a *firm*, a *dormant account fund operator* and, where applicable, the *Society* by:
- (1) identifying the *base costs* which the FSCS has incurred, or expects to incur, in the relevant financial year of the *compensation scheme* but has not yet levied and allocating 50% of those *base costs* as the sum to be levied on participants in *PRA classes*;
  - (2) calculating the amount of the *regulatory costs* of the *firm* or *dormant fund operator* (or, where applicable, the *Society*) as a proportion of the total *regulatory costs* of all *participant firms* (and, where applicable, the *Society*) for the relevant financial year; and
  - (3) applying the proportion calculated in (2), if any to the sum in (1).

**PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS, SOLVENCY II FIRMS, NON SOLVENCY II FIRMS AND NON AUTHORISED PERSONS: MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES INSTRUMENT 2015**

**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 224F (Rules about relevant schemes); and
- (2) section 213 (The compensation scheme).

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, Solvency II Firms, Non Solvency II Firms and Non Authorised Persons: Management Expenses in respect of Relevant Schemes Instrument 2015**

D. The PRA makes the rules in the Annex to this instrument.

**Commencement**

E. This instrument comes into force on 3 July 2015.

**Citation**

F. This instrument may be cited as the PRA Rulebook: CRR Firms, Non CRR Firms, Solvency II Firms, Non Solvency II Firms and Non Authorised Persons: Management Expenses in respect of Relevant Schemes Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

30 March

**Annex**

In this Annex, the text is all new and is not underlined.

**Part**

# **MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES**

---

**Chapter content**

- 1. APPLICATION AND DEFINITIONS**
- 2. MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES LEVY**
- 3. OBLIGATION TO PAY**
- 4. PAYMENTS**

**Links**

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) the *FSCS*;
- (2) a *firm*;
- (3) a *dormant account fund operator*; and
- (3) the *Society*.

1.2 In this Part, the following definitions shall apply:

*dormant account fund operator*

means a person with a *Part 4A permission* for operating a *dormant account fund*.

*MERS levy*

means a levy imposed by the *FSCS* on a *firm*, a *dormant account fund operator* or, where applicable, the *Society*, to meet *relevant expenses* incurred by the *FSCS* in connection with acting on behalf of the *manager of the relevant scheme* in accordance with Part 15A of *FSMA*.

*manager of the relevant scheme*

has the meaning given in section 224B(3) of *FSMA*.

*operating a dormant account fund*

means any of the *regulated activities* specified in:

- (1) article 63N(1)(a) of the *Regulated Activities Order* (meeting of repayment claims); or
- (2) article 63N(1)(b) of the *Regulated Activities Order* (managing dormant account funds (including the investment of such funds)).

*relevant expenses*

means management expenses as defined in section 224F(7) of *FSMA*.

*relevant scheme*

means a scheme or arrangement (other than the *Financial Services Compensation Scheme*) for the payment of compensation (in certain cases) to customers (including customers outside the *United Kingdom*) in respect of *deposits* or under contracts of insurance or in respect of similar financial services.

## 2 MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES LEVY

---

2.1 This Chapter applies only to the *FSCS*.

2.2 The *FSCS* may at any time impose a *MERS levy* on a *firm*, a *dormant account fund operator* or, where applicable, the *Society* provided that the *FSCS* has reasonable grounds for

believing that the funds available to it to meet *relevant expenses* are, or will be insufficient, taking into account *relevant expenses* already incurred or expected to be incurred in the 12 *months* immediately following the date of the levy.

- 2.3 The FSCS can impose a *MERS levy* only if the FSCS has tried its best and has failed to obtain reimbursement of those expenses from the *manager of the relevant scheme*.
- 2.4 The FSCS must calculate a share of a *MERS levy* for a *firm*, a *dormant account fund operator* or, where applicable, the *Society*, on a reasonable basis.

### 3 OBLIGATION TO PAY

---

- 3.1 A *firm* or a *dormant account fund operator* (and, where applicable, the *Society*) must pay to the FSCS its share of each *MERS levy*.

### 4 PAYMENTS

---

- 4.2 A *firm* or a *dormant account provider* (and, where applicable, the *Society*) must pay its share of a *MERS levy* in one payment.
- 46.3 A share of a *MERS levy* is due on, and payable within, 30 days of the date when the invoice is issued.
- 46.4 A *firm* or a *dormant account fund operator* (and, where applicable, the *Society*) must pay its share of a *MERS levy* by either direct debit, credit transfer (e.g. BACS or CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard/American Express only).
- 4.2 The FSCS may reduce, remit or refund any overpaid amounts paid in respect of a *MERS levy* in respect of a particular period, due to a mistake of law or fact by a *firm*, a *dormant account fund operator* or, where applicable, the *Society*, provided that the claim is made by the *firm*, *dormant account provider* or, where applicable, the *Society* not more than two years after the beginning of the period to which the overpayment relates.
- 4.5 If a *firm* or a *dormant account fund operator* (and, where applicable, the *Society*), does not pay the total amount of its share of a *MERS levy*, before the end of the date on which it is due, it must pay an additional amount as follows:
- (1) if the *MERS levy* was not paid in full before the end of the due date, an administrative fee of £250; and
  - (2) interest on any unpaid part of the *MERS levy* or administrative fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

**HANDBOOK (RULEBOOK CONSEQUENTIALS No. 1) INSTRUMENT 2015****Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in 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 (The compensation scheme);
  - (4) section 214 (General);
  - (5) section 215 (Rights of the scheme in insolvency);
  - (6) section 218A (Regulators power to require information);
  - (7) section 223 (Management expenses); and
  - (8) section 224F (Rules about relevant schemes).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority) (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**Commencement**

- D. This instrument comes into force on 3 July 2015.

**Amendments**

- E. The modules of the PRA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
General provisions (GEN)	Annex B
Fees manual (FEES)	Annex C
Supervision manual (SUP)	Annex D
Credit Unions sourcebook (CREDS)	Annex E

**Deletion**

- G. Each of the following modules and chapters of the PRA’s Handbook is deleted:

FEES 6 (Financial Services Compensation Scheme Funding)
COMP (Compensation)

**Citation**

H. This instrument may be cited as the Handbook (Rulebook Consequentials No. 1) Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

30 March 2015

## Annex A

### Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend the following as shown:

~~*annual eligible income*~~ (in *FEES*) (in relation to a *firm* and a *class*) the annual income (as described ~~FEES 6 Annex 3~~) for the *firm's* last financial year ended in the year to 31 December preceding the date for submission of the information under ~~FEES 6.5.13 R~~, attributable to that *class*. A *firm* must calculate *annual eligible income* from such annual income in one of the following ways:

~~(a) only include such annual income if it is attributable to business conducted with or for the benefit of *eligible claimants* and is otherwise attributable to compensatable business; or~~

~~(b) include all such annual income.~~

~~*article 9 default*~~ (as defined in article 2(2) of the ~~*compensation transitionals order*~~) any of the following:

~~(a) the passing of a resolution for the voluntary winding up of an authorised insurance company within the meaning of section 3 of the Policyholders Protection Act 1975 in circumstances falling within section 5(1)(a) of that Act;~~

~~(b) the making by the court of an order for the winding up of such a company in accordance with section 5(1)(b) of that Act;~~

~~(c) the appointment of a provisional liquidator in the circumstances falling within section 15 of that Act in respect of such a company;~~

~~(d) such a company becoming a company in financial difficulties within the meaning of section 16 of that Act;~~

~~(e) a *participating deposit taker* becoming insolvent for the purposes of Part II of the Banking Act 1987;~~

~~(f) a *participating institution* becoming insolvent within the meaning of section 25A of the Building Societies Act 1986;~~

~~(g) the beginning of a dissolution or transfer of engagements of a *member society* in accordance with rule 9(2) of the Rules of the Friendly Societies Protection Scheme.~~

~~*authorised insurance company* (In *COMP*) (in accordance with the *compensation transitionals order*) a person who was, at any time before *commencement*, authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on insurance business of any class in the *United Kingdom*.~~

~~*base costs levy* a levy, forming part of the *management expenses levy*, to meet the *base costs* in the financial year of the *compensation scheme* to which the levy relates, each *participant firm's* share being calculated in accordance with FEES 6.4.5 R.~~

*class*

...

(B) In the *PRA Handbook*:

....

(5) (in *FEES*) one of the classes to which *FSCS* allocates levies as described in FEES 6.5.7 R in accordance with the rules of the *compensation scheme*.

~~compensation costs~~ ————— ~~the costs incurred:~~

- ~~(a) in paying compensation; or~~
- ~~(b) as a result of making the arrangements contemplated in COMP 3.3.1 R or taking the measures contemplated in COMP 3.3.3 R; or~~
- ~~(c) in making payments or giving indemnities under COMP 11.2.3 R; or~~
- ~~(d) under section 214B or section 214D of the Act; or~~
- ~~(e) by virtue of section 61 (Sources of compensation) of the Banking Act 2009;~~
- ~~(including the costs of paying interest, principal and other costs of borrowing to pay such costs).~~

~~compensation costs levy~~ ————— ~~a levy imposed by the FSCS on participant firms to meet compensation costs, each participant firm's share being calculated in accordance with FEES 6.5~~

*deferred share*

(A) In the FCA Handbook:

(1) (other than in *CREDS* and *COMP*) in relation to a *building society*, a deferred share as defined in the Building Societies (Deferred Shares) Order 1991.

(2) (in *CREDS* and COMP 5.3.1 R (2)(cA)) in relation to a *Great Britain credit union*, means any share of a class defined as a deferred share by section 31A of the Credit Unions Act 1979.

(B) In the PRA Handbook:

in relation to a *building society*, a deferred share as defined in the Building Societies (Deferred Shares) Order 1991.

*deposit*

(A) In the FCA Handbook:

(1) ....

(B) In the PRA Handbook:

the investment, specified in article 74 and defined in articles 5(2) and 5(3) of the *Regulated Activities Order*, which is in summary: a sum of money (other than one excluded by any of articles 6 to 9 AB of the *Regulated Activities Order*) paid on terms:

(1) under which it will be repaid, with or without interest or a premium, and either on demand or at a time or in circumstances agreed by or on behalf of the *person* making the payment and the *person* receiving it; and

(2) which are not referable to the provision of property (other than currency) or services or the giving of security; in this definition, money is paid on terms which are referable to the provision of property or services or the giving of security if, and only if:

(a) it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is or are not in fact sold, hired or otherwise provided; or

(b) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of a contract; or

(c) without prejudice to (ii), it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise.

*DGD claim*

(A) In the *PRA Handbook*:

*a claim, in relation to a protected deposit, against a CRD credit institution, whether established in the United Kingdom or in another EEA State.*

*electronic SCV rules*

(in *COMP*) COMP 17.2.1 R(2), COMP 17.2.3 R(3) and COMP 17.2.5 R, the application of

which is determined by COMP 17.1 and COMP 17.2.7 R.

*eligible claimant* — a person eligible to have a *complaint* considered under the *Financial Ombudsman Service*, as defined in DISP 2.7 (Is the complainant eligible?).

*establishment costs* — (1) (in FEES 6) the costs of establishing the *compensation scheme*.

(2) (in FEES 5) the costs of establishing the *Financial Ombudsman Service*.

*in default* — the status of being in default following a determination made under COMP 6.3.1 R.

*investment business compensation scheme* — (as defined in article 2(2) of the *compensation transitionals order*) any of the following:

(a) the scheme established under section 54 of the Financial Services Act 1986 and known as the Investors Compensation Scheme;

(b) the scheme established under section 22j of the Grey Paper published by the FSA on 26 September 1998 and known as the Section 43 Compensation Scheme;

(c) the scheme established by chapter II of part L:VIII of the *PIA* rule book and known as the *PIA* Indemnity Scheme;

(d) the scheme resulting from an agreement dated 1 February 1999 between the Association of British Insurers and the Investors Compensation Scheme Limited for the making of payments by way of compensation to widows, widowers and dependants of persons (since deceased), in connection with advice given to such persons in relation to pensions, or the arranging of pensions for such persons, and known as the *ABI/ICS* scheme.

*large mutual association*

(A) (in the *PRA Handbook*):

(1) (in *COMP*), an unincorporated mutual association or an unincorporated association (which is not a mutual

association) with net assets of more than £1.4 million (or its equivalent in any currency at the relevant time).

~~(2) (except in COMP), A mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).~~

...

*large partnership*

(A) (in the *PRA Handbook*):

~~(1) (in COMP), a partnership with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).~~

~~(2) (except in COMP), A partnership or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).~~

*levy limit*

...

~~(B) In the *PRA Handbook*:~~

~~(in FEES) the maximum aggregate amount of compensation costs and specific costs that may be allocated to a particular class in one financial year as set out in FEES 6 Annex 2 R.~~

*management expenses*

(A) In the *FCA Handbook*:

(1) (except in *INSPRU*) ...

(2) (in *INSPRU*) ...

(B) In the *PRA Handbook*:

~~(1) (except in *INSPRU*) (in accordance with section 223 of the Act (Management expenses)) expenses incurred or expected to be incurred by the *FSCS* in connection with its function under the Act, other than compensation costs and costs incurred under Part 15A of the Act; for the purposes of FEES 6 these are~~

~~subdivided into *base costs*, *specific costs* and *establishment costs*.~~

~~(2) (in *INSPRU*) in relation to *long-term insurance business*, means all expenses, other than *commission*, incurred in the administration of an *insurer* or its business.~~

~~*management expenses levy* — a levy imposed by the *FSCS* on *participant firms* to meet the *management expenses* and which is made up of one or more of a *base cost levy* and a *specific costs levy*, each *participant firm's* share being calculated in accordance with FEES 6.4.~~

~~*MERS levy* — a levy (management expenses in respect of relevant schemes levy) imposed by the *FSCS* on *participant firms* to meet the management expenses incurred by the *FSCS* in connection with acting on behalf of the *manager of the relevant scheme* in accordance with Part 15A of the *Act*.~~

~~*mesothelioma victim* — (in accordance with section 3 (1) of the Compensation Act 2006) a *person* who has contracted mesothelioma as a result of exposure to asbestos by a *responsible person*.~~

~~*money-purchase benefits* — (A) In the *FCA Handbook*:~~

~~(1) (except in *COMP*) (in relation to an *occupational pension scheme*) benefits the rate or amount of which are calculated by reference to a payment or payments made by a member of the scheme.~~

~~(2) (in *COMP*) in relation to a member of a *personal pension scheme* or an *occupational pension scheme* or the widow or widower or surviving civil partner of a member of such a scheme, means benefits the rate or amount of which is calculated by reference to a~~

payment or payments made by the member or by any other *person* in respect of the member and which are not average salary benefits.

(B) In the *PRA Handbook*:

(in relation to an *occupational pension scheme*) benefits the rate or amount of which are calculated by reference to a payment or payments made by a member of the scheme.

~~*occupational pension fund management business*—(in *COMP*) the business of carrying on:~~

~~(1) *pension fund management*; or~~

~~(2) (other than in connection with a *personal pension scheme*) *pension fund management*, written as linked long term business, for an *occupational pension scheme* or for an institution falling within article 2 of the Council Directive of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision (No 2003/41/EC) but only to the extent that:~~

~~(a) there is no transfer to the *participant firm* of:~~

~~(i) investment, market, or credit risk;~~

~~(iii) mortality or expense risk prior to any annuity being effected; and~~

~~(b) any annuity options provide for the *participant firm* to change the annuity rates without prior notice.~~

*participant firm*

(A) In the *PRA Handbook*:

(1) (except in FEES 1 and FEES 6) a *firm* or a *member* other than:

(a) ....

