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# Supervisory Statement | SS18/15

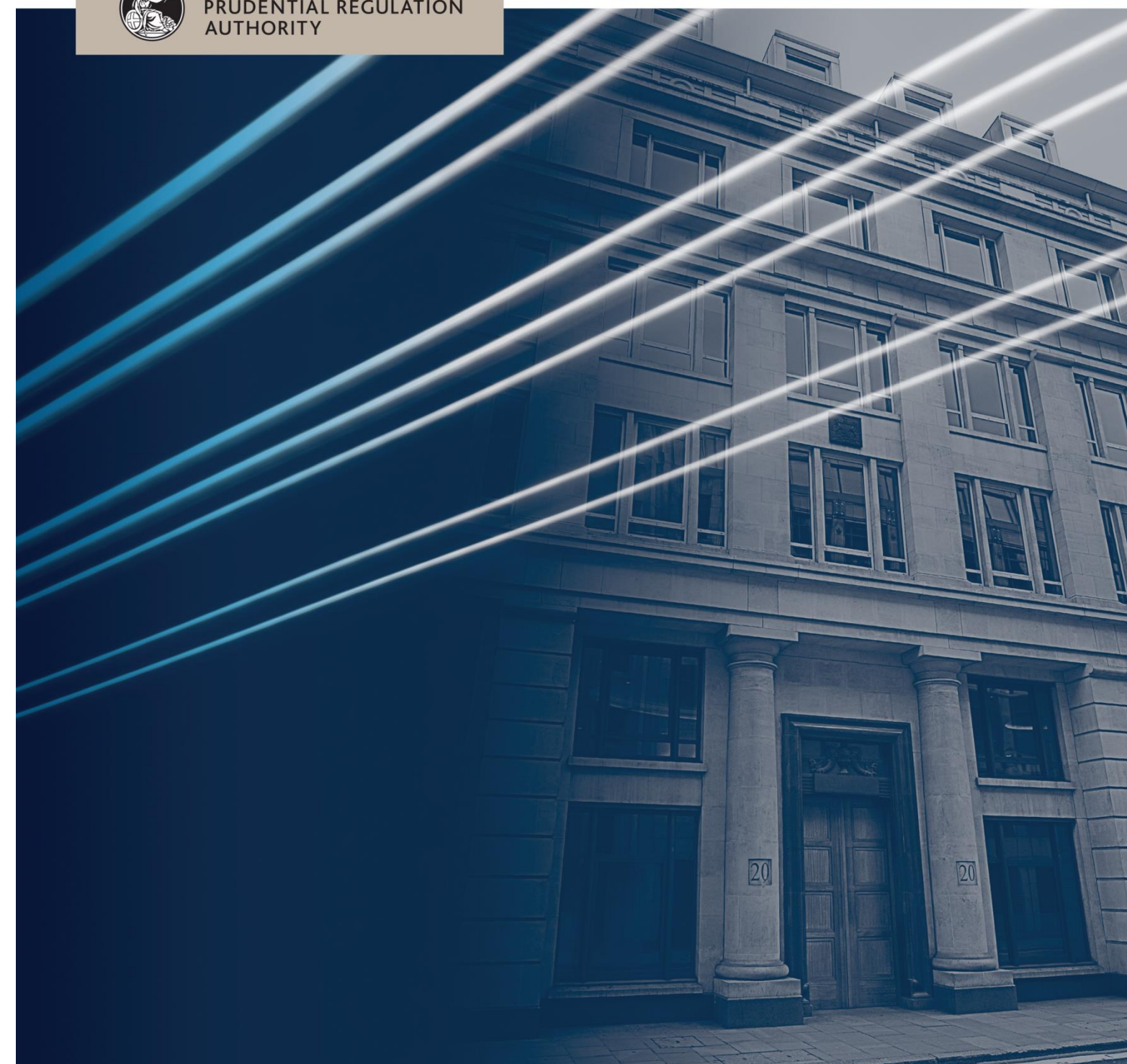
# Depositor and dormant account protection

April 2019

(Finalising February 2019)



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY





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## 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.<sup>1</sup>

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 1.3A, a firm must confirm in SCV field 39 of Depositor Protection 12.9 that a deposit has been assigned to a UK or Gibraltar establishment.

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 existed in the UK, Gibraltar or a Member State of the EU 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 deposits 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**.

2.8 Regarding Depositor Protection 2.2(4)(j), it is acceptable for firms to rely upon a reasonable estimate provided by the local authority of its annual budget, which could for example be based on the previous year's budget. The PRA expects a firm to take reasonable

<sup>1</sup> On 19 September 2017 and 28 February 2019, this SS was updated. See Annex for full details.

steps to ascertain a local authority's budget, but where a firm has been unable to determine if a local authority is eligible, it should be treated as a public authority.

