

## The PRA's Standard Cost Model

### 1: Introduction

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1.1 This note sets out the standard assumptions and inputs of the Prudential Regulation Authority's (PRA's) Standard Cost Model (SCM).

The PRA's SCM is a tool for proportionate estimation of the direct operational compliance costs or savings that firms are expected to incur due to changes in PRA regulatory requirements. It provides a structured framework for identifying, categorising, and quantifying incremental compliance activities undertaken by firms to meet regulatory requirements (for example, changes to systems and processes) and the associated costs of these activities.

1.2 This model is informed by the standard cost modelling approaches and toolkits used by other regulators, as well as CBA guidelines and best practices.<sup>1</sup> It draws on a range of evidence, including internal expertise, insights from firms' responses to consultations, the PRA CBA Panel advice, targeted surveys and data gathered via supervisors' engagement with firms. The model is updated regularly to ensure that cost estimates remain current.

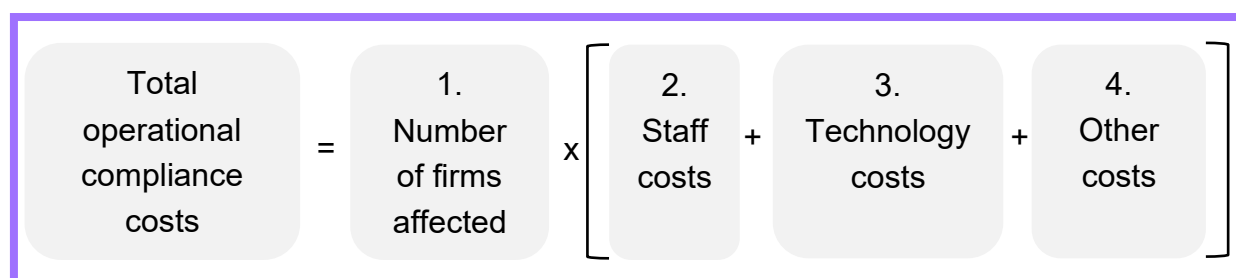
### 2: Model Components

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2.1 Figure 1 summarises the key components of the SCM: firms affected; staff costs; technology costs; and other costs (additional expenditure).

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<sup>1</sup> For example: Cabinet Office, Better Regulation Executive, [Measuring Administrative Costs: UK Standard Cost Model Manual](#), September 2005; International working group on Administrative Burdens, European Commission, [The Standard Cost Model: A framework for defining and quantifying administrative burdens for business](#), August 2004; Financial Conduct Authority, [Appendix 1: The standardised cost model. Statement of Policy on Cost Benefit Analyses](#), July 2024; Department for the Economy, Northern Ireland, [Measuring Administrative Costs: Northern Ireland Standard Cost Model Manual](#), June 2014.

**Figure 1:** The key components of the PRA Standard Cost Model

## Number of firms affected

2.2 Total operational compliance costs are calculated by multiplying firm-level estimates by the total number of firms affected by the policy change. Firm-level estimates can be differentiated by cohorts, in cases where common firm characteristics are expected to result in differential impacts<sup>2</sup>.

2.3 For example, firms are categorised into banks or insurers, or into small/medium/large based on the value of their assets. Segmenting firms in this way allows the PRA to assess the proportional impact of regulatory proposals and supports more targeted policy impact assessment.

2.4 The categorisation of firms into size bands also reflects the way regulatory requirements are applied in practice because certain obligations may vary depending on factors relating to firm size. For example, small firms may be subject to simplified reporting or lighter procedural requirements.

## Staff costs

2.5 Staff costs arise from the opportunity cost of firms' employees dedicating time to compliance activities. The SCM calculates staff cost estimates by multiplying the estimated time firms will spend on compliance activities with the annual cost of staff time. Three types of staff costs are considered: "average staff", "project management" and "board oversight".

### Average staff

2.6 The SCM uses estimates of average staff time for both *one-off* and *ongoing* activities. One-off activities are those required to implement change, including familiarisation, changing internal policies and procedures, and staff training and communication, but may include others. Ongoing activities may include anything

<sup>2</sup> Most commonly the SCM is used to understand impacts on firms that are PRA-regulated (see: [Which firms does the PRA regulate?](#) ).

required to maintain compliance in future and could, for example, include processes such as compiling and submitting regulatory reports.

2.7 Estimates of the time required to complete compliance activities are informed by expert judgement with input from PRA supervisors, feedback from the Bank's panels, responses to previous Consultation Papers, and surveys.