(2) (in FEES 1 and FEES 6) a *firm* specified in paragraph (1) above that is not a *member*.

(B) In the *FCA Handbook*:

(1) ...

<del><i>pending application</i></del>	(as defined in article 3(1) of the <del><i>compensation transitionals order</i></del> ):
	(a) an <del>application for compensation made under an investment business compensation scheme before commencement</del> in relation to which a <del>terminating event</del> did not occur before <del>commencement</del> ; and
	(b) an <del>application made to the FSCS after commencement under an investment business compensation scheme, even if at the time of application that scheme had otherwise ceased to exist.</del>
<del><i>PRA's SCV requirements</i></del>	(in <del>COMP</del> ) the <del>PRA's</del> requirements with respect to <del>single customer view</del> .
<del><i>protected claim</i></del>	<del>a claim which is covered by the compensation scheme, as defined in COMP 5.2.1 R.</del>
<del><i>protected contract of insurance</i></del>	<del>a contract of insurance which is covered by the compensation scheme, as defined in COMP 5.4.1 R.</del>
<del><i>protected deposit</i></del>	<del>deposit which is covered by the compensation scheme, as defined in COMP 5.3.1 R.</del>
<del><i>protected dormant account</i></del>	<del>a dormant account which is covered by the compensation scheme, as defined in COMP 5.3.2R.</del>
<del><i>protected home finance mediation</i></del>	<del>activities in relation to home finance transactions which are covered by the compensation scheme, as defined in COMP 5.6.1 R.</del>
<del><i>protected investment business</i></del>	<del>designated investment business which is covered by the compensation scheme, as defined in COMP 5.5.1 R.</del>
<del><i>protected non investment insurance</i></del>	

<i>mediation</i>	<del>insurance mediation activities which are covered by the compensation scheme, as defined in COMP 5.7.1 R.</del>
<i>quantification date</i>	<del>the date as at which the liability of the relevant person in default is to be determined under COMP 12.3.</del>
<i>reinsurance contract</i>	<del>(in, COBS 21, ICOBS, CASS 5 and COMP) a contract of insurance covering all or part of a risk to which a person is exposed under a contract of insurance.</del>
<i>relevant former scheme</i>	<p><del>(as defined in article 2(2) of the compensation transitionals order):</del></p> <p><del>(a) in relation to a pending application, the investment business compensation scheme under which the application was made;</del></p> <p><del>(b) in relation to an article 9 default, one of the following that applied to the default before commencement:</del></p> <ul style="list-style-type: none"> <li><del>(i) the Policyholders Protection Scheme established by the Policyholders Protection Act 1975;</del></li> <li><del>(ii) the Deposit Protection Scheme established by Part II of the Banking Act 1987;</del></li> <li><del>(iii) the Building Societies Investor Protection Scheme established by Part IV of the Building Societies Act 1986;</del></li> <li><del>(iv) the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.</del></li> </ul>
<i>relevant general insurance contract</i>	<p><del>(in COMP) any general insurance contract other than:</del></p> <ul style="list-style-type: none"> <li><del>(a) [deleted]</del></li> <li><del>(b) [deleted]</del></li> </ul>

~~(c) a contract falling within any of the following classes:~~

- ~~(i) aircraft;~~
- ~~(ii) ships;~~
- ~~(iii) goods in transit;~~
- ~~(iv) aircraft liability;~~
- ~~(v) liability of ships;~~
- ~~(vi) credit.~~

~~relevant net premium income~~ (1) ~~(in relation to business which is not occupational pension fund management business) the premium income in respect of protected contracts of insurance of a firm; or~~

~~(2) (in relation to occupational pension fund management business) the remuneration retained by a firm in relation to its carrying on occupational pension fund management business~~

~~in the year preceding that in which the date for submission of the information under FEES 6.5.13 R falls, net of any relevant rebates or refunds.~~

*relevant person*

(A) In the FCA Handbook:

(1) (in COMP) a person for claims against whom the compensation scheme provides cover, as defined in COMP 6.2.1 R.

(2) ....

(B) In the PRA Handbook:

Any of the following:

(1) a director, partner or equivalent, manager or appointed representative (or where applicable, tied agent) of the firm;

(2) a director, partner or equivalent, or manager of any appointed representative (or where applicable, tied agent) of the firm;

(3) an employee of the firm or of an appointed representative (or where applicable, tied agent)

of the firm; as well as any other natural person whose services are placed at the disposal and under the control of the firm or an appointed representative or a tied agent of the firm and who is involved in the provision by the firm of regulated activities;

(4) a natural person who is directly involved in the provision of services to the firm or its appointed representative (or where applicable, tied agent) under an outsourcing arrangement or (in the case of a management company) a delegation arrangement to third parties, for the purpose of the provision by the firm of regulated activities or (in the case of a management company) collective portfolio management.

[Note: article 2(3) of the MiFID implementing Directive and article 3(3) of the UCITS implementing Directive]

*relevant scheme*

~~(1) (except in FEES 6) a collective investment scheme managed by an EEA UCITS management company.~~

~~(2) (in FEES 6) a scheme or arrangement (other than the compensation scheme) for the payment of compensation (in certain cases) to customers (including customers outside the United Kingdom) of persons (including persons outside the United Kingdom) who provide financial services (including financial services provided outside the United Kingdom) or carry on a business connected with the provision of such services.~~

*repayment claim*

~~(in relation to a dormant account) a claim for repayment made by virtue of sections 1(2)(b) or 2(2)(b) of the Dormant Bank and Building Society Accounts Act 2008, that is, in summary, that the customer has against the dormant account fund operator whatever right to payment of the balance the customer would have against the bank or building society if the transfer (or in the case of section 2(2)(b), transfers) had not happened. In this definition, 'customer' is the person who held with a bank or building society the balance of a dormant~~

*account transferred to a dormant account fund operator.*

<i>responsible person</i>	<p>(1) (except in COMP) (as defined in section 3(8) of the Child Trust Funds Act 2004) a person with parental responsibility in relation to a child under 16 who is not:</p> <p>(a) a local authority or, in Northern Ireland, an authority within the meaning of the Children (Northern Ireland) Order 1995 (SI 1995/755 (NI 2)); or</p> <p>(b) a person under 16.</p> <p>(2) (in COMP) (in accordance with section 3(1) of the Compensation Act 2006) a person who has negligently or in breach of statutory duty caused or permitted another person to be exposed to asbestos (including an insurer of such a person).</p>
<i>retail pool</i>	<p>the pool of <i>classes</i> to which the FSCS allocates levies as described in FEES 6.5A [to follow].</p>
<i>SCV implementation report</i>	<p>(in COMP) a report in accordance with COMP 17.3.6 R explaining how the relevant <i>firm</i> has satisfied the PRA's SCV requirements.</p>
<i>SCV report</i>	<p>(in COMP) a report in accordance with COMP 17.3.9 R from the relevant <i>firm's</i> board of directors confirming that the <i>firm's</i> SCV system satisfies the PRA's SCV requirements.</p>
<i>SCV system</i>	<p>(in COMP) a <i>firm's</i> system for satisfying the PRA's SCV requirements.</p>
<i>single customer view</i>	<p>(in COMP) a single, consistent view of an <i>eligible claimant's</i> aggregate protected deposits with the relevant <i>firm</i> which contains the information required by COMP 17.2.4 R, but excluding from that view those accounts where the <i>eligible claimant</i> is a beneficiary rather than the account holder or if the account is not active as defined in COMP 17.2.3 R (2).</p>

<i>small business</i>	(in <i>COMP</i> ) a <i>partnership, body corporate, unincorporated association or mutual association</i> with an annual turnover of less than £1 million (or its equivalent in any other currency at the relevant time).
<i>specific costs</i>	<i>management expenses other than base costs and establishment costs.</i>
<i>specific costs levy</i>	a levy, forming part of the <i>management expenses levy</i> , to meet the <i>specific costs</i> in the financial year of the <i>compensation scheme</i> to which the levy relates, each <i>participant firm's</i> share being calculated in accordance with FEES 6.4.7 R.
<i>terminating event</i>	(as defined in article 2(1) of the <i>compensation transitionals order</i> ) in relation to applications made under an <i>investment business compensation scheme</i> , the withdrawal, discontinuance or rejection of the application, or its determination by a final payment of compensation to the applicant.
<i>working day</i>	<p>(1) (in <i>PR</i> and <i>COMP</i>) (as defined in section 103 of the <i>Act</i>) any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the <i>United Kingdom</i>.</p> <p>(2) (in relation to an <i>underwriter</i> and for the purpose of <i>BIPRU</i> but not for the purpose of the definition of <i>working day 0</i>) the number of <i>business days</i> after <i>working day 0</i> specified by the provision in question so that, for example, <i>working day one</i> means the <i>business day</i> following <i>working day 0</i>.</p>

## Annex B

### Amendments to General Provisions (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text

2.2.25 G ~~[PRA]~~ Examples of rules being interpreted as cut back by *GEN 2.2.23 R* include the following:

(1) ~~[deleted]~~

(2) ~~*SYSC 6.1.1 R* requires a *firm* to maintain adequate policies and procedures to ensure compliance with its obligations under the *regulatory system*; *SYSC 6.1.1 R* should be interpreted:~~

(a) ~~as applied by the *FCA* in respect of a *PRA-  
authorised person's* compliance with regulatory obligations that are the responsibility of the *FCA* (for example, in respect of a *bank* maintaining policies and procedures to ensure compliance with banking conduct requirements in *BCOBS*); and,~~

(b) ~~as applied by the *PRA* in respect of a *PRA-  
authorised person's* compliance with those regulatory obligations that are the responsibility of the *PRA* (for example, in respect of a *bank* maintaining policies and procedures to ensure compliance with financial resources requirements in the *PRA* Rulebook and the *EU*~~

~~CRR).~~

- (3) ~~COMP 5.2.1 R sets out types of *protected claims* to be covered by the FSCS. The powers of the FCA and the PRA to make this type of rule are set out in the order made under section 213(1A) of the Act. The rule must be read as applying only to the extent of those powers. For example, the PRA has no power to make COMP 5.2.1 R (3) creating *protected claims* in connection with *protected investment business*, and the FCA has no power to make COMP 5.2.1 R (1) as creating *protected claims* for a *protected deposit*. As such, those provisions are to be interpreted as not applied by the PRA and FCA, respectively.~~

2.2.25A G **[PRA]** - Examples of rules being interpreted as cut back by GEN 2.2.23R include the following:

- (1) SYSC 6.1.1R requires a firm to maintain adequate policies and procedures to ensure compliance with its obligations under the regulatory system; SYSC 6.1.1 R should be interpreted:
- (a) as applied by the FCA in respect of a PRA-*authorised person's* compliance with regulatory obligations that are the responsibility of the FCA (for example, in respect of a bank maintaining policies and procedures to ensure compliance with banking conduct requirements in BCOBS); and,
- (b) as applied by the PRA in respect of a PRA-*authorised person's* compliance with those regulatory obligations that are the responsibility of the PRA (for example, in respect of a bank maintaining policies and procedures to ensure compliance with financial resources requirements in the PRA Rulebook and the EU CRR).

## Annex C

### Amendments to the Fees manual

In this Annex, underlining indicates new text and striking through indicates deleted text

- 1 Fees Manual**
- 1.1 Application and purpose**
- 1.1.1 ~~G~~ ~~FEES applies to all persons required to pay a fee or levy under a provision of the Handbook. The purpose of this chapter is to set out to whom the rules and guidance in FEES apply. FEES 2 (General Provisions) contains general provisions which may apply to any type of fee payer. FEES 3 (Application, Notification and Vetting Fees) covers one-off fees payable on a particular event for example various application fees (including those in relation to authorisation, variation of Part 4A permission, listing and the Basel Capital Accord) and fees relating to certain notifications and document vetting requests. FEES 4 (Periodic fees) covers all periodic fees and transaction reporting fees. FEES 5 (Financial Ombudsman Service Funding) relates to FOS levies and case fees (in FEES 5.5A). FEES 6 (Financial Services Compensation Scheme Funding) relates to the FSCS levy. FEES 7 relates to the CFEB levy.~~
- 1.1.1- A FEES applies to all persons required to pay a fee or levy under a provision of the Handbook. The purpose of this chapter is to set out to whom the rules and guidance in FEES apply. FEES 2 (General Provisions) contains general provisions which may apply to any type of fee payer. FEES 3 (Application, Notification and Vetting Fees) covers one-off fees payable on a particular event for example various application fees (including those in relation to authorisation, variation of Part 4A permission, listing and the Basel Capital Accord) and fees relating to certain notifications and document vetting requests. FEES 4 (Periodic fees) covers all periodic fees and transaction reporting fees.
- 1.1.2 R ...
- (4) ~~FEES 1, 2 and 6 apply to:~~
- (a) ~~every participant firm;~~
- (b) ~~the FSCS; and~~
- (c) ~~the Society.~~
- ...
- 2 General provisions**
- 2.1.1 R ~~Except to the extent referred to in FEES 2.1.1A R, this chapter applies to every person who is required to pay a fee or share of a levy to the appropriate~~

*regulator*, *FOS Ltd* or *FSCS*, as the case may be, by a provision of the *Handbook*.

2.1.1- R This chapter applies to every *person* who is required to pay a fee or share of a  
A levy to the *PRA* by a provision of the *Handbook*.

...

2.1.4 G ~~The purpose of this chapter is to set out the general provisions applicable to those who are required to pay fees or levies to the *appropriate regulator* or a share of the *FSCS* levy.~~

2.1.4A G The purpose of this chapter is to set out the general provisions applicable to those who are required to pay fees or levies to the *PRA*.

2.1.5- G Paragraph 31 of Schedule 1ZB of the *Act* enables the *PRA* to charge fees to cover its costs and expenses in carrying out its functions. ~~The corresponding provisions for the *FSCS* levy are set out in *FEES 6.1*.~~  
 A

...

2.1.7 G ~~The key components of the *appropriate regulator* fee mechanism (excluding the *FSCS* levy, the *FOS* levy and case fees, and the *CFEB* levy which are dealt with in *FEES 5*, *FEES 6* and *FEES 7*) are:~~

- (1) ~~a funding requirement derived from:
 
  - (a) ~~the *appropriate regulator's* financial management and reporting framework;~~
  - (b) ~~the *appropriate regulator's* budget; and~~
  - (c) ~~adjustments for audited variances between budgeted and actual expenditure in the previous accounting year, and reserves movements (in accordance with the *appropriate regulator's* reserves policy);~~~~
- (2) ~~mechanisms for applying penalties received during previous financial years for the benefit of fee payers;~~
- (3) ~~fee blocks, which are broad groupings of fee payers offering similar products and services and presenting broadly similar risks to the *appropriate regulator's* regulatory objectives;~~
- (4) ~~a costing system to allocate an appropriate part of the funding requirement to each fee block; and~~
- (5) ~~tariff bases, which, when combined with fee tariffs, allow the calculation~~

of fees.