2.9 The PRA considers that the fact that a person has created a charge or equivalent security interest over his/her interest in a deposit does not (in most cases) prevent it being treated as a deposit for the purposes of the Depositor Protection rules, even where the person who has taken the security interest is the DGS member with whom the money has been deposited. This is a change to the approach under the previous Deposit Guarantee Schemes Directive (DGSD).<sup>1</sup>

**Table A Eligibility for DGS cover of certain classes of depositors from 3 July 2015**

<b>Depositor</b>	<b>Eligible or ineligible from 3 July 2015</b>
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 with the exception of small local authorities
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 chapter 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 PRA Rulebook. The PRA's expectations regarding the disclosure requirements in respect of the change in the deposit protection limit are set out in Chapter 12. The PRA's expectations regarding the disclosure requirements in respect of the UK's withdrawal from the EU are set out in Chapter 13.

#### **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.

<sup>1</sup> Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31994L0019:EN:HTML>.

## **Application**

3.3 The general principle is that rules in Chapters 16 and 17 of the Depositor Protection Part apply both per depositor and per account. For example, under Chapter 16, in respect of each account to be opened and each intending depositor on that account, firms must provide an information sheet to, and obtain acknowledgement of receipt from, the intending depositor before entering into each deposit-taking contract with that intending depositor. For the avoidance of doubt, the requirement to provide the information sheet to, and obtain acknowledgement from, a particular intending depositor (including for a joint account) is engaged where that intending depositor is entering into a deposit-taking contract and that deposit will be held by a DGS member in an establishment in the UK (or a UK firm's establishment in Gibraltar).

3.4 In the case of joint account holders, provision of the information sheet and other information under Chapters 16 and 17 can be in line with wider firm practices around dealings with multiple parties on joint accounts (particularly on entering into contracts with, and providing account statements to, multiple parties), subject to the above principle.

3.5 In respect of Depositor Protection 17.2, where the statement of account covers multiple accounts it is acceptable for the firm to provide a single information sheet with that statement.

3.6 Whether a firm's deposit-taking contract is an overall "umbrella" arrangement or product/account-specific depends on the firm's contractual arrangements.

3.7 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 information provision requirements should apply with respect to the underlying beneficiary.

3.8 The disclosure requirements referred to in this statement apply regardless of the sophistication of the depositor.

## **Information sheet and the acknowledgement of receipt**

3.9 Depositor Protection 16.2(3) states that a firm must obtain an acknowledgement of receipt of the information sheet from each intending depositor before entering into a contract on deposit-taking where that deposit will be held by a DGS member in an establishment in the UK (or a UK firm's establishment in Gibraltar). In order to meet this requirement, prior to the contract being entered into, firms should obtain one of the following:

- (a) the intending depositor'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 intending depositor'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);
- (c) the intending depositor's acknowledgement in a separate 'tick box' in the account opening documentation; or
- (d) the intending depositor's express acknowledgement over the telephone.

3.10 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). 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.

3.11 Where the deposit-taking contract is entered into over the telephone (ie, in accordance with other distance contracting procedures), 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 (option (d)). 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 (although not necessarily required) from, the depositor alongside other documentation to be issued after the telephone call.

3.12 Where the deposit-taking contract is entered into in person in a branch, the PRA considers it good practice for firms to obtain the intending depositor's signature on the information sheet, by way of acknowledgement (option (a)).

3.13 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.

3.14 The PRA also does not expect a new information sheet to be provided and acknowledged where an existing customer a depositor 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**

3.15 In retaining records of intending depositor acknowledgements, the PRA expects firms to follow existing record keeping procedures for other account opening documentation.

### **Trademarks and FSCS Badge**

3.16 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 and the FSCS badge, which can be found on the FSCS website.<sup>1</sup>

### **Amendments to the information sheet**

3.17 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. The PRA does not expect firms to redraft the wording of the information sheet.

3.18 For the avoidance of doubt, all of the 'basic information' in Annex 1 of the Depositor Protection rules needs to be provided in the information sheet along with the 'additional information'. Limited optionality is indicated in Annex 1 by square brackets and/or marked as 'only where applicable'.

1 [www.fscs.org.uk/industry/fscs-badge-agreement](http://www.fscs.org.uk/industry/fscs-badge-agreement).

3.19 Provided that the information sheet and exclusions list are clearly distinguished, the PRA does not consider it necessary for the information sheet and exclusions list to be printed on separate pages.

### **Method of communication**

3.20 For the purposes of Depositor Protection 21.1(3), the information should be communicated in a way that brings it to the attention of the depositor (rather than depositors generally). Unless otherwise stated, the PRA expects this to involve proactive communication to the specific depositor rather than passive display of information.

3.21 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 line with firms' obligations under the FCA's Banking: Conduct of Business sourcebook (BCOBS)) in order to comply with the information-providing obligations.

