

Policy Statement | PS7/16

# PRA Rulebook: Fees Part and responses to CP40/15

February 2016



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This policy statement contains final rules, a supervisory statement and feedback to responses following Consultation Paper 40/15, 'The PRA Rulebook: Fees'.



# 1 Overview

## Introduction

1.1 This Prudential Regulation Authority (the PRA) policy statement (PS) provides feedback on responses to Consultation Paper 40/15<sup>1</sup> and is relevant to all PRA-regulated firms.

1.2 Included in this PS are the supervisory statement (SS) and final rules following CP40/15. The final SS3/16 'Fees: PRA Approach and Application' in Appendix 1 and the final rules in Appendix 2. Handbook and Rulebook consequential instruments can be found in Appendices 3 and 4 respectively.

1.3 In CP40/15 the PRA set out proposals to redraft the FEES module of the Handbook to conform to the PRA Rulebook (the Rulebook) style.<sup>2</sup> The CP was part of a planned series of consultations aimed at replacing PRA Handbook material inherited from the Financial Services Authority (FSA) with a standalone Rulebook and reflected the commitment made in the PRA's supervisory approach documents<sup>3</sup> to create a set of rules specific to the needs of PRA-authorized firms.

1.4 Fee rates shown in the final rules instrument are those in force at the date of the PS (i.e. for the 2015/16 fee year). Fee rates for 2016/17 will be subject to consultation in spring 2016.

## Structure of the Rulebook

1.5 CP40/15 outlined the PRA's general approach when replacing the rules and guidance in the FEES module of the Handbook with a new Fees Part of the Rulebook. In summary, the former Handbook material has been divided into five topic based chapters as follows:

- Chapter 1 Application and Definitions (formerly FEES 1);
- Chapter 2 Obligation to pay fees (formerly FEES 2);
- Chapter 3 Periodic Fees, with Periodic Fees Schedule (formerly Fees 4);
- Chapter 4 Regulatory Transaction Fees (formerly FEES 3 other than Annex 9); and
- Chapter 5 Special Project Fee for restructuring (formerly FEES 3 Annex 9).

1.6 This has not changed following consultation.

## Interaction with the FCA fees rules

1.7 The PRA and the Financial Conduct Authority (FCA) have a statutory duty under section 3D of the Financial Services and Markets Act 2000 (FSMA) to ensure the coordinated exercise of their functions, including in relation to fees. The PRA has liaised with the FCA following the consultation. Some minor changes to the final rules have been made as a result of this discussion, as described in Chapter 2.

1.8 The FCA continues to act as the collection agent for PRA fees. Arrangements for invoicing and collection will not change as a result of the CP or the PS.

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1 PRA Consultation Paper 40/15, 'The PRA Rulebook: Fees' October 2015; [www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp4015.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp4015.aspx)

2 These are FEES 1-4, being the remaining chapters relevant to the PRA of the Fees Manual currently shared with the Financial Conduct Authority. FEES 6 relating to the Financial Services Compensation Scheme levy was transposed during 2015.

3 PRA approach documents, [www.bankofengland.co.uk/publications/Pages/other/pr/supervisoryapproach.aspx](http://www.bankofengland.co.uk/publications/Pages/other/pr/supervisoryapproach.aspx)

## Statutory obligations

1.9 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. A summary of feedback and changes made can be found in Chapter 2. No changes to the SS have been made as a result of consultation.

1.10 The PRA is also required by FSMA to publish a statement on the impact of rules on mutuals<sup>1</sup> where the final rule differs from the draft of the proposed rule. In the PRA's opinion, the impact on mutuals is not altered by any changes to the final rules made in response to consultation.

1.11 Prior to consultation, the PRA also considered the way in which the proposed rules:

- advanced its statutory objectives;<sup>2</sup>
- were consistent with the PRA's Regulatory Principles;<sup>3</sup>
- might impact on equality and diversity;<sup>4</sup> and
- were compatible with its secondary competition objective.<sup>5</sup>

1.12 The PRA's view on each of those issues is unchanged following consultation and consideration of the feedback.

1.13 The PRA is exempt from the requirement to carry out a cost benefit analysis in relation to fees rules.<sup>6</sup>

1.14 The final rules instrument and the two consequential instruments have been made by the PRA Board and will enter into force on 1 March 2016. SS3/16 also takes effect on 1 March 2016.

## 2 Responses to feedback

2.1 This chapter provides a summary of responses to CP40/15 and amendments made to the rules instrument as a result of this feedback.

2.2 The PRA received a request for clarification as to why certain guidance and explanatory notes had not been carried across from the Handbook to the draft rules. As stated in the CP, the PRA's aim is that the new Rulebook contain only rules. All former Handbook guidance is being either converted to a rule, recast as a supervisory statement or statement of policy, moved to the PRA's website or deleted as appropriate. Again as stated in the CP, the deletion of former guidance is not intended to signal a change of policy.