2.1.7A G The key components of the PRA fee mechanism (excluding levies relating to the FSCS) are:

- (1) a funding requirement derived from:
  - (a) the PRA's financial management and reporting framework;
  - (b) the PRA's budget; and
  - (c) adjustments for audited variances between budgeted and actual expenditure in the previous accounting year, and reserves movements (in accordance with the PRA's reserves policy);
- (2) mechanisms for applying penalties received during previous financial years for the benefit of fee payers;
- (3) fee-blocks, which are broad groupings of fee payers offering similar products and services and presenting broadly similar risks to the PRA's regulatory objectives;
- (4) a costing system to allocate an appropriate part of the funding requirement to each fee-block; and
- (5) tariff bases, which, when combined with fee tariffs, allow the calculation of fees.

...

2.2.1 R If a person does not pay the total amount of a periodic fee, FOS levy, or share of the FSCS levy or CFEB levy, before the end of the date on which it is due, under the relevant provision in FEES 4, 5, 6 or 7, that person must pay an additional amount as follows:

- (1) if the fee was not paid in full before the end of the due date, an administrative fee of £250; plus
- (2) interest on any unpaid part of the fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

2.2.1A R If a person does not pay the total amount of a periodic fee before the end of the date on which it is due, under the relevant provision in FEES 4, that person must pay an additional amount as follows:

- (1) if the fee was not paid in full before the end of the due date, an administrative fee of £250; plus

(2) interest on any unpaid part of the fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

...

- 2.2.3 G ~~Paragraphs 23(8) and 27 of Schedule 1ZA and paragraphs 31(7) and 35 of Schedule 1ZB of the Act permit the FCA and PRA respectively to recover fees (including in respect of the FCA, fees relating to *payment services*, the issuance of *electronic money* and, where relevant, *FOS levies* and *CFEB levies*), and section 213(6) permits the FSCS to recover shares of the FSCS levy payable, as a debt owed to the FCA, PRA and FSCS respectively, and the FCA, PRA and FSCS, as relevant, will consider taking action for recovery (including interest) through the civil courts.~~
- 2.2.3A G Paragraphs 31(7) and 35 of Schedule 1ZB of the Act permits the PRA to recover fees as a debt owed to the PRA and the PRA will consider taking action for recovery (including interest) through the civil courts.
- 2.2.4 G ~~In addition, the *appropriate regulator* may be entitled to take regulatory action in relation to the non-payment of fees, *FOS levies* and *CFEB levies*. The *appropriate regulator* may also take regulatory action in relation to the non-payment of a share of the FSCS levy, after reference of the matter to the *appropriate regulator* by the FSCS. What action (if any) that is taken by the *appropriate regulator* will be decided upon in the light of the particular circumstances of the case.~~
- 2.2.4A G In addition, the PRA may be entitled to take regulatory action in relation to the non-payment of fees. What action (if any) that is taken by the PRA will be decided upon in the light of the particular circumstances of the case.
- 2.3.1 R ~~If it appears to the *appropriate regulator* or the FSCS (in relation to any FSCS levy only) that in the exceptional circumstances of a particular case, the payment of any fee, FSCS levy, FOS levy or CFEB levy would be inequitable, the *appropriate regulator* or the FSCS as relevant, may (unless FEES 2.3.2B R applies) reduce or remit all or part of the fee or levy in question which would otherwise be payable.~~
- 2.3.1A R If it appears to the PRA that in the exceptional circumstances of a particular case, the payment of any fee would be inequitable, the PRA may (unless FEES 2.3.2B R applies) reduce or remit all or part of the fee in question which would otherwise be payable.
- 2.3.2 R ~~If it appears to the *appropriate regulator* or the FSCS (in relation to any FSCS levy only) that in the exceptional circumstances of a particular case to which FEES 2.3.1R does not apply, the retention by the *appropriate regulator*, the~~

~~FSCS, or the CFEB, as relevant, of a fee, FSCS levy, FOS levy or CFEB levy which has been paid would be inequitable, the appropriate regulator, the FSCS or the CFEB, may (unless FEES 2.3.2B R applies) refund all or part of that fee or levy.~~

2.3.2- A R If it appears to the PRA that in the exceptional circumstances of a particular case to which FEES 2.3.1A R does not apply, the retention by the PRA of a fee which has been paid would be inequitable, the PRA may (unless FEES 2.3.2C R applies) refund all or part of that fee.

...

~~2.3.2B R The appropriate regulator or the FSCS may not consider a claim under FEES 2.3.1 R and/or FEES 2.3.2 R to reduce, remit or refund any overpaid amounts paid by a fee or levy payer in respect of a particular period, due to a mistake of fact or law by the fee or levy payer, if the claim is made by the fee or levy payer more than 2 years after the beginning of the period to which the overpayment relates.~~

2.3.2C R The PRA may not consider a claim under FEES 2.3.1A R and/or FEES 2.3.2-A R to reduce, remit or refund any overpaid amounts paid by a fee payer in respect of a particular period, due to a mistake of fact or law by the fee payer, if the claim is made by the fee payer more than 2 years after the beginning of the period to which the overpayment relates.

**Annex E**

**Amendments to the Credit Unions Sourcebook (CREDS)**

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

Sch ~~G~~ ~~[PRA]~~  
3.2

Description of fee	Reference
<del>Appropriate regulator rules relating to authorisation fees</del>	<del>FEES 3</del>
Schedule of <del>authorisation</del> fees payable	<del>FEES 3 Annex 1 R</del>
<del>Appropriate regulator fees rules relating to the periodic fee</del>	<del>FEES 4</del>
Schedule of periodic fees payable	<del>FEES 4 Annex 2A R Part 1 and FEES 4 Annex 2B R Part 1</del>
<del>FOS funding rules</del>	<del>FEES 5</del>
<del>FSCS funding rules</del>	<del>FEES 6</del>

Sch ~~G~~ ~~[PRA]~~  
3.2  
A

Description of fee	Reference
<u>Appropriate regulator rules relating to authorisation fees</u>	<u>FEES 3</u>
Schedule of <del>authorisation</del> fees payable	<del>FEES 3 Annex 1 R</del>
<u>Appropriate regulator fees rules relating to the periodic fee</u>	<u>FEES 4</u>

<u>Schedule of periodic fees payable</u>	<u>FEES 4 Annex 2A R Part 1 and FEES 4 Annex 2B R Part 1</u>
<u>FOS funding rules</u>	<u>FEES 5</u>
<u>FSCS funding rules</u>	<u>FEES 6-Depositor Protection Part in the PRA Rulebook, Management Expenses in Respect of Relevant Schemes Part in the PRA Rulebook</u>

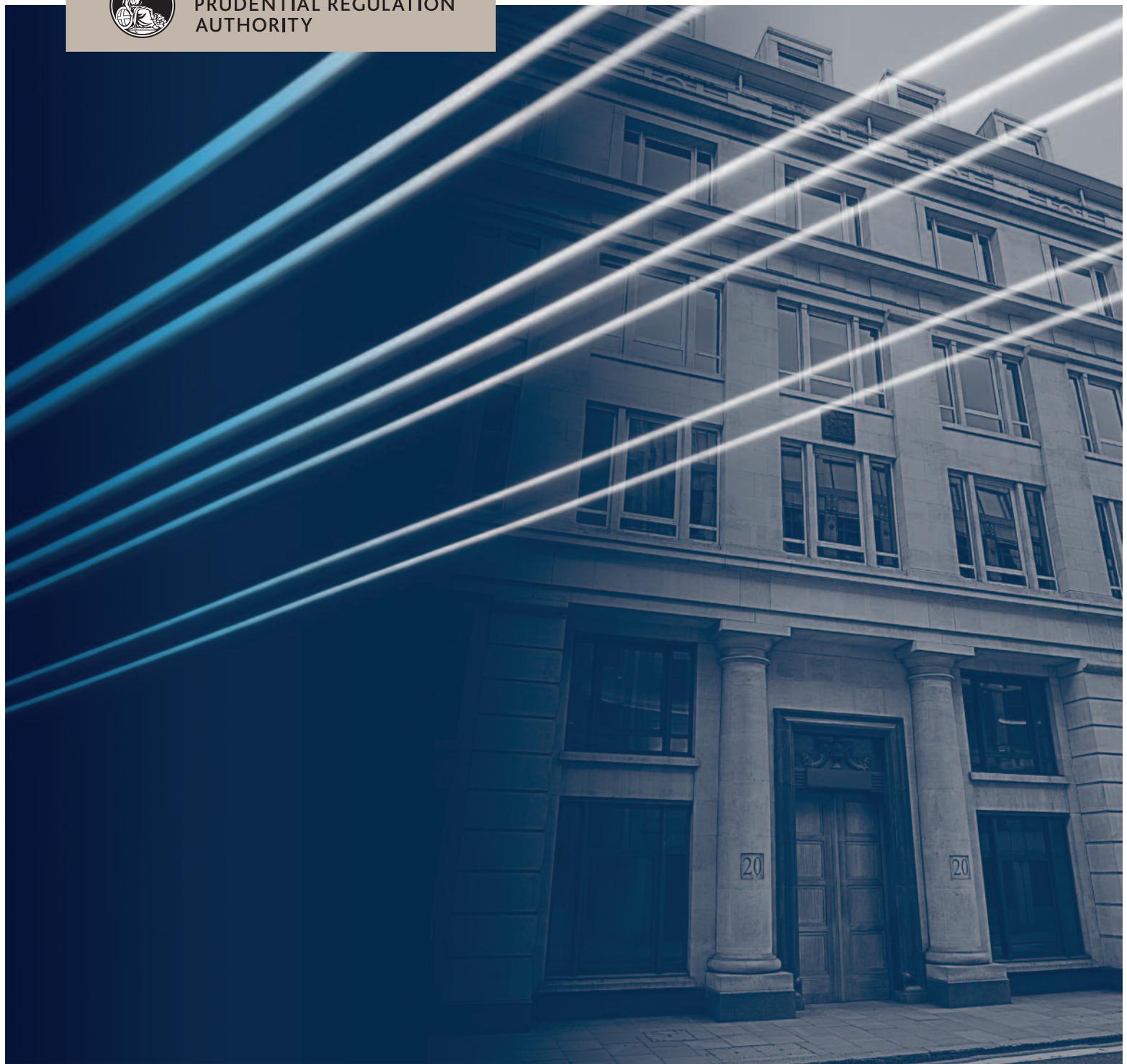
# Supervisory Statement | SS18/15

## Depositor protection

April 2015



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



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Supervisory Statement | SS18/15

# Depositor protection

April 2015



## 1 Introduction

1.1 This supervisory statement (SS) sets out the expectations of the Prudential Regulation Authority (PRA) on deposit-takers with regards to the depositor protection rules.

1.2 This statement is intended to be read together with the rules contained in the Depositor Protection Part of the PRA Rulebook.

1.3 This statement is relevant to deposit-takers (hereafter, 'firms') to which these rules apply.

1.4 By setting out the PRA's expectations with regards to the depositor protection rules, this statement may help to minimise the adverse effect that the failure of a PRA firm could have on financial stability and enhance depositor confidence and therefore contribute towards the safety and soundness of firms.

## 2 Eligibility

2.1 The provisions in Depositor Protection 2.2 determine whether a deposit is an eligible deposit.

2.2 Regarding Depositor Protection 2.2(2), a firm can use sort codes to show that a deposit has been assigned to a UK establishment or a branch in another EEA state.

2.3 The definition of *deposit* in the Depositor Protection Part includes savings products evidenced by a certificate of deposit made out to a named person and which exists in a Member State on 2 July 2014. For the avoidance of doubt, the PRA expects the certificate itself to have existed on 2 July 2014 (not merely the product).

2.4 The definition of *deposit* excludes a credit balance where the principal is not repayable at par. The PRA considers that, for a deposit to be 'repayable at par', the depositor must be entitled to repayment in full of sums deposited. For the avoidance of doubt, the PRA considers that capital at risk structured deposits are not classed as deposits for the purposes of deposit protection.

2.5 However, where the depositor accepts investment risk on the calculation of interest on a deposit because it is, for example, determined by reference to a financial index, but the principal is repayable at par, the PRA expects that such product will generally be classed as deposit for the purposes of deposit protection.

2.6 The PRA expects that a deposit may generally be considered as being 'repayable at par' if repayment of it is subject to the deduction of fees by the firm.

2.7 Further information on the scope of depositors eligible for Deposit Guarantee Scheme (DGS) protection from 3 July 2015 is set out in **Table A**.

**Table A** Eligibility for DGS cover of certain classes of depositors from 3 July 2015

Depositor	Eligible or ineligible from 3 July 2015
Natural persons	Eligible
Corporates	Eligible (regardless of size) (unless the corporate falls under any other exclusion)
Partnerships	Eligible (regardless of size) (unless the partnership falls under any other exclusion)
Mutual associations/unincorporated associations	Eligible (regardless of size) (unless the association falls under any other exclusion)
Credit institutions (banks, building societies and credit unions)	Ineligible
Investment firms, insurance undertakings and reinsurance undertakings	Ineligible
Collective investment schemes	Ineligible
Pension schemes and retirement funds	Ineligible with the exception of deposits by: <ul style="list-style-type: none"> <li>• personal pension schemes;</li> <li>• stakeholder pension schemes; and</li> <li>• occupational pension schemes (of micro, small or medium enterprises)</li> </ul>
Public authorities	Ineligible
Persons whose claim arises from transactions in connection with which there has been a criminal conviction for money laundering	Ineligible

## 3 Disclosure

3.1 This section sets out the PRA's expectations of how firms will disclose information about the relevant deposit guarantee scheme and is intended to be read together with the rules contained in Chapters 16, 17, 18, 19, 20, 21, 22 and 23 of the Depositor Protection Part of the Rulebook.

### The information sheet

3.2 Rules relating to the 'information sheet' that must be provided to depositors are set out in Depositor Protection Chapters 16 and 17.

### Application

3.3 The rules in Chapters 16 and 17 of the Depositor Protection part apply both per depositor and per account. For example, in respect of each account to be opened, firms must provide an information sheet to, and obtain acknowledgement of receipt from, each intending depositor before entering into each deposit-taking contract.

3.4 Where a joint account is to be opened, each joint account holder is considered a depositor. Therefore, for example, the PRA expects that firms provide the information sheet to, and obtain acknowledgement of receipt from, both joint account

holders. This is in line with recast Deposit Guarantee Schemes Directive (DGSD) requirements.

3.5 Where the account holder is not the beneficiary of DGS cover and the firm does not have a direct relationship with the beneficiary, the PRA expects firms to comply with information providing obligations with respect to the account holder, but does not consider requirements should apply with respect to the underlying beneficiary.

3.6 The disclosure requirements referred to in this statement apply regardless of the sophistication of the depositor.

### Information sheet and the acknowledgement of receipt

3.7 Depositor Protection 16.2(3) states that a firm must obtain an acknowledgement of receipt of the information sheet from each potential depositor before entering into a contract on deposit-taking. In order to meet this requirement, prior to the contract being entered into, firms should obtain one of the following:

- (a) the customer's signature on the information sheet. In this case, the PRA considers it good practice for firms to provide the depositor with a copy of the information sheet;
- (b) the customer's signature on an acknowledgement contained in a separate document to the information sheet (which would allow the depositor to retain the information sheet for their reference); or
- (c) the customer's acknowledgement in a separate 'tick box' in the account opening documentation.

3.8 Regarding options (b) and (c), the PRA considers it acceptable for the acknowledgement of receipt to be contained in a separate document from the information sheet. The PRA does not consider it good practice for the information sheet to be included within other terms and conditions (such as the deposit-taking contract).

3.9 Where the deposit-taking contract is entered into online, the depositor should be provided with the information sheet and exclusions list and required to confirm receipt of the information sheet, prior to the contract being entered into. In this scenario, an electronic signature or 'tick box' is sufficient to meet the requirement, in Depositor Protection 16.2(3), to obtain acknowledgement of receipt of the information sheet.