### **Confirmation that deposits are eligible on account statements**

3.22 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.

3.23 For the avoidance of doubt, the PRA does not expect the confirmation on the statement of account to be changed where an account falls into negative or nil balance, assuming a deposit on that account would be an eligible deposit.

### **Compensation information: branches and websites**

3.24 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.

3.25 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**

3.26 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**

3.27 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. Refer to Chapter 12 in



respect of changes to the deposit protection limit. Refer to Chapter 13 in respect of the UK's withdrawal from the EU.

### **Disclosure and other requirements relating to transfers, mergers or conversions**

3.28 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 chapter sets out the PRA's expectations of how firms will mark eligible deposits and accounts 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. 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 at core systems level (ie flagging at account level);
- (b) a separate file showing eligible (and/or ineligible) deposits; or
- (c) using the Single Customer View (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 generated immediately following any request from the PRA or the FSCS. Such an approach to SCV and exclusion files 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 and exclusions 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 day following any request.

<sup>1</sup> 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).

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 (including the eligible deposits of large corporates and small local authorities). 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 and exclusions 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:

- (i) eligible deposits of natural persons and micro, small and medium-sized enterprises (SMEs); and
- (ii) 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 UK or Gibraltar.

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(i) 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(ii) 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.

### **Information requirements during transition period**

4.19 Depositor Protection 11 sets out a number of information requirements firms are expected to meet. 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

4.21 when Depositor Protection 11 applies, where firms may not have yet included the eligible deposits of large corporates or small local authorities 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.

4.22 For example, where a firm currently has insufficient information to report the aggregate amount for their large corporate deposits and small local authority 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.

4.23 Deleted.

4.24 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.

4.25 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.

4.26 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 Dormant accounts — information requirements

6.1 Dormant Account Scheme 27.2 sets out that a firm must, following a request from the PRA or FSCS, provide the FSCS with all information it holds relating to the dormant accounts it has transferred to a dormant account funds operator which is necessary to enable the FSCS to prepare for the payment of compensation.

6.2 The information that the PRA expects a firm to provide to the FSCS following a request should include, where held, the following in respect of each eligible claimant:

- the claimant's name;
- the claimant's date of birth;
- the claimant's address;
- the details of the account from which the dormant account balance was transferred including the account number and sort code; and
- the eligible dormant account balance.

6.3 For the avoidance of doubt, the PRA does not expect firms to take steps to contact dormant account holders where information set out above is not held. The PRA does not expect firms to provide records in a particular format.

6.4 The PRA does not expect firms to provide aggregate protected dormant account balances per depositor to the FSCS.

## 7 Calculation of levies

7.1 Depositor Protection 43 sets out the PRA's rule for calculating the FSCS tariff base for deposit-takers (the Class A tariff base). Depositor Protection 43.2 requires firms to do this calculation on the basis of covered deposits from the SCV file. Depositor Protection 43.1 requires firms to include the total balance of deposits in any account which holds funds to which the account holder is not absolutely entitled. Any funds which the firm has confirmed are not covered deposits may be excluded.

7.2 Deleted.

7.3 Deleted.

7.4 For deposit-takers newly within scope of the FSCS following the UK's withdrawal from the EU, refer to Chapter 13.

## 8 Single Customer View

### Submission requirements

8.1 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.

8.2 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

8.3 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

8.4 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.

8.5 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.

8.6 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.

8.7 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.

8.7A The PRA considers that the implementation of the adjustment to the deposit protection limit described in Chapter 12 is not a material change for the purposes of Depositor Protection 14.3 and 15.3.

8.8 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**

8.9 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.

8.10 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).

8.11 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)'.

8.12 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.

8.13 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.

8.14 Where there is more than one file, each depositor should be linked with their unique identifier (the single customer view record number).

8.15 For file types which do not automatically separate fields a '|' should be used as delimiter. For example, this would apply to .txt files.

8.16 File names should follow the format FRNxxx-YYYYMMDDHHMMSSSCVFormatW.xxx for a SCV file or FRNxxx-YYYYMMDDHHMMSEXCFormatW.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'.

8.17 Where Depositor Protection 12.9 does not specify a numeric form, firms can submit in an alphanumeric or numeric form.

### **Secure electronic submission**

8.18 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**

8.19 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)**

8.20 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**

8.21 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. After the UK's withdrawal from the EU, deposits are only eligible if they are held by a DGS member in an establishment in the UK (or a UK firm's establishment in Gibraltar). Firms with only UK branches should indicate that the

deposits are held in the United Kingdom using ISO 3166-1 ('GBR'). Eligible deposits held in a Gibraltar branch should be marked ('GIB').

### **Format of exclusions file**

8.22 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.

8.23 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**

8.24 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.

8.25 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**

8.26 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**

8.27 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.