2.3 As a result of consultation feedback, and after further discussion with the FCA, explanatory notes to the Handbook guidance in FEES 4 Annex 1BR Part 3 and FEES 4 Annex 12G have now been converted to a rule. These sections concerned matters to be included or excluded from

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1 FSMA, section 138K – mutuals are defined as building societies, friendly societies, industrial and provident societies and mutual societies.

2 FSMA section 2B (1) – (2)

3 FSMA section 2H and 3B

4 Including the PRA's specific responsibilities under the Equality Act 2010, section 149 (1)

5 FSMA, section 2H (1)

6 FSMA, section 138J (6)

the tariff base calculation for firms in fee blocks A3 and A4 and now appear at Fees 3.4(2)(a)(i)–(iii), (b) (c) and (d), Fees 3.4(3)(a) and (b) and 3.12(3) of the new rules.

2.4 Also in connection with the A3 and A4 fee blocks, the PRA was asked whether it would amend the Rulebook to recognise informal, or semi-formal, arrangements between firms and the FCA or the former FSA, whereby some types of data were submitted outside the two month period specified in FEES 4.4.2R of the PRA Handbook (now 3.6(1) of the new Fees Part) without an administrative penalty being incurred.

2.5 After consideration, the PRA's view is that it would not be appropriate to address this as part of the Handbook to Rulebook transposition exercise, which is not intended to effect any substantive changes to the rules. Having been made aware of these arrangements, the PRA will examine the interaction of the fees rules with other PRA reporting requirements in conjunction with the FCA and consult on rule amendments as necessary.

2.6 In response to internal feedback, a number of editorial changes have been made to ensure alignment with rules in other parts of the PRA Rulebook, in particular those entering into force since CP40/15 was published. Most changes are minor and involve amending or removing text to avoid conflict with rules and definitions elsewhere. An example is the new definition of 'IPRU (INS)' introduced at Fees 1.2. This is to preserve cross references to former Handbook modules in certain regulatory reporting forms relevant to fees and expected to remain in use after the new fees rules take effect.

2.7 Two amendments have been required in relation to credit unions. The distinction between 'version 1' and 'version 2' credit unions was removed in early February as part of a review of the CREDS module of the Handbook, requiring consequential amendments to Fees 1.2 (definitions) and Fees 4.5 (2) (fee rates for new authorisations).<sup>1</sup> A new fee for credit union authorisations will be considered as part of the annual PRA fee rates consultation in spring 2016 with rules to take effect in summer 2016. In the interim, the fee will reflect the category to which applicants would have been assigned had they applied prior to 3 February 2016 (i.e. £150 for Version 1 and £900 for Version 2, being half of the combined fee payable to the PRA and FCA in each case). The FCA will be taking a similar approach in their rules.

2.8 Finally, during the consultation period, feedback was received on the structure and presentation of the Rulebook as a whole, rather than the Fees Part specifically. This is being followed up with the respondents as part of the wider Rulebook project.

### **3 Rulebook consequentialials**

3.1 The PRA Board has made two consequential rules instruments which take effect on 1 March 2016.

3.2 The first, annexed as Appendix 3, deletes various Handbook provisions relating to fees. Most Handbook topics will no longer be in force on 1 March 2016 when the new fees rules take effect and so this is unchanged from the draft instrument included in the consultation.

3.3 The second sets out consequential amendments to the Rulebook following the introduction of the fees rules. As indicated in CP40/15, this was not included in the consultation given the need to reflect changes as a result of the ongoing Rulebook project, but

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<sup>1</sup> PRA Policy Statement 4/16 'Reform of the Credit Unions sourcebook' February 2016; [www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps416.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps416.aspx).



is set out in full in Appendix 4. The consequential amendments update cross-references to the fees regime in what was formerly FEES 6<sup>1</sup> of the PRA Handbook relating to the Financial Services Compensation Scheme. They are not intended to alter the underlying policy.

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<sup>1</sup> Now in and can be found in the Depositor Protection, Dormant Account Scheme, Policyholder Protection and FSCS Management Expenses Levy Limit and Base Costs Parts of the Rulebook.



## **4 Appendices**

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**1** Supervisory Statement 3/16 – Fees: PRA approach and application, available at:  
<http://www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss316.aspx>

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**2** PRA Rulebook: Fees Instrument 2016, available at:  
<http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps716.aspx>

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**3** PRA Handbook: Rulebook Consequential (Fees) Instrument 2016, available at:  
<http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps716.aspx>

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**4** PRA Rulebook: Rulebook Consequential (Fees) Instrument 2016, available at:  
<http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps716.aspx>

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