3.10 Where the deposit-taking contract is entered into over the telephone, the information in the information sheet and the exclusions list may be provided, and the express acknowledgement of the intending depositor obtained, over the telephone. The information provided should include all

the 'basic information' on the information sheet together with the relevant 'additional information'. In such cases, the information sheet and exclusions list should be provided to, and acknowledgement requested from, the depositor alongside other documentation to be issued after the telephone call.

3.11 For child accounts where the deposit-taking contract is entered into by a parent or guardian, the PRA expects that the parent or guardian would be able to acknowledge receipt. Similarly, for accounts where there is power of attorney, receipt may be acknowledged by the depositor's attorney.

3.12 For the avoidance of doubt, the PRA considers that the requirement to obtain acknowledgement of receipt of the information sheet from the depositor does not apply to deposit-taking contracts entered into prior to 3 July 2015. The PRA also does not expect a new information sheet to be provided where an existing customer is moved into a new account (eg at the end of a fixed rate bond term), unless a new deposit-taking contract is entered into.

### Record-keeping

3.13 In retaining records of customer acknowledgements, the PRA expects firms to follow existing record keeping procedures for other account opening documentation.

### Trademarks

3.14 Where the information sheet states that firms should 'insert all trading names which operate under the same licence', the PRA expects firms to include all brands and trading names that fall under the same banking licence. Firms may include the relevant brand logos.

### Timing for implementation

3.15 The PRA expects firms to apply the rules that are in force at the time the deposit-taking contract is entered into. This means that where an application to open an account has started prior to 3 July, but the contract has not been entered into until on or after 3 July, firms should provide the information sheet and exclusions list to the depositor and obtain acknowledgement of receipt of the information sheet before entering into the contract.

### Amendments to the information sheet

3.16 Firms may make minor formatting changes to the information sheet and exclusions list. For example, this could mean changing the format for mobile applications where it may be difficult to convey the information sheet on a small screen.

### Method of communication

3.17 For the purposes of Depositor Protection 21.1(3), if the information is communicated by letter or leaflet sent through the post, email or a pop up box on the firm's internet website,

then the PRA expects that it will have been communicated in a way that brings the information to the attention of the recipient.

3.18 Where a firm has reasonable grounds to believe that a depositor is not resident at the address last known to the firm as the address of the depositor, the PRA expects the firm to make reasonable enquiries to ascertain up-to-date contact details of the depositor in order to comply with the information-providing obligations.

### Confirmation that deposits are eligible on account statements

3.19 Under Depositor Protection 17.1, a firm must confirm that deposits are eligible deposits on a depositor's statement of account. The PRA expects firms to consider both the eligibility of the depositor and the eligibility of the deposit when making this assessment (except where this is not reasonably practicable, for example, due to a lack of information as to whether a deposit has arisen out of a transaction in connection with which there has been a criminal conviction for money laundering). The PRA does not consider it acceptable if the confirmation on the depositor's statement of account is conditional (ie 'your deposits are eligible if you do not fall within the exclusions') as the PRA expects firms to make this assessment.

3.20 For the avoidance of doubt, the PRA does not expect the confirmation on the statement of account to be changed where the account falls into negative or nil balance.

### Compensation information: branches and websites

3.21 If information required to be disclosed under Depositor Protection 23.7 and 23.8 is displayed prominently on the front page of the firm's website or mobile application or a pop-up box upon logging on to the website or mobile application, the PRA expects that the requirement to communicate in a way that best brings the information to depositors' attention will have been satisfied.

3.22 The PRA considers that a DGS member will comply with Depositor Protection 23.4, 23.5, 23.6, 23.7 and 23.8, if it displays the relevant compensation sticker and/or compensation poster produced by the FSCS in accordance with the requirements of those rules.

### References to the DGS in advertising

3.23 In Depositor Protection 18.1, the PRA considers 'advertising materials' to include any materials containing an invitation to make a deposit, or information that is intended or might reasonably be presumed to be intended to lead directly or indirectly to the making of a deposit; and includes any means of bringing such an invitation or such information to the notice of the person or persons to whom it is addressed.

### Other references to the DGS

3.24 The PRA expects firms to update or, where appropriate pursuant to Depositor Protection 18.1, delete any existing references to the DGS in advertising materials, where changes in PRA rules mean the information is either no longer accurate or permitted.

### Disclosure and other requirements relating to transfers, mergers or conversions

3.25 For the avoidance of doubt, the PRA considers Depositor Protection 19.1 to apply to transfers of engagement taking place between credit unions.

## 4 Marking eligible deposits and accounts and transitional issues

4.1 This section sets out the PRA's expectations of how firms will mark eligible deposits and accounts and meet recast Deposit Guarantee Schemes Directive (DGSD) information requirements, and is intended to be read together with Chapters 11 and 13 of the Depositor Protection Part.

### Requirement to mark eligible deposits

4.2 Depositor Protection 11.1 sets out that a firm must mark eligible deposits in a way that allows for immediate identification of such deposits as required by Article 5(4) of the recast DGSD. The PRA considers that firms can meet this requirement in a number of ways, including but not limited to:

- (a) marking eligible (and/or ineligible) deposits under the recast DGSD at core systems level (ie flagging at account level);
- (b) a separate file showing eligible (and/or ineligible) deposits; or
- (c) using the SCV file and exclusions file.

4.3 For the purposes of meeting Depositor Protection 11.1, the PRA considers the marking of eligible deposits may be achieved by marking accounts of eligible depositors which contain eligible deposits. For the avoidance of doubt, where such an account balance becomes negative, the PRA does not expect firms to remove the eligible deposit marker.

4.4 The PRA's preferred approach to marking is for firms to produce a list of eligible accounts and a list of ineligible accounts, or clearly be able to separately identify both within core systems. If a firm can only produce/show one of these, the PRA expects the firm to give confirmation that the remaining accounts not marked are ineligible or eligible (whichever are not marked).

4.5 In both options 4.2(b) and 4.2(c), the expectation is for files to be produced or updated on a rolling daily basis or where no rolling daily files are updated or produced, capable of being produced immediately following any request from the PRA or the FSCS. Such an approach to SCV under 4.2(c) is not a requirement under the depositor protection rules, but is an option for firms to use to meet Depositor Protection 11.1. The requirements around the timing and content of SCV file production remains as specified in the relevant rules.

4.6 During the transition period,<sup>(1)</sup> a firm may use a file that is produced daily but takes 72 hours to be produced as long as they are able to provide the details of any eligible and/or ineligible deposits not included in the file the following day of any request.

4.7 For the avoidance of doubt, the PRA considers the separate file (generated under whichever option) only need contain a list of eligible and/or ineligible unique identification account numbers and does not need to include any customer or balance information.

4.8 If firms wish to use option 4.2(c) to meet the marking requirement, the PRA expects that firms, by 3 July 2015, have updated their SCV files to remove all ineligible deposits and include newly eligible deposits under the recast DGSD (including the eligible deposits of large corporates). Such an approach is not a requirement under the PRA transitional rules, but is an option for firms to use to meet Depositor Protection 11.1. Alternatively, the PRA considers it acceptable for firms to use a combination of options. For example, options 4.2(a) and 4.2(b) could be used for newly eligible deposits such as large corporate deposits and option 4.2(c) for all other eligible deposits. The requirements around the timing and content of SCV file production remains as specified in the relevant rules.

4.9 The options above would similarly apply to Depositor Protection 11.2.

4.10 The PRA expects that in compliance with the requirement in Depositor Protection 11.1 to 11.2 to mark eligible deposits/accounts 'in a way that allows for the immediate identification of such deposits', a firm must be able to make the details of such eligible and/or ineligible accounts (separately identified) available to the PRA or FSCS in a format consistent with the relevant rule and this statement and within twelve hours from the point of a request from the PRA or the FSCS.

4.11 The PRA does not consider that any aggregation of data on a per depositor/legal entity basis is necessary to meet the marking requirements.

## Requirement to mark eligible accounts

4.12 Depositor Protection 13.2 sets out that a firm must mark accounts which hold:

- (1) eligible deposits of natural persons and micro, small and medium-sized enterprises (SMEs); and
- (2) such deposits that would be eligible if they had not been made (ie are held in an account) at a branch of the firm located outside of the EEA.

4.13 The PRA considers that firms can meet the Depositor Protection 13.2 requirements set out above in a number of ways, including but not limited to:

- (a) marking relevant natural person and SME accounts at core systems level (ie flagging at account level);
- (b) a separate file showing relevant accounts; or
- (c) using the SCV and exclusions files (to meet requirement 4.12(1) only).

4.14 The PRA expects that in compliance with the requirement in Depositor Protection 13.2 to mark accounts 'in a way that allows for the immediate identification of such accounts', a firm must be able to make the details of such marked accounts available to the PRA or FSCS in a format consistent with the relevant rule and this statement, and within 24 hours from the point of a request from the PRA or the FSCS.

4.15 If firms wish to use options 4.13(a)–4.13(c) to meet the marking requirement, the same considerations as in paragraphs 4.5 to 4.7 would apply.

4.16 Requirement 4.12(2) cannot be met by 4.13(c) as SCV files and exclusions files do not capture non-eligible deposits.

4.17 For a firm marking an account under Depositor Protection 13.2, the PRA considers that an overall marker of natural person/SME status, rather than differentiation between natural persons, micro, small and medium-sized enterprises, would be sufficient.

4.18 Where an account is subject to marking under more than one of Depositor Protection 11.1, 11.2 and 13.2, the PRA expects that a firm would be able to identify the account for each and all of those requirements.

## Recast DGSD information requirements during transition period

4.19 Depositor Protection 11 sets out a number of information requirements firms are expected to meet in line with recast

(1) The 'transition period' refers to the time between 3 July 2015 when most depositor protection rules (with the exception of rules in Depositor Protection 12–15) take effect and 1 December 2016 (when rules in Depositor Protection 49–52 cease to have effect and rules in Depositor Protection 12–15 take effect).

DGSD requirements. Depositor Protection 11.3 and 11.4 require that firms upon receipt of a request must be able to provide the FSCS with the aggregated amounts of eligible deposits of each and every depositor. Depositor Protection 11.5 and 11.6 require that a firm upon receipt of a request must be able to provide the FSCS with all information necessary to enable the FSCS to prepare for the payment of compensation and that they must provide this information to the FSCS to enable the FSCS to pay compensation within the applicable time period.

4.20 The PRA expects that firms would meet the above requirements through the use of an SCV file and exclusions file containing all eligible depositors. During the transition period when Depositor Protection 11 applies, where firms may not have yet included the eligible deposits of large corporates in their SCV files or where firms do not yet have an SCV file, the PRA expects these firms to give consideration to what information would be needed by the FSCS in a failure scenario. Firms should be capable of demonstrating they have a plan in place to obtain the necessary information to meet the requirements, should they receive a request from the FSCS or PRA.

4.21 For example, where a firm currently has insufficient information to report the aggregate amount for their large corporate deposits on an individual legal entity basis, the PRA expects the firm to have a plan in place for how they would obtain this information upon receipt of a request from the FSCS or PRA.

4.22 The PRA would expect the information provided to the FSCS to specify which deposits are accepted in branches outside the United Kingdom.

4.23 For the avoidance of doubt, firms are not required to collect this information to meet the requirements ahead of such a request, only to have a credible plan in place to do so in the event of a request. The PRA reserves the right to request firms do implement the plan where it is required, for example, if the PRA is contingency planning for the event of failure of the firm.

4.24 Regarding Depositor Protection 11.5 and 11.6, the PRA considers that the FSCS may request this information at any time, although during the transition period the PRA would not expect such a request to be made as a matter of course.

4.25 Regarding Depositor Protection 11.6, the PRA expects that the timeline for delivery of the relevant information to FSCS will be subject to supervisory judgement and depend on the nature and complexity of the firm and the given scenario.

## 5 Temporary high balances

5.1 For the avoidance of doubt, firms are not required to mark or verify balances qualifying as temporary high balances under PRA rules. This is for the FSCS to determine, in accordance with PRA rules, after default.

## 6 Calculation of levies

6.1 Depositor Protection 43 sets out the PRA's rule for calculating the FSCS tariff base for deposit-takers (the Class A tariff base). The PRA expects firms to include in this calculation covered deposits from the SCV file and the total balance of deposits in any non-active account or account which holds funds to which the account holder is not absolutely entitled.

6.2 For the transition period, between 3 July 2015 (when the recast DGSD takes effect) and December 2016 (where the new SCV rules come into force), where depositors do not have an exclusions file, firms should also include covered deposits that are not included in the SCV file (as they are not fit for straight through payout (eg accounts under legal sanction)). The PRA considers this to be in line with the current approach. For the transition period, firms are not required to include large corporate covered deposits in their tariff data.

6.3 Where firms choose to include deposits of large corporates in their SCV files from 3 July 2015, firms may wish to (but are not required to) report covered deposits, excluding these deposits as set out in Depositor Protection 52.2 to ensure they are not levied more than they would otherwise be levied. For example, firms may choose to continue to run an 'old' SCV file to identify this amount (updated to remove ineligible deposits under the recast DGSD).

## 7 Single customer view

### Submission requirements

7.1 Depositor Protection 12.1 and 12.2 set out that a firm must provide an SCV file and an exclusions file to the PRA or the FSCS within 24 hours of a deposit becoming an unavailable deposit or request by the PRA or the FSCS. The PRA considers that the beginning of the 24-hour period can be taken as the end of the business day on which the request was made. The PRA or the FSCS may request the submission of an SCV file and exclusions file at any time, including as part of the business as usual review programme. As such, firms should be ready and able to submit SCV and exclusions files to the PRA and FSCS upon request, and within the time period set out in the depositor protection rules.

7.2 Depositor Protection 50.7 allows a firm with fewer than 5,000 eligible accounts to continue to opt out of the

electronic elements of SCV requirements during the transition period. There is no such opt-out following the transition period. The PRA considers that firms may meet Rules 12.4, 12.7, 50.5 and 50.6 using a range of options based on their size and volume of deposits/accounts, including externally provided SCV systems, internal bespoke SCV systems, or widely available spreadsheet software (eg Excel), as long as in all cases the rule requirements are met, including the automatic identification of covered deposits.

### Keys and codes

7.3 Depositor Protection 14.5 sets out that firms must provide information on any keys or codes used by the firm internally. These keys and codes can provide useful information for the FSCS on how different accounts should be treated, including whether there is any reason why the account is not fit for straight through payout. For example, this could be the case if a depositor needs a letter in a different format or if post sent to the depositor's house was returned because the depositor was no longer at that address. The PRA expects firms to consider the purpose for which the FSCS will use this information and consider what information the FSCS may find useful.

### Definition of material change

7.4 Depositor Protection 14.3 sets out what a firm must do after a material change in its SCV system. The PRA considers that a material change would include any change that would have a material impact on the firm's SCV system. For example, there is likely to be a material change in a firm's SCV system upon a merger or acquisition of a deposit book, or the introduction of a new IT system that relates to the firm's SCV system.

7.5 The PRA considers that minor changes to a firm's SCV system (such as to achieve the SCV changes outlined in Depositor Protection Chapter 50) would not constitute a material change to the SCV system. However, the full implementation of the SCV changes required under Depositor Protection Chapter 12, or significant steps towards this, would be considered a material change. Similarly, the full implementation of the marking requirements under Depositor Protection Chapters 11 and 13 would be considered a material change to systems to satisfy marking requirements.