2.8 The cost of average staff time is based on the assumption of a salary of £100,000. This assumption is consistent with published survey data<sup>3</sup> and reflects the contribution of staff at different levels of seniority. An additional 23% is added to salary costs to account for bonuses and an additional 30% to account for non-salary overheads such as office costs.<sup>4</sup>

### Project management

2.9 The SCM assumes that additional time is required for project management to implement changes to regulatory requirements. The SCM assumes that project management time is an additional 10% of the average staff time for one-off activities described above. The cost of project management time is £110,000 with a 23% add on for bonuses and 30% for non-salary overheads.<sup>5</sup>

### Board oversight

2.10 The SCM calculates add-ons for Board oversight. This add-on is calculated based on the estimated number of times the board is expected to engage with the regulatory requirements during implementation (one-off costs) and to maintain ongoing compliance (ongoing costs). Other time-related assumptions are the size of the Board (10 for large firms, 8 for medium and 6 for small) and the amount of time Board members will spend preparing for and discussing the items (e.g. 2 hours). The cost of Board members' time is based on the remuneration figures in Table 1 below.<sup>6</sup> An additional 30% is added to salary costs to account for non-salary overheads.

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<sup>3</sup> Market Insights: Banking, Financial Services and Specialist Markets in United Kingdom, Robert Walters, 2025 (Risk VP); Risk Management Salary Survey, 2025, Lutine Bell (Prudential Risk VP)

<sup>4</sup> The estimated level of bonuses is based on an Office of National Statistics data (EARN03 series) for workers in Financial Services 2014-2024. The estimated level for non-salary overheads is based on the [UK Standard Cost Model Manual](#) (Cabinet Office, 2005).

<sup>5</sup> Consistent with published salary survey data for project and programme managers in London (Robert Half, Reed) and Financial Services in London (Morgan McKinley).

<sup>6</sup> These remuneration figures include bonuses and long-term incentives. The KPMG report covers FTSE100 and FTSE250 firms, which the PRA views as a reasonable proxy for large and medium firms respectively. The BDO report covers AIM-listed firms which the PRA views as a reasonable proxy for small firms.

**Table 1:** Board members remuneration assumptions.

	Large firm	Medium firm	Small firm
<b>Total remuneration</b>	£1,924,000	£1,040,000	£562,000
<b>Source</b>	<a href="#">KPMG Guide to Directors' Remuneration 2024</a>		<a href="#">BDO AIM Directors Remuneration Report 2025</a>
<b>Benchmark</b>	CFO FTSE100 firm	CFO mid-FTSE 250 firm	CFO AIM-listed firm

### 3. Technology costs

3.1 Table 2 summarises assumptions for the cost, for small, medium and large firms, of different scales of technology projects that may be required to implement regulatory changes. These cost estimates have been developed with the support of technology specialists.

3.2 The cost estimates represent indicative median costs to a firm. These provide scalable reference points that reflect typical technology expenditure patterns across different project sizes. The firm size can influence cost structure due to differences in project scale and complexity. Table 3 provides criteria for determining project sizes.

**Table 2:** Technology project costs by size of firm and project

	Large Project	Medium Project	Small Project
<b>Large firms</b>	£10,000,000	£3,000,000	£550,000
<b>Medium firms</b>	£3,000,000	£550,000	£300,000
<b>Small firms</b>	£750,000	£300,000	£55,000

**Table 3:** Technology project size guide

<b>Indicators</b>	
<b>Large Project<sup>7</sup></b>	<ul style="list-style-type: none"> <li>• Complex IT change to multiple systems, including the development of at least one new complex system</li> <li>• Material new data to be created or sourced</li> <li>• Approach to project and issues likely to be discussed at firm's Board</li> </ul>
<b>Medium Project</b>	<ul style="list-style-type: none"> <li>• Material changes to existing systems</li> <li>• Some new data to be created or sourced</li> <li>• Progress may be reported to firm's Board but approach and issues unlikely to be discussed at Board level</li> </ul>
<b>Small Project<sup>8</sup></b>	<ul style="list-style-type: none"> <li>• Limited change to existing systems</li> <li>• Only data which already exist within the firm</li> <li>• Progress unlikely to be reported to firm's Board</li> </ul>

## 4. Other costs

4.1 On a case-by-case basis, the SCM includes additional one-off costs beyond staff or technology costs. These can include items such as consultancy fees, data centre usage, specialist training, legal advice, external assurance, or bespoke communications.

<sup>7</sup> For example, the introduction of the significantly expanded reporting frameworks for UK banks (COREP/FINREP) as part of the European Union's implementation of Basel 3 (CP5/13).

<sup>8</sup> For example, CP4/25 – [Depositor protection](#). Firms required to update their systems to reflect the increase in the £85k FSCS protection limit. Costs expected to be small because SS18/15 requires firms to ensure their systems can accommodate changes to the deposit protection limit without delay, including future changes.

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## 5. Model outputs

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5.1 The SCM produces estimates of total one-off costs and annual ongoing costs. Additionally, it outputs a Present Value of costs using a default 10-year time horizon and 3.5% social discount rate.<sup>9</sup>

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<sup>9</sup> Default assumptions are consistent with those set out in UK Government's [Green Book and accompanying guidance - GOV.UK](#).