7.6 A similar interpretation applies in relation to Depositor Protection 15.2, where a material change in a firm's continuity of access (CoA) systems includes any change that would have a material impact on the firm's CoA systems. For example, a merger or acquisition of a deposit book and/or an IT upgrade that impacts the SCV file.

7.7 Depositor Protection 14.3, 15.3, 49.4 and 51.4 set out that a firm must notify the PRA and the FSCS within three months of a material change to its systems to meet marking, SCV, and

CoA requirements, including an attestation from the firm's governing body that its systems are compliant with the relevant PRA requirements. The PRA considers that the full implementation of marking requirements in Depositor Protection Chapter 11; the full implementation of the SCV requirements in Depositor Protection Chapter 12; and the full implementation of CoA requirements in Depositor Protection Chapter 13 would each constitute a material change. The PRA and the FSCS may also request a marking effectiveness report, SCV effectiveness report, and CoA report at any time, and firms should be ready and able to submit such reports to the PRA and FSCS promptly upon request. The PRA may then consider if further verification of a firm's measures to meet the relevant requirements is appropriate.

7.8 The PRA expects that firms will begin to make progress towards final rules during the transition period up to December 2016. In order to ensure firms are able to implement Depositor Protection Chapters 12 to 15 ahead of the required implementation date, if so desired, the PRA considers that firms may submit SCV files and reports during the transition period compliant with Depositor Protection Chapters 50 and 51, but including the additional provisions set out in Depositor Protection Chapters 12 to 15.

### SCV file format

7.9 Where firms do not hold the data required to be included in the SCV or exclusions file or the data are not applicable, corresponding fields in the SCV and exclusion files should remain empty. Even if these fields are empty, the PRA expects these fields to remain in the SCV file and the exclusions file, so that the files are standard in length. Fields should always appear in the same order set out in Depositor Protection 12.9. Completion of all fields is mandatory unless otherwise indicated (ie not applicable or not held by the firm (where not mandatory)). Firms must complete all fields where data are mandatory, or where applicable and held by the firm.

7.10 Any relevant additional information concerning data in the SCV or exclusions file, such as the unverified nature of any data, should be included in Field 36 (as set out in Depositor Protection 12.9).

7.11 Depositor Protection 12.4 states that firms must submit their information in a format which is readily compatible with the FSCS's system. There are three formats that are considered compatible:

- Format one: a firm should send through the information in four files. File one should contain 'Customer details', file two should contain 'Contact details', file three should contain 'Details of account(s)' and file four should contain 'Aggregate balance details'.
- Format two: a firm should send through the information in two files. One file should contain 'Customer details',

'Contact details' and 'Aggregate balance details' and one file should contain the 'Details of account(s)'.

- Format three: a firm should send through one file which contains 'Customer details', 'Contact details', 'Aggregate balance details' and 'Details of account(s)'.

7.12 Firms should use one of these three formats for both the SCV and exclusions file. They do not have to use the same format for each.

7.13 For all of these formats, a 'single line format' should be used. This means that customer information should all be kept on the same line. Where depositors have more than one account, this information can be on separate lines.

7.14 Where there is more than one file, each depositor should be linked with their unique identifier (the single customer view record number).

7.15 For file types which do not automatically separate fields a '|' should be used as delimiter. For example, this would apply to .txt files.

7.16 File names should follow the format FRNxxx-YYYYMMDDHHMSSSCVFormatW.xxx for a SCV file or FRNxxx-YYYYMMDDHHMSSSEXCFormatW.xxx for an exclusions file. Firms should insert their FRN number and the date and time that the SCV file was created. 'FormatW' should be replaced with information about what is contained within the file according to the following:

- For format one, this should be four files called 'Customerdetails', 'Contactdetails', 'Detailsofaccount' and 'Aggregatebalancedetails'.
- For format two, this should be called 'Detailsofaccount' and 'Customerandaccountinformation'.
- For format three, this should be called 'Full'.

7.17 Where Depositor Protection 12.9 does not specify a numeric form, firms can submit in an alphanumeric or numeric form.

### Secure electronic submission

7.18 Depositor Protection 12.4 specifies that the SCV and exclusions files should be sent by secure electronic transmission. This can be via Secure File Transfer Protocol (SFTP) or via web portal upload. The details of both methods are available through the FSCS website.

### Name

7.19 When completing the SCV or exclusions file, firms should consider the forename and surname fields as mandatory for

natural persons. For companies, only the surname field is mandatory.

### National identification (ID)

7.20 Where firms hold identification numbers for depositors on file, they should include this in the SCV or exclusion file under field 11 in Depositor Protection 12.9. Where a firm holds identification numbers other than the National Insurance number or passport number of the depositor, the firm should explain what type of identification number it holds and provide the unique number. Examples of national ID include a photocard national identity card or a driving licence.

### Country where account is domiciled

7.21 Field 39 in Depositor Protection 12.9 requires firms to provide information in the SCV or exclusions file on the location of the branch where the account is held. This may be different to the country where the depositor has their address. For example, a firm with EEA branches may indicate that an account is held with a branch in Spain. A firm with only UK branches should indicate that the deposits are held in the United Kingdom.

### Format of exclusions file

7.22 For inactive accounts or beneficiary accounts, the PRA expects firms to use the same format as the SCV file structure and provide the same information as required for the SCV file.

7.23 For beneficiary accounts, the PRA expects firms to supply details of the contact for the client/trust account, rather than the underlying beneficiary.

### Dormant accounts

7.24 Dormant accounts that meet the definition in the Dormant Banks and Building Societies Accounts Act 2008 should be placed in the exclusions file. The PRA would expect all such accounts, even if not transferred to a dormant account provider, to be excluded from the SCV file.

7.25 For otherwise-active accounts, it should be recorded in field 38 of the SCV file, whether there has been any transaction relating to the deposit within the 24 months prior to production of the single customer view. The PRA and the FSCS recognise that for some accounts such inactivity may not be indicative of possible dormancy (eg fixed term accounts), and the FSCS will use judgement in the paying out of such deposits within applicable timeframes.

### Calculating interest

7.26 Depositor Protection 5.9 sets out the requirements for calculating interest. The PRA expects firms to apply the interest accrued to date regardless of the date that it is usually credited to balances in the SCV and exclusion file.

### Calculating the return on certain structured deposits

7.27 In the case of structured deposits firms may not be able to accurately predict the return because the calculation

of the return is based on the growth of an index as at the maturity date of the structured deposit. If that is the case, firms should flag this type of product in the SCV file and only add interest accrued prior to the product start date and any minimum return to the account balance in the SCV file.

### Aggregate balances

7.28 The aggregate balance, transferable eligible deposit, and compensatable amount in the SCV file should be calculated in relation to the accounts included in the SCV file. The aggregate balance and compensatable amount in the exclusions file should be calculated in relation to accounts included in the exclusions file.

## 8 In-flight transactions

8.1 This section provides more information on the PRA's expectations concerning the treatment of in-flight transactions covered under Depositor Protection 12.14. The PRA understands that each firm's approach may differ depending on the timing of end of day processes, speed to produce the SCV file and the type of access to each payment system. The PRA will allow each firm the freedom to satisfy Depositor Protection 12.14 within the scope of their own processes and external relationships. Therefore this SS sets out the PRA's expectations in general terms. It does not provide detail or prescribe the settlement processes between banks (between settlement banks or between settlement banks and their agency/customer banks). Settlement bank and agency/customer bank in this context can refer to all deposit-takers, including building societies and credit unions.

8.2 Firms should consider the information in this section alongside their own processes and relationships with the financial market infrastructures (FMIs) or settlement banks. They should apply this guidance to each payment type accordingly. This will help ensure consistency across the industry in a transfer of deposit book or an FSCS payout.

8.3 The PRA would expect the same process to apply for payments both where the failed firm is a direct member of a payment scheme and where it is an indirect member of a payment system, where possible.

### What are in-flight transactions?

8.4 The PRA considers an in-flight transaction to be a payment where not all the underlying cash movements comprising the complete transaction are complete.

8.5 In-flight transactions may be incoming payments to depositors' accounts for which the firm has not yet received value but which are reflected on the depositor's balance, and/or outgoing payments which have been reflected on the depositor's account but for which the firm may not yet have made a corresponding outgoing payment. There may also be

in-flight transactions that have neither settled (or, in the case of an indirect member, been received by the depositors' firm) nor been reflected on depositors' accounts.

8.6 In-flight transactions may arise where there is deferred net settlement. There may also be in-flight transactions arising where indirect members of payment schemes do not have a real-time flow of settled funds from their settlement bank.

8.7 At the point of resolution or insolvency there is likely to be a number of payments still moving through payment systems that have either not yet settled at bank level or been credited or debited into depositors' accounts. Depositor Protection 12.14 sets out how these in-flight payments must be treated in the SCV file. This rule is intended to ensure, in so far as possible, that the balance a depositor can see at the end of the business day matches the balance in the SCV file. In-flight transactions will be dealt with by the insolvency practitioner or administrator after a resolution. However, it is important that firms understand how to treat in-flight transactions in the SCV file to ensure a consistent approach. There will need to be a process of reconciliation between the insolvency practitioner or administrator, the FSCS and any acquiring firm (as relevant).

### How settlement banks should respond

8.8 Settlement banks should have processes in place to support the transfer (part or whole) of its customer/agency bank's (indirect member) deposit book in a resolution, as appropriate. This should include the provision of continued access to their services. Settlement banks will also be expected to comply with previously published guidance.<sup>(1)</sup>

### Principles

8.9 All payments for which funds have been received by the depositor's firm intraday should be reflected on the depositor's accounts and therefore in the account balance field in the SCV or exclusions file by close of business.

8.10 Some payments may be reflected on depositors' accounts before they have been settled between firms due to timings in payment systems or internal processes. Some timing differences will be intraday and some may go across multiple days. Where these payments have already been credited or debited to a depositor's account, even if interbank settlement has not yet completed, the value should be included as part of a depositor's compensatable balance. For example, if a depositor has made a debit card payment which has reduced the amount of their available balance, this payment should be excluded from the compensatable amount in the SCV file.

(1) PRA Supervisory Statement LSS12/13, 'Settlement bank exposures to customer banks: management of the risks', April 2013; [www.bankofengland.co.uk/publications/Documents/other/pr/policy/2013/settlementbankexposureslss12-13.pdf](http://www.bankofengland.co.uk/publications/Documents/other/pr/policy/2013/settlementbankexposureslss12-13.pdf).

8.11 For payments that have not been reflected on accounts and where the depositor does not continue to have access to their account it is possible that these payments will need to settle and then be returned as unapplied payments. Firms should consider if this impacts on their processes.

8.12 Depositor Protection 12.14 states that payments debited from a depositor's account should be excluded from the SCV and exclusions file regardless of whether the firm has sent the value itself. However, where possible, payments debited that have not yet been entered into the payment system should be reapplied to a depositor's account. For example, amounts debited may have been credited to a suspense account. This will then form part of a depositor's compensation balance in the SCV or exclusions file.

8.13 The PRA recognises that there will be a small number of payments that are not known about at the point of resolution but where the depositor has already committed to making that payment by taking goods or services in exchange. Any irrevocable debits (for example, overseas debit card transactions) that have not been reflected on the SCV file may need to go through a process of reconciliation with the insolvency practitioner or administrator, the FSCS and any acquiring firm (as relevant).

### SCV file timing

8.14 When creating their SCV systems, firms should work on the basis that the point in time on which they should base their account snapshot for the purpose of in-flight transactions will be close of business on the effective date of the relevant insolvency order issued by the court or the relevant transfer instrument issued by the Bank of England, or the date on which a request is made by the FSCS or the PRA.

### Relationship with payment schemes

8.15 The PRA recognises that both CoA and in-flight transactions may carry implications for firms' relationships with payment schemes. The Bank is working closely with UK payment systems and their members to identify practical issues that banks' interaction with payment systems could raise when we are seeking to resolve a member bank. Other than the in-flight transaction treatment rules, there are no direct requirements on firms to develop additional measures in terms of payment systems in relation to the Depositor Protection requirements other than a general expectation that access to accounts being transferred through CoA and payment instructions associated with these accounts should be maintained so that payments can continue to be made during and following resolution.

## 9 Continuity of access

9.1 This section sets out additional details on how a deposit book transfer in resolution might work to set the PRA's

expectations in context and provide more information for firms as to how systems changes may be used. The PRA would expect the rules in Depositor Protection Chapters 11 to 15 to be read alongside this section.

9.2 The PRA's rules in Depositor Protection Chapters 12 and 13 set out systems requirements that will facilitate continued access to accounts for eligible depositors, including the ability to make payments, where accounts are transferred from a failed firm to another financial institution.

9.3 It is possible that deposits that are not covered by the FSCS may not be transferred and would be dealt with as claims in the insolvency or administration of the failed firm. This follows the same expectation as the bank or building society insolvency procedure (BIP/BSIP) or administration procedure, when only eligible deposits are subject to a seven-day payout by the FSCS.

9.4 Accounts that are included in the exclusions file and temporary high balances may not be transferred and instead may be paid out, as relevant, by the FSCS, in line with relevant timescales.

9.5 The PRA determines in Depositor Protection 13.9 that it should be operationally feasible for firms' systems to freeze deposit accounts that are not identified under Depositor Protection 11.1 within five hours of a resolution and a request of the PRA. The PRA considers that the minimum result of freezing an account should be that a customer is unable to move money into or out of the account.

### Account separation

9.6 Depositor Protection 13.4 to 13.9 require firms to create and maintain systems that enable the firm to separate uncovered from covered balances and place the uncovered balances into a separate suspense or shadow account at the point of resolution and on the request of the PRA, within 48 hours. The legal ownership of the covered deposits remaining in the account will be transferred to an acquiring institution, but the deposit account remains operational on the failed bank's systems providing the depositor with continued access to their account. Subsequent to the resolution weekend, the PRA would expect the acquiring institution to over time migrate the depositors' accounts onto their own systems.

9.7 Firms may choose either to set up a single suspense account or individual shadow accounts for each account from which uncovered deposits will be transferred. Firms can choose whether they would want to create the separate accounts within the core banking system ahead of resolution or demonstrate that they have designed a system with the capability to create these features at the point of resolution. If firms decide that they wish to create shadow accounts ahead of resolution, the PRA expects firms to demonstrate good

control processes and to provide appropriate assurance to manage any risks as part of CoA reporting under Depositor Protection 15.57.

9.8 The PRA expects that firms should have sufficient record keeping procedures to enable all deposit values to be reconciled effectively back to the original account and depositor. The PRA would highlight this is particularly relevant where single suspense accounts are used.

9.9 The PRA expects firms to use the information in the SCV file as the means to establish a depositor's covered and uncovered balance.

### Account details in transfer

9.10 Wherever possible, to support continuity of payments, the PRA expects account details (such as the sort-code, account number and debit card details) to remain unchanged at the point of resolution for an account that is transferred. The PRA would expect that as part of the migration of the accounts to the acquiring banks systems, following the resolution weekend, it may be necessary for the acquiring bank to set up new account details.

### Hierarchy of accounts

9.11 Depositor Protection 13.5 requires firms to apply a hierarchy to eligible accounts where the depositor has multiple eligible accounts and their aggregate balance is over the covered limit. Firms should ensure that all products are categorised according to the categories in Depositor Protection 13.6 to ensure the hierarchy is adhered to. Where a product could fall into several categories, it should be recorded as the highest of these categories in the hierarchy. Where a product cannot reasonably be placed into one of the categories, the 'other' category should be used.

9.12 To meet the objective of enabling CoA to deposits the hierarchy is designed to ensure continuity is maintained for accounts with the most regular transactions. The PRA expects the balance in transactional accounts to be the last to be reduced while the balance in fixed term deposits with a term of four years or more should be the first balance to be reduced (second only to accounts identified as 'other'). When classifying term products within the hierarchy, the PRA expects that firms would do this on the basis of the original term of the product rather than the term remaining.

9.13 As long as the requirements in the depositor protection rules are met, firms are free to make additional arrangements as they see fit based on other factors, such as system functionality or the preferences of depositors in relation to their accounts.

9.14 If a depositor holds several accounts within a category in the hierarchy, the PRA would expect all accounts within that category to be reduced *pari passu*.

### Joint accounts

9.15 Depositor Protection 5.4 sets out the treatment of joint accounts generally. In a covered deposit transfer using CoA systems, the PRA expects the hierarchy set out in Depositor Protection 13.5 to apply in the same way to joint accounts. For example, if someone had a joint transactional account, their share of the eligible balance in the transactional account would be the last to be reduced.

9.16 If a depositor holds a joint account and a single account within a category in the hierarchy, the PRA would expect accounts within that category to be reduced *pari passu*.

## 10 Scope of depositor protection requirements

10.1 The Depositor Protection Part applies to all firms, except CoA rules which do not apply to credit unions.

10.2 The PRA would consider waivers or modifications to SCV and CoA rules in accordance with section 138A of the Financial Services and Markets Act 2000 (FSMA) if compliance with a rule would be unduly burdensome or would not meet the purpose for which the rule was made, and the direction would not adversely affect the advancement of any of the PRA objectives (the statutory tests).

10.3 Relevant factors that the PRA would consider in judging whether the statutory tests had been met include: the relevance of the requirements to the wider resolution approach of the firm; the proximity to the firm to failure; and the level of transactional and instant access accounts held by the firm. The overall size of the firm, for example, in terms of number of accounts containing eligible deposits and the amount of covered deposits held by a firm, would also be a relevant considerations, including any forward-looking business plans.

10.4 These factors would be assessed in the round so the PRA's decision on any application for a waiver or modification would depend on the individual circumstances of the firm applying.

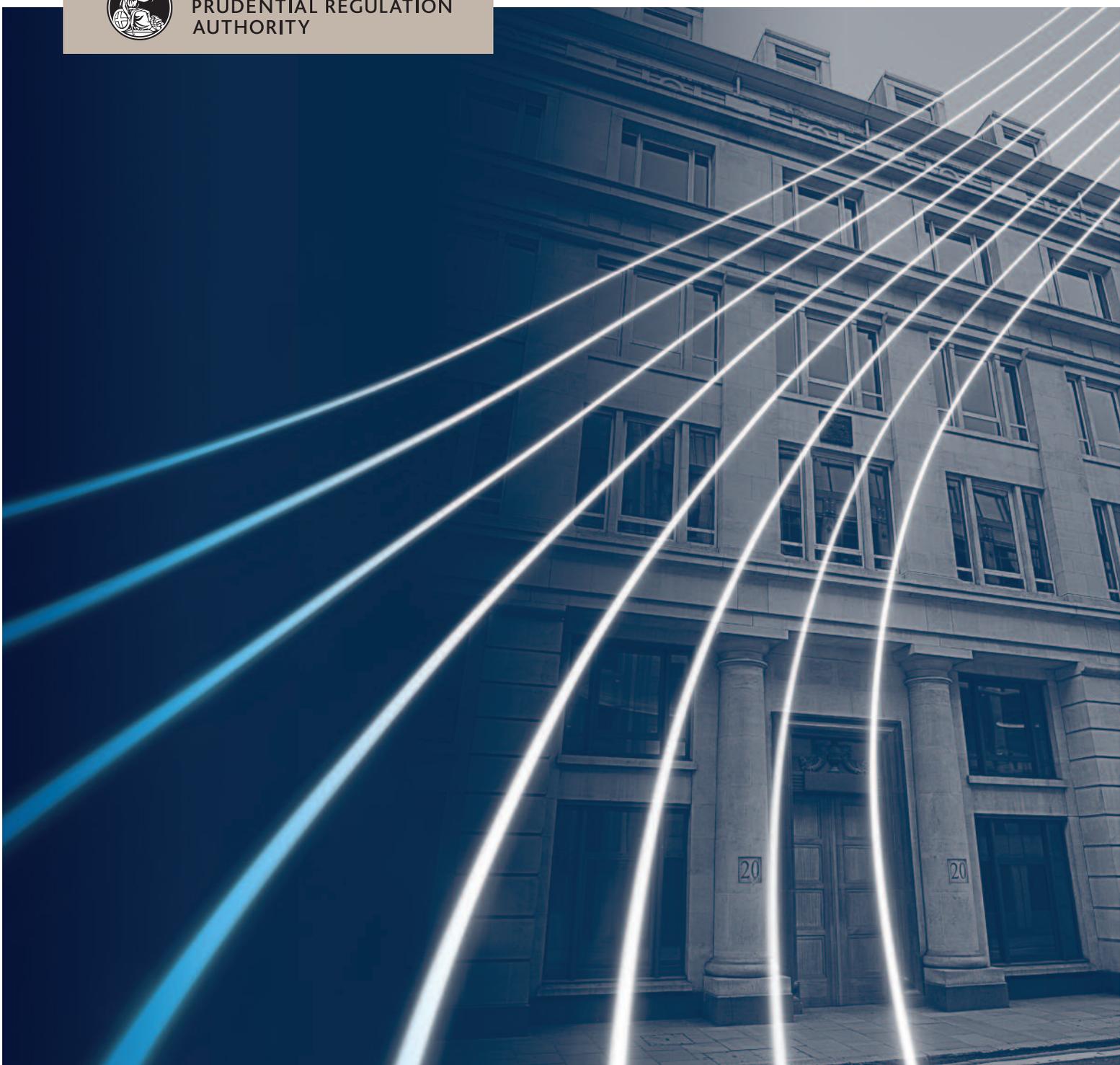
# Statement of Policy

# Deposit Guarantee Scheme

April 2015



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



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Statement of Policy

# Deposit Guarantee Scheme

April 2015



## 1 Introduction

1. This statement of policy is addressed to the Financial Services Compensation Scheme Limited (FSCS) in respect of its role as scheme manager of the deposit guarantee scheme. This statement may also be of interest to firms and depositors.

2. The purpose of this statement is to set out the expectations of the Prudential Regulation Authority (PRA) on the FSCS with regards to:

- (a) the duties of the FSCS;
- (b) the FSCS's role in assessing and paying compensation in respect of deposits;
- (c) the FSCS's role in assessing and paying temporary high balance (THB) claims; and
- (d) the FSCS's role in the funding of the Deposit Guarantee Scheme (DGS).

3. By providing further information to the FSCS with regards to its duties and role in paying and funding compensation in respect of deposits, this statement should help to ensure an effective deposit guarantee scheme and thus contribute towards the safety and soundness of deposit-takers.

4. This statement of policy is intended to be read together with the rules specific to deposits as set out in the Depositor Protection Part, which applies to the FSCS, and firms that are DGS members. The funding section is also intended to be read with the Management Expenses Levy Limit and Base Costs Part and the Management Expenses in respect of Relevant Schemes Part which also apply to PRA-authorized insurers and the Society of Lloyd's.

## 2 Background

5. The FSCS exercises the functions that are conferred on the scheme manager by Part XV of the Financial Services and Markets Act 2000 (FSMA).

6. The PRA is required, under section 213 of FSMA and SI 2013/598, to make rules establishing a scheme for compensating persons in cases where firms are unable or, likely to be unable, to satisfy claims for deposits.

7. In addition to PRA rules, other aspects of the operation of the FSCS are dealt with through the powers of the FSCS under company law (such as the power to borrow, to take on premises, etc) and through rules made by the Financial Conduct Authority (FCA).

8. In addition, FSMA confers certain powers upon the FSCS, such as a power under section 219 (Scheme Manager's powers to require information) to require persons to provide information.

## 3 Duties of the FSCS

9. Chapter 24 sets out duties of the FSCS in respect of the DGS.

### Co-operation with other Member States' DGS

10. Depositor Protection 26.4 sets out that the FSCS must have co-operation agreements with other Member States' DGS. A template for such co-operation agreements should be reviewed by the PRA. Any material changes to the template should also be submitted to the PRA for review.

### Language of correspondence with depositors

11. Depositor Protection 24.10 sets out the languages in which the FSCS may correspond with depositors. The FSCS may also communicate in Welsh where this is agreed with the depositor in addition to English.

## 4 Paying compensation

### Pension schemes

12. Depositor Protection 6.4 clarifies that certain types of pension, including the occupational pension schemes of micro, small and medium-sized enterprises, where the schemes are money purchase schemes, are to be compensated on the basis that each member has a separate entitlement to compensation. The deposits of occupational pension schemes of large enterprises are not eligible deposits under the Deposit Guarantee Scheme Directive (DGSD), and cannot therefore attract FSCS protection.

### Paying compensation

13. Depositor Protection Chapter 6 (paying compensation) allows the FSCS to pay compensation to a person other than the depositor in certain circumstances. The PRA considers examples of the circumstances covered by these rules to be:

- (a) when personal representatives are entitled to receive compensation on behalf of the deceased;
- (b) when trustees are entitled to receive compensation on behalf of beneficiaries (for further provisions relating trustees entitlement to compensation, see Depositor Protection 6.3 to 6.6);
- (c) when the donee of an enduring power of attorney or a lasting power of attorney is entitled to receive compensation on behalf of the donor of the power;

- (d) when the Court of Protection is entitled to receive compensation on behalf of a person incapable by reason of mental disorder of managing and administering his property and affairs; and
- (e) when a depositor dies before receiving compensation.

### Paying compensation to agents

14. If a depositor is an agent for one or more principals, the PRA expects that, under Depositor Protection 6.2(5)(a), the FSCS must treat the principal or principals as being the party entitled to receive compensation, not the depositor.

### Obligation to pay compensation

15. The obligation to compensate arises when deposits with a DGS member are determined to be unavailable deposits. The PRA would make such a determination as soon as possible after being satisfied that either of the conditions under the 'unavailable deposit' determination (as defined in Depositor Protection Chapter 1) has been met.

### Recoveries

16. Depositor Protection Chapters 29 and 30 set out how the FSCS must act in relation to recoveries made from the DGS member or third party in respect of eligible deposits. PRA rules provide that the FSCS must retain from those recoveries the 'FSCS retention sum', and, as soon as reasonably possible after it makes recoveries, pay to the depositor (or as directed by the depositor) a 'top up payment'.

17. Depositor Protection 30.2 sets out how the FSCS must calculate the FSCS retention sum and top up payment. The following example illustrates how the rules would apply.

18. **Example:** if the depositor held overall eligible deposits of £120,000, and the FSCS paid compensation of £85,000 and subrogated the depositor's rights in relation to that claim, and made recoveries through those rights of the sum of £96,000 (after the costs of recovery and of distribution), then:

- (a) the recovery ratio would be 80% ( $£96,000 \div £120,000$ );
- (b) the compensation shortfall would be £35,000 ( $£120,000 - £85,000$ );
- (c) the FSCS retention sum would be £68,000 ( $80\% \times £85,000$ );
- (d) the top up payment would be £28,000 (80% of £35,000);
- (e) the total payment to the depositor would be £113,000 (£85,000 of compensation plus £28,000 of top up payment); and

- f) the total outlay by the FSCS, net of the FSCS retention sum, would be £17,000 ( $20\% \times £85,000$ ).

19. In the example above, the amount recovered exceeds the amount of compensation. However, Depositor Protection 30.2 also applies where the amount recovered is less than the amount of compensation. Therefore, for example, if the depositor's eligible deposits were £120,000, and the FSCS paid compensation of £85,000 and took assignment of all the depositor's rights in relation to that claim, and made recoveries through those rights in the sum of £24,000 (after the costs of recovery and of distribution), then:

- (a) the recovery ratio would be 20% ( $£24,000 \div £120,000$ );
- (b) the compensation shortfall would be £35,000 ( $£120,000 - £85,000$ );
- (c) the FSCS retention sum would be £17,000 ( $20\% \times £85,000$ );
- (d) the top up payment would be £7,000 (20% of £35,000);
- (e) the total payment to the depositor would be £92,000 (£85,000 of compensation plus £7,000 of top up payment); and
- (f) the total outlay by the FSCS, net of the FSCS retention sum, would be £68,000 ( $80\% \times £85,000$ ).

### Interim compensation payments

20. Regarding Depositor Protection 9.6, reasonably practicable, the PRA expects the FSCS to inform depositors (that do not fall under any of the categories of depositors excluded from the seven working day repayment obligation under Depositor Protection 9.4) if the FSCS considers they are unlikely to make compensation available within seven working days from the date on which deposits are determined to be unavailable and that they tell depositors that they may request an interim compensation payment.

21. In such circumstances, when the FSCS is required to make a payment to cover the cost of living in accordance with Depositor Protection 9.6(1), the PRA expects the FSCS to have regard to the following considerations when determining the appropriate amount to pay the depositor:

- (a) the amount of time before the FSCS is able to pay the depositor the full amount;
- (b) the total aggregated deposits held by the depositor; and
- (c) whether the aggregated deposits include deposits held in the depositor's primary current account (if known).

22. In general the PRA expects that interim payments made in accordance with Depositor Protection 9.6(1)(a) should equal at least 75% of the balance up to a maximum of £5,000.

23. In general the PRA expects that interim payments made in accordance with Depositor Protection 9.6(1)(b) should equal at least 75% of the balance or £85,000, whichever is lower.

### Timing for compensation

24. Depositor Protection 9.4 sets out the circumstances in which the FSCS may defer payment of compensation beyond the time period set out in Depositor Protection 9.3, consistent with the recast DGSD. The PRA expects that the FSCS should aim to pay out these deposits within three months where possible. The PRA recognises that circumstances where it may not be possible for FSCS to pay out within this timeframe may include:

- (a) where the deposit remains subject to legal dispute after three months;
- (b) where the deposit remains subject to restrictive measures imposed by national governments or international bodies; and
- (c) where there remains uncertainty as to whether a person is entitled to receive compensation, despite investigation by the FSCS.

### Calculation of the compensation sum

25. Depositor Protection Chapter 5 sets out how the FSCS should calculate a compensation sum. In calculating the depositor's overall compensation, the FSCS may rely, to the extent that it is relevant, on any determination by:

- (a) a court of competent jurisdiction;
- (b) a trustee in bankruptcy;
- (c) a liquidator; and
- (d) any other recognised insolvency practitioner.

## 5 Compensation for temporary high balances

26. Chapter 10 sets out the PRA rules applicable to the protection of certain deposits categorised as 'temporary high balances' (THBs).

### Application

27. The PRA considers that the THB protection limit in Depositor Protection 4.3 applies to each depositor on a 'per event per authorised entity' basis and is intended to apply to natural persons only and not all eligible depositors. As a

result, if a person has eligible deposits in excess of £85,000 as a result of more than one of the life events set out in Depositor Protection 10.2, that person may make a claim for compensation in respect of both of those events and the limit in Depositor Protection 4.3 would apply separately to each event. For example, if a depositor had a deposit of £750,000 from an inheritance and a deposit of £750,000 from a house sale, then they would be able to claim up to £750,000 in each case.

28. Where a depositor has spread a THB across more than one deposit-taker, then they would be able to make a separate claim for each deposit-taker that defaults. However, the depositor would still need to demonstrate a sufficient link between the amount in their account at the point of default and the THB event. The depositor should never be able to claim more than the value of the original THB amount.

29. Depositors in a joint account will each benefit from THB coverage separately, although they will only benefit from this if they are able to demonstrate that the THB arises from a relevant life event and provide verification. Each joint account holder will also only be able to claim for the proportion of the THB deposit to which they are entitled (in accordance with the terms of the account or equally, where the terms of the account do not specify the split). For example, where £2 million (which is the proceeds of sale from the depositor's house) is deposited in a joint account which is owned equally by a couple, each will be entitled to claim up to £1 million. If only £1 million is deposited, each can claim up to £500,000. For the avoidance of doubt, as noted above, each depositor can claim on a 'per event per authorised entity' basis meaning that a couple is entitled to a claim of up to £1 million each for the same life event (eg wedding or redundancy) per authorised entity.

30. Under Depositor Protection 10.7, the protection for THBs runs for a period of six months from the later of the first date on which a THB is credited to a depositor's account (or to a client account on a person's behalf) or the first date on which the THB becomes legally transferable to the depositor. The PRA considers that a deposit becomes legally transferable to a person at the point in time when that person becomes entitled to receive the money. This is likely to include the date of grant of probate, the date of completion of a residential property sale or the date on which a judgement is made awarding damages.

### What types of THB deposits are protected?

31. Depositor Protection 10.2 sets out the list of categories of eligible deposits that may benefit from THB protection. We have set out further detail below on the PRA's expectations in relation to these categories:

### (1) Deposits relating to a depositor's private residential property (Depositor Protection 10.2(1))

32. The protection under Depositor Protection 10.2(1) should enable a person to claim THB protection in relation to amounts deposited in their own account or in a solicitor's client account on their behalf.

33. The PRA considers references to 'private residential property' in Depositor Protection 10.2 (1) to refer to a specific residential property (ie the property is identifiable) in which the depositor resides, intends to reside or has resided as their main or only residence (as that term is understood in connection with capital tax gains purposes). The PRA does not consider that general savings for a property should fall under this category.

34. The PRA considers that land purchased with a view to constructing a dwelling would fall within this category. The depositor should provide evidence that the land has been purchased (or is about to be purchased) with a view to constructing the purchaser's only or main dwelling.

35. The PRA considers that proceeds from the sale of a property that the depositor owned as a buy-to-let property, or that was the depositor's investment property, should not benefit from THB protection. Similarly, the PRA considers that funds held by a depositor in preparation for the purchase of second home, a holiday home, or any other investment property (which will not be the depositor's only or main residence) should not be protected.

36. For the avoidance of doubt, the PRA does not consider that THB claims falling under this category should be restricted to the purchase price of the property. For example, the PRA expects that amounts falling under category 10.2(1)(a) could include deposits for anticipated stamp duty and associated fees.

### (2) Deposits that fall under Depositor Protection 10.2(2)

37. The PRA considers that the following deposit types would benefit from THB protection:

- (a) sums paid in respect of benefits payable under an insurance policy. These may include proceeds of pure protection contracts as well as sums paid in respect of lump sums payable under an endowment or life insurance policy;
- (b) a claim for compensation for personal (including criminal) injury. This may include personal injury compensation payments or damages for incapacity or invalidity (made in court (by Her Majesty's Courts and Tribunal Services or by an equivalent European Economic Area (EEA) court) or out of court, or from a statutory body);

- (c) state benefits paid in respect of a disability or incapacity. This may include backdated payment for care, disability living allowance, severe disablement allowance, vaccine damage payment;

- (d) a claim for wrongful conviction. This may include compensation for wrongful conviction resulting from decisions made by Her Majesty's Courts and Tribunal Services or by an equivalent EEA court;

- (e) sums paid in respect of a divorce or dissolution of a civil partnership. These may include divorce settlement lump sums (including out of court settlements) or lump-sum settlements resulting from civil partnership dissolution;

- (f) sums paid in respect of sums payable on retirement. These may include lump sums payable under pension schemes; and

- (g) Sums deposited in preparation for the purchase of, or arising from the sale of house boats and other mobile homes which are or, if the purchase not yet happened, are intended to become, the depositor's only or main dwelling.

### (3) Deposits that fall under Depositor Protection 10.2(3)

38. The PRA considers that sums paid to a depositor in respect of benefits payable on death may include death in service payments paid under occupational pension schemes or otherwise.

39. The PRA also considers that ISAs passed on to a spouse at death would also fall under this category.

#### The FSCS's role in verifying THBs

40. Following the default of a firm (ie where a determination has been made that deposits are unavailable), the PRA expects that the FSCS will review the SCV file of the firm and write to depositors with aggregated deposits at the firm in excess of £85,000 to inform them that they may be entitled to additional compensation if they hold any deposits that qualify as temporary high balances and can provide evidence verifying this.

41. The PRA expects the FSCS to provide information to the depositor on what constitutes sufficiently robust evidence and refer the depositor to where they may find further information, including information on any prescribed format for the evidence, the address to which the evidence should be submitted, any relevant timeframes for submission and an overview of the process the FSCS will follow in assessing the evidence. The PRA expects that the FSCS may ask to review evidence including (but not limited to) the following: a

property sale receipt or agreement; a court judgement; a will; a letter from an insurer regarding an insurance payout; a letter from a lawyer, conveyancer, mortgage provider, former employer or pension trustees; court orders; social security statements; probate/letters of administration; death/marriage certificate; land register records and HMRC records. This list is not exhaustive.

42. Regarding claims made in respect of Depositor Protection 10.2 (2)(g), the PRA expects that the FSCS should require suitable evidence that a marriage or civil partnership between two specified individuals has been arranged, for example, confirmation of the booking of the marriage or civil partnership ceremony.

43. The PRA expects the FSCS to assess the validity of a THB claim in accordance with PRA rules and to determine if a sufficient link has been established between an eligible deposit and the relevant THB category on the basis of the nature of and quality of evidence provided by the depositor.

44. The PRA expects the FSCS to determine (i) that the evidence provided by the depositor is sufficiently robust; and (ii) that the deposits fall under one of the THB categories.

45. The PRA acknowledges that because depositors may have payments flowing in and out of their accounts, it may be difficult to establish what portion of their money has retained THB protection since the THB was paid in. The PRA considers that, once the THB has been credited to a depositor's account, the depositor will benefit from the extra THB protection for the coverage period to the value of the original THB credit, no matter what pattern of payment follows.

46. If a THB is transferred to another DGS member, then the PRA considers that the THB cover would be retained (although the coverage period will not begin again, ie the depositor will not be able to receive consecutive periods of cover for the same THB). Where there are a number of payments flowing in and out of accounts, it may be difficult to establish whether a THB has been transferred and the PRA expects that the FSCS, in determining if a sufficient link has been established between an eligible deposit and a THB category, should have regard to a number of considerations including:

- (a) the written evidence provided by the depositor;
- (b) the value of the amount or amounts transferred and whether they constitute a *de minimis* proportion of the original THB;
- (c) the length of time that has elapsed between the life event specified and the date on which the relevant sum was credited to an individual depositor's account; and

(d) any other relevant factors.

47. By way of illustration, the examples below set out where the PRA expects that a depositor would be eligible for THB protection and where protection would not apply.

**Examples:** In the examples below it is assumed that a depositor's £100,000 inheritance has been credited to bank A.

- (a) If the depositor transfers £50,000 to bank B, the PRA considers that the depositor should be able to claim up to £50,000 from the FSCS for each amount (in addition to the standard £85,000 compensation per bank) should both banks fail within six months from the date at which the £100,000 was credited to bank A.
- (b) If the depositor withdraws £100,000 from bank A, and A fails within six months of the date at which the original £100,000 inheritance was credited to A, and the depositor still has aggregate deposits of £100,000 remaining in the account, then the PRA expects that the depositor should be able to claim £15,000 THB compensation.
- (c) If the depositor transfers £50,000 to bank B, giving the depositor a balance with bank B in excess of £85,000, and bank B fails one month after the amount was credited to B but seven months after the original amount was credited to A, then the PRA considers that THB protection should not apply.
- (d) If the depositor withdrew £100,000 from bank A, but there was no corresponding transfer to bank B, should bank B fail and the depositor had an aggregate balance of £185,000 at bank B (and there had been no payments in during the coverage period), the PRA considers that the depositor should not be able to claim £100,000 THB protection from bank B.

### Limits in compensation payable

48. Depositor Protection 4.3 sets out that, for THB claims for sums paid in respect of personal injury or incapacity claims, there is no limit to the compensation payable for THBs. The PRA expects that deposits falling under this category would include sums paid in respect of:

- (a) claims for compensation for personal (including criminal) injury under Depositor Protection 10.2(2)(b) which may include personal injury compensation payments or damages for incapacity or invalidity (made in court (by Her Majesty's Courts and Tribunal Services or by an equivalent EEA court) or out of court, or from a statutory body);
- (b) state benefits paid in respect of a disability or incapacity under Depositor Protection 10.2(2)(c) which may include

backdated payment for care, disability living allowance, severe disablement allowance and vaccine damage payment; and

- (c) benefits payable under insurance contracts for personal injury or incapacity claims.

49. For the avoidance of doubt, the PRA considers that the THB limit may apply to a number of deposits for the same life event. For example, where a depositor has three deposits of £5,000 as separate gifts for the same wedding, the depositor is entitled to claim up to an additional £15,000 over and above their normal £85,000 protection. Total claims for the same life event may not exceed £1 million (unless for a personal injury or incapacity claim).

### Payment of compensation for THBs

50. Depositor Protection 10.8 sets out the timeframe for the FSCS to pay compensation.

51. In accordance with Depositor Protection 10.6, the FSCS may pay compensation in respect of a temporary high balance to a person who makes a claim on behalf of another person in certain circumstances. Examples of circumstances in which the FSCS may decide to pay compensation in respect of a THB to a person who makes a claim on behalf of another person include:

- (a) where a personal representative makes a claim on behalf of the deceased;
- (b) where a solicitor makes a claim on behalf of clients who are entitled to money in the solicitor's client account;
- (c) where trustees make a claim on behalf of beneficiaries;
- (d) where the donee of an enduring power of attorney or a lasting power of attorney makes a claim on behalf of the donor of the power;
- (e) where the Court of Protection makes a claim on behalf of a person incapable by reason of mental disorder of managing and administering his property and affairs; and
- (f) where an eligible claimant makes a claim for compensation but dies before his claim is determined.

## 6 Funding of the FSCS

### Legislation around funding

52. Section 213(3)(b) of FSMA requires the PRA to make rules to enable the FSCS to impose levies on firms in order to meet its expenses under the deposit guarantee scheme. These expenses include in particular expenses incurred, or expected

to be incurred, in paying compensation, borrowing or insuring risks.

53. Section 224F of FSMA enables the PRA to make rules to enable the FSCS to impose levies on PRA firms in order to meet its management expenses incurred if, under Part 15A of FSMA, it is required by HM Treasury to act in relation to relevant schemes.

54. Section 223 of FSMA prevents the FSCS from recovering, through a levy, any management expenses attributable to a particular period in excess of the limit set in the PRA and the FCA rules as applicable to that period.

### FSCS access to mandatory contributions

55. In accordance with Article 10(4) of the recast DGSD and the Deposit Guarantee Scheme Regulations,<sup>(1)</sup> Depositor Protection 32.2 restricts the FSCS's ability to borrow an amount equal to the amount of such mandatory contributions in order to meet the liabilities of the deposit guarantee scheme. The FSCS may borrow such amounts to meet the liabilities of the DGS if the PRA determines that the FSCS is unable to raise levies from DGS members to meet those liabilities. In accordance with the Deposit Guarantee Scheme Regulations the PRA will make that determination on a case by case basis, at the time of each call on deposit guarantee scheme funds. In making this determination, the PRA expects to take into account a range of factors including the likely impact on financial stability of raising levies, as well as the amount of levies needed to be raised.

56. Depositor Protection 34.3(2) also sets out the DGSD requirement that regular levies imposed under Depositor Protection 34.3(1) shall take due account of the phase of the business cycle and the impact that procyclical contributions may have when setting annual contributions. In order to meet this requirement, the PRA expects the FSCS to consult the PRA before setting the timing and size of levy amounts raised.

### Levying timings

57. The FSCS may impose three types of levy on DGS members: a DGS management expenses levy (consisting of a DGS base costs levy and a specific costs levy); a DGS compensation costs levy; and a DGS management expenses in respect of relevant schemes levy. The FSCS has discretion as to the amount and timing of the levies imposed.

58. Under Depositor Protection 34.2, the FSCS must levy DGS members at least once in each financial year (and in respect of DGS compensation costs, for expenditure expected in the period of twelve months following 1 July in that year).

(1) The Deposit Guarantee Scheme Regulations 2015 (SI 2015/486).

However, if the DGS compensation costs or DGS specific costs incurred, or expected to be incurred, exceed the amounts held, or reasonably expected to be held, to meet those costs, the FSCS may, at any time during the financial year, do one or more of the following:

- (a) impose an interim DGS compensation costs levy or DGS management expenses levy; or
- (b) utilise other sources of funding such as commercial borrowing or other borrowing including from the National Loans Fund; or
- (c) utilise money collected from DGS members as set out in, and subject to Depositor Protection Chapter 33.

59. The PRA expects that the FSCS should generally impose a levy rather than borrow or utilise funds as described in (c), unless the latter options appear to it to be preferable in the specific circumstances prevailing at the relevant time; for example, to address short-term liquidity issues, or in order to deal with a significant failure without having to wait for a levy to be imposed or collected.

### DGS management expenses levy

60. The PRA's rules on the Management Expenses Levy and Management Expenses in respect of Relevant Schemes are set out in the Management Expenses Levy Limit and Base Costs Rulebook Part and Management Expenses in respect of Relevant Schemes Rulebook Part.

61. A DGS management expenses levy may consist of two elements. The first is a DGS base costs levy, for the base costs of running the FSCS in a financial year, ie DGS share of costs which are not attributable to any specific class. Included in this category are items such as the salary of the members of the board of the FSCS, the costs of the premises which the FSCS occupies, and its audit fees. The amount that each participant firm pays towards a DGS base costs levy is calculated by reference to the regulatory costs paid by the firm as a proportion of total regulatory costs of all participant firms. All DGS members are liable to contribute towards a DGS base costs levy.

62. The second element of a management expenses levy is a DGS specific costs levy for the 'specific costs' of running the deposit guarantee scheme in a financial year. These costs are attributable to class A, and include the salary costs of certain staff of the FSCS and claims handling and legal and other professional fees. Another example is IT costs attributable to a specific class such as SCV data systems. It also may include the cost of any insurance cover that the FSCS secures against the risk of the FSCS paying out compensation above a given level in class A (but below the levy limit for class A for the year). The specific costs are attributed to the class which is

responsible for those costs. When the FSCS imposes a DGS specific costs levy, the levy is allocated to class A up to the relevant levy limits. The FSCS may include in a DGS specific costs levy the DGS specific costs that the FSCS expects to incur (including in respect of defaults not yet determined at the date of the levy) during the financial year of the deposit guarantee scheme. The amount that each DGS member pays towards the DGS specific costs levy is calculated by reference to the amount of business conducted by the firm in class A. There is a 'class A tariff base' for this purpose, set out in Depositor Protection Chapter 43.

63. The PRA and the FCA typically consult on the limit on the FSCS's management expenses attributable to the forthcoming financial year of the FSCS in January each year.

### Fees refund

64. Depositor Protection Chapter 38 sets out when the FSCS may adjust the calculation of a DGS member's share of any levy. Depositor Protection 38.5 sets out that the FSCS may not adjust the calculation of a DGS member's levy under Depositor Protection 38.4 on the grounds that it would be inequitable for that firm to pay that share or part of it (or on the grounds that it would be inequitable for the FSCS to retain that share or part of it). The reason for this rule is that any such claim should be dealt with under Depositor Protection Chapter 46.

### Recovery of Fees

65. Paragraphs 23(8) and 27 of Schedule 1ZA and paragraphs 31(7) and 35 of Schedule 1ZB of FSMA permit the PRA to recover fees, and section 213(6) permits the FSCS to recover shares of the FSCS levy payable, as a debt owed to the PRA and FSCS respectively, and the PRA and FSCS, as relevant, will consider taking action for recovery (including interest) through the civil courts.

66. The PRA may also take regulatory action in relation to the non-payment of a share of a DGS levy, after reference of the matter to the PRA by the FSCS. What action (if any) is taken by the PRA will be decided upon in the light of the particular circumstances of the case.

### Remission of Fees and levies

67. Depositor Protection Chapter 46 sets out the circumstances in which the PRA or the FSCS may reduce or remit FSCS levies. A poor estimate or forecast by a DGS member, when providing information relevant to the class A tariff base, is unlikely, of itself, to fall within Depositor Protection 46.1. By contrast, a mistake of fact or law by a fee or levy payer may give rise to such a claim.

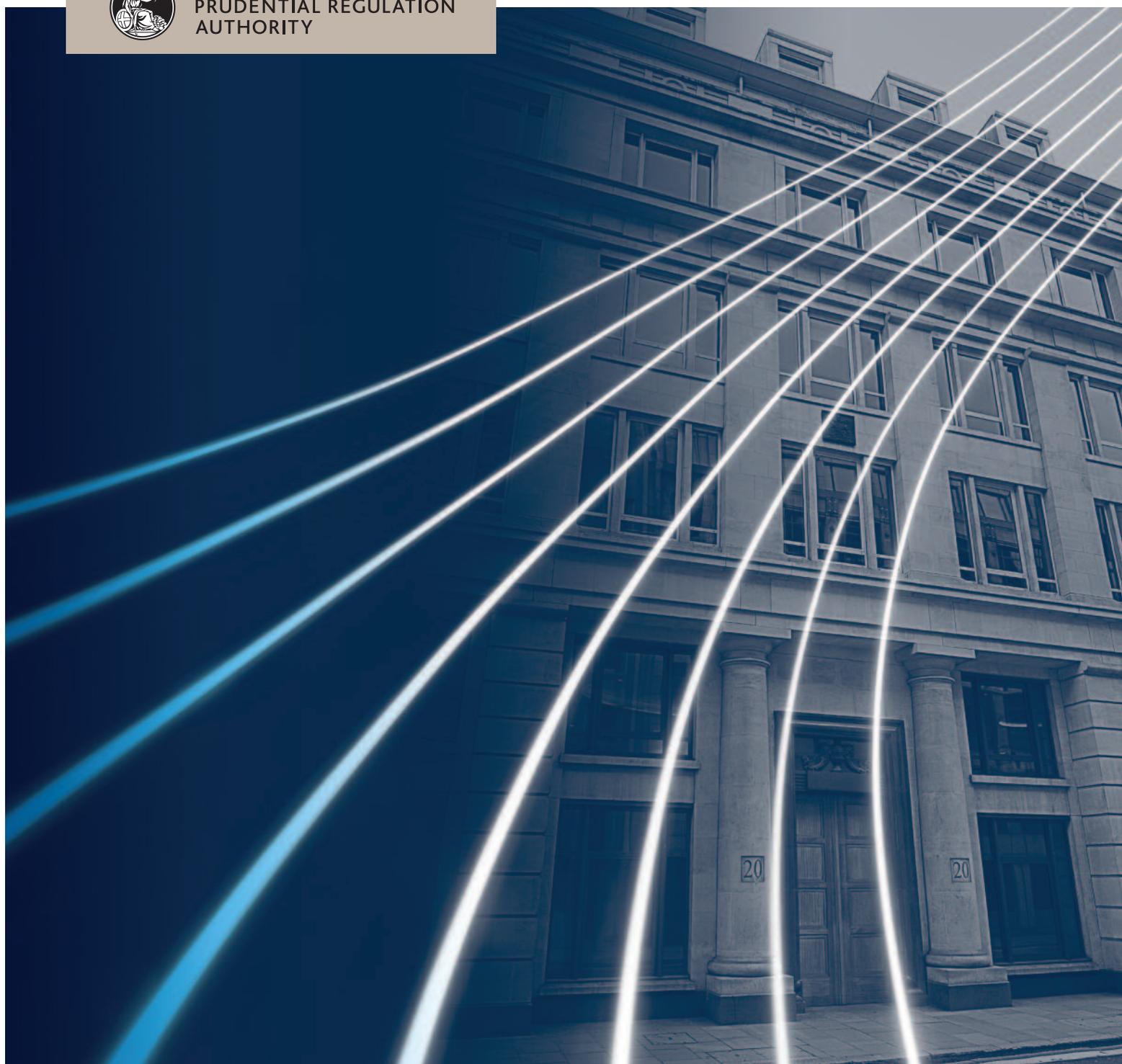
# Statement of Policy

# Dormant Account Scheme

April 2015



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



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Statement of Policy

# Dormant Account Scheme

April 2015



## 1 Introduction

1 This statement is aimed at the Financial Services Compensation Scheme (FSCS) in respect of its role as scheme manager of the Dormant Account Scheme (DAS) but may also be of interest to firms and depositors.

2 The Prudential Regulation Authority (PRA) is required, under section 213 of the Financial Services and Markets Act (FSMA), to make rules establishing a scheme for compensating persons in cases where a dormant account fund operator is unable, or likely to be unable, to satisfy a repayment claim against it. These rules are set out in the Dormant Account Scheme Part of the PRA Rulebook, and apply to the FSCS and firms that are DAS members.

3. The purpose of this statement is to set out the expectations of the PRA on the FSCS with regards to:

- (a) the duties of the FSCS;
- (b) the FSCS's role in assessing and paying compensation in respect of dormant accounts; and
- (c) the FSCS's role in the funding of the DAS.

4. By providing further information to the FSCS with regards to its duties and role in paying and funding compensation of the DAS, this statement of policy aims to ensure an effective DAS and thus contribute towards the safety and soundness of a dormant account fund operator.

5. This statement of policy is intended to be read together with the rules specific to dormant accounts as set out in the Dormant Accounts Scheme Part of the PRA Rulebook, which applies to the FSCS, dormant account fund operators and firms that are DAS members. The funding section is also intended to be read with the Management Expenses Levy Limit and Base Costs Part and the Management Expenses in respect of Relevant Schemes Part of the PRA Rulebook.

## 2 Context

6. The FSCS exercises the functions that are conferred on the scheme manager by Part XV of FSMA.

7. In addition to the PRA's rules, other aspects of the operation of the FSCS are dealt with through the powers of the FSCS under company law (such as the power to borrow, to take on premises, etc) and through rules made by the Financial Conduct Authority (FCA).

8. Also, FSMA confers certain powers upon the FSCS, such as a power under section 219 (Scheme Manager's powers to require information) to require persons to provide information.

## 3 Paying compensation

### Paying claimants and other compensation recipients

9. The FSCS will usually pay compensation direct to the claimant, but in certain circumstances it may be appropriate for the FSCS to pay compensation to someone other than the claimant, or to make reduced or interim payments. Dormant Account Scheme Chapter 7 of the PRA Rulebook sets out when those circumstances arise.

### Claims on behalf of another person

10. Dormant Account Scheme Chapter 6 allows the FSCS to pay compensation to a person other than the claimant in certain circumstances. The PRA considers examples of the circumstances covered by these rules to be:

- (a) when personal representatives make a claim on behalf of the deceased;
- (b) when trustees make a claim on behalf of beneficiaries (for further provisions relating to claims by trustees, see Dormant Account Scheme 6.5–6.8);
- (c) when the donee of an enduring power of attorney or a lasting power of attorney makes a claim on behalf of the donor of the power;
- (d) when the Court of Protection makes a claim on behalf of a person incapable by reason of mental disorder of managing and administering their property and affairs; and
- (e) when the claimant dies before receiving compensation.

### Calculation of the compensation sum

11. Dormant Account Scheme Chapter 8 sets out how the FSCS should calculate a compensation sum. In calculating the depositor's overall compensation, the FSCS may rely, to the extent that it is relevant, on any determination by:

- (a) a court of competent jurisdiction;
- (b) a trustee in bankruptcy;
- (c) a liquidator; and
- (d) any other recognised insolvency practitioner.

### Dormant Accounts

12. The purpose of Dormant Account Scheme 5.3 is to ensure that persons whose balances in a dormant account have been transferred to a dormant account fund operator do not have their entitlement to compensation reduced in the event of default of the dormant account fund operator. Accordingly, a holder of dormant accounts with two or more different relevant persons, the liabilities for which were transferred

to the dormant account fund operator, could still be compensated by the FSCS on the basis of accounts with two or more separate relevant persons (and so could receive up to twice or more the deposit compensation limit in compensation) rather than just one account with one relevant person.

## 4 Funding of the FSCS (Dormant Account Scheme)

### Levying timings

13. As required by s213(3)(b) of FSMA, the PRA has made rules enabling the FSCS to impose levies on firms in order to meet FSCS expenses. These expenses include in particular expenses incurred, or expected to be incurred, in paying compensation, borrowing or insuring risks.

14. The FSCS may impose two types of levy under the Dormant Account Scheme Part of the PRA Rulebook:

- (a) a DAS management expenses levy (consisting of a DAS base costs levy and a DAS specific costs levy); and
- (b) a DAS compensation costs levy.

15. The FSCS has discretion as to the amount and timing of the levies imposed, although DAS compensation costs levies and DAS specific cost levies are subject, together with Deposit Guarantee Scheme (DGS) compensation costs and DGS specific costs, to an annual cap. This cap is set by the PRA. There is also a cap on the annual FSCS management expenses levy, which is set jointly by the PRA and the FCA.

16. The FSCS will usually levy once in each financial year (and in respect of DAS compensation costs, for expenditure expected in the period of 12 months following 1 July in that year). However, if the DAS compensation costs or DAS specific costs incurred, or expected to be incurred, exceed the amounts held, or reasonably expected to be held, to meet those costs, the FSCS may, at any time during the financial year, do one or more of the following:

- (a) impose an interim DAS compensation costs levy or DAS management expenses levy;
- (b) utilise other sources of funding such as commercial borrowing or other borrowing including from the National Loans Fund; and
- (c) utilise money collected from firms as set out in, and subject to, Dormant Account Scheme 16.

17. The PRA expects that the FSCS should generally impose a levy rather than borrow or utilise funds as described in (b)

and (c), unless these options appear to it to be preferable in the specific circumstances prevailing at the relevant time; for example, to address short-term liquidity issues, or in order to deal with a significant failure without having to wait for a levy to be imposed or collected.

### DAS management expenses levy

18. The PRA's rules on the Management Expenses Levy and Management Expenses in respect of Relevant Schemes are set out in the Management Expenses Levy Limit and Base Costs Rulebook Part and Management Expenses in respect of Relevant Schemes Rulebook Part of the PRA Rulebook.

19. A DAS management expenses levy may consist of two elements. The first is a DAS base costs levy, for the base costs of running the FSCS in a financial year, ie costs which are not attributable to any specific class. Included in this category are items such as the salary of the members of the board of the FSCS, the costs of the premises which the FSCS occupies, and its audit fees. It would also likely include the cost of any insurance cover secured by the FSCS against the risk of it paying claims out in circumstances where the levy limit of the particular class to which the claim would otherwise be attributable has exceeded its levy limit for the year, as the insurance cover is likely to benefit all classes which may have costs allocated to them if the levy limit of another class is breached. The amount that a dormant account fund operator pays towards a DAS base costs levy is calculated by reference to the regulatory costs paid by the firm as a proportion of total regulatory costs of all participant firms.

20. The second element of a management expenses levy is a DAS specific costs levy for the 'specific costs' of running the dormant account scheme in a financial year. These costs are attributable to the dormant account class, and include the salary costs of certain staff of the FSCS, claims handling and legal and other professional fees. It also may include the cost of any insurance cover that FSCS secures against the risk of FSCS paying out compensation above a given level in the dormant account class (but below the levy limit for that class for the year). The specific costs are attributed to the class which is responsible for those costs. When the FSCS imposes a DAS specific costs levy, the levy is allocated to the dormant account class up to the relevant levy limits.

21. The FSCS may include in a DAS specific costs levy the DAS specific costs that the FSCS expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the DAS. The amount that each DAS member pays towards the DAS specific costs levy is calculated by reference to the amount of business conducted by the firm in the deposit class. The dormant account class has a 'tariff base' for this purpose, set out in PRA rules.

22. The PRA and the FCA typically consult on the limit on the FSCS's management expenses attributable to the forthcoming financial year of the FSCS in January each year.

### **Fees refund**

23. Dormant Account Scheme 18.2 sets out when the FSCS may adjust the calculation of a DAS member's share of any levy. Dormant Account Scheme 18.3 sets out that the FSCS may not adjust the calculation of a DAS member's levy under Dormant Account Scheme 18.2 on the grounds that it would be inequitable for that firm to pay that share or part of it (or on the grounds that it would be inequitable for the FSCS to retain that share or part of it). The reason for this rule is that any such claim should be dealt with under Dormant Account Scheme Chapter 25 in the PRA Rulebook.

### **Valuation period**

24. For DAS members, the valuation date for the class J tariff base for second year levies is as at 31 December in the relevant year (but for Dormant Account Scheme 21.6). For example, for the FSCS levy year ending in March 2015, the valuation date is as at 31 December 2014 (but for Dormant Account Scheme 21.6).

25. The above example can also be applied to the calculation of the tariff bases under Dormant Account Scheme 22.6 of the PRA Rulebook.

### **Recovery of Fees**

26. Paragraphs 23(8) and 27 of Schedule 1ZA and paragraphs 31(7) and 35 of Schedule 1ZB of FSMA permit the PRA to recover fees, and section 213(6) permits the FSCS to recover shares of the FSCS levy payable, as a debt owed to the PRA and the FSCS respectively. The PRA and the FSCS, as relevant, will consider taking action for recovery (including interest) through the civil courts.

27. The PRA may also take regulatory action in relation to the non-payment of a share of a DAS levy, after reference of the matter to the PRA by the FSCS. Action taken by the PRA will be decided upon in the light of the particular circumstances of the case.

### **Remission of Fees and levies**

28. Dormant Account Scheme Chapter 25 sets out the circumstances in which the PRA or the FSCS may reduce or remit FSCS levies. A poor estimate or forecast by a DAS member, when providing information relevant to the class J tariff base, is unlikely, of itself, to amount to fall within Dormant Account Scheme 25.1. By contrast, a mistake of fact or law by a fee or levy payer may give rise to such a claim.