### **Balances**

8.28 Accounts which may contain eligible deposits but are in negative balance should also be recorded in the SCV file and exclusions file. Fields 42, 45, and 47 of the file should record a negative balance with a '-' preceding it. Field 42 and 45 should reflect any interest due to be paid by the depositor. Field 48 should list a zero balance for accounts in negative balance. Fields 50 and 51 are just in relation to positive balances, so any accounts with negative balances should not be included in calculations related to these fields.

## **9 In-flight transactions**

9.1 This chapter 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.

9.2 Firms should consider the information in this chapter 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.

9.3 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?**

9.4 The PRA considers an in-flight transaction to be a payment where not all the underlying cash movements comprising the complete transaction are complete.

9.5 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.

9.6 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.

9.7 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**

9.8 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>

<sup>1</sup> PRA Supervisory Statement LSS12/13, 'Settlement bank exposures to customer banks: management of the risks', April 2013: <https://www.bankofengland.co.uk/prudential-regulation/publication/2013/settlement-bank-exposures-to-customer-banks-management-of-the-risks-ss>.

## Principles

9.9 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.

9.10 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.

9.11 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.

9.12 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.

9.13 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

9.14 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

9.15 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.

## 10 Continuity of Access

10.1 This chapter 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 chapter. Refer also to paragraph 11.5.

10.2 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.

10.3 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.

10.4 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.

10.5 The PRA determines in Depositor Protection 13.8 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

10.6 Depositor Protection 13.4 to 13.8 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.

10.7 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 15.7.

10.8 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.

10.9 The PRA expects firms to use the information in the SCV file as the means to establish a depositor's covered and uncovered balance.

### **Overdrafts**

10.10 Depositor Protection 13.6 and 13.7 require a firm to create and maintain systems that enable it to move negative balances in accounts which may contain eligible deposits into a separate suspense or shadow account at the point of resolution and on the request of the PRA, within 48 hours. This would leave the previously overdrawn account with a zero balance. The principles in paragraphs 10.6 to 10.9 of SS18/15 apply equally to such systems. SCV and CoA requirements in relation to accounts with a negative balance apply to the same deposit accounts that would otherwise be included in the SCV and exclusions files.

10.11 Any such movement of negative balances will depend on the circumstances of resolution, so a firm must be able to achieve the movement of deposits not forming part of the transferable eligible deposit both in circumstances where a movement of negative balances is also required and in circumstances when not, as instructed by the PRA. This optionality will support achieving a CoA transfer including overdrawn accounts to an acquiring firm (either with a negative balance or zero balance) depending on the circumstances in a resolution.

10.12 In certain circumstances, a negative balance on an account may not have previously been agreed between a depositor and a firm, for example due to an unauthorised overdraft or a cheque failing to clear. This may be a relevant factor in considering if CoA is appropriate, and therefore firms should report the maximum authorised negative balance allowable on an account in the SCV and exclusions file, in the Authorised negative balances field (field 43).

### **Account details in transfer**

10.13 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**

10.14 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 13.5 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.

10.15 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.

10.16 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.

10.17 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**

10.18 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.

10.19 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*.

## **11 Scope of depositor protection requirements**

11.1 The Depositor Protection Part applies to all firms, except CoA rules which do not apply to credit unions.

11.2 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).

11.3 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.

11.4 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.

11.5 The PRA has also made available a waiver by consent<sup>1</sup> which excludes firms from the scope of CoA rules for a period of three years (from 1 December 2016 to 1 December 2019). The conditions for the waiver, as set out in the waiver notice, are that if the firm meets any of the following three criteria a firm can apply for the waiver:

- (i) the firm had more than £15 billion in total assets on 31 March 2016;
- (ii) the firm had both of the following on 31 March 2016:
  - (a) less than £2 billion in covered deposits, and
  - (b) fewer than 150,000 depositors; or
- (iii) the firm is an overseas firm that is not an incoming firm and has a Part 4A permission that includes accepting deposits.

<sup>1</sup> Full details of the criteria and more information on waivers by consent are available at <https://www.bankofengland.co.uk/prudential-regulation/Authorisations/waivers-and-modifications-of-rules>.

## 12 Changes in the deposit protection limit

12.1 Deleted.

12.1A This chapter sets out the PRA's expectations around changes to the Depositor Protection Part arising from the change to the deposit protection limit. The expectations below relate to the change in the limit from £75,000 to £85,000 in January 2017.<sup>1</sup> The requirements for a UK branch of a 'euro firm' are not affected.<sup>2</sup>

### Transitional

12.1B Resetting the deposit protection limit requires consequential changes to firms' disclosure materials, advertising materials and SCV/CoA systems to reflect the new deposit protection limit. The PRA recognises that it will take time for some firms to amend their materials and systems, so it has provided firms with a five month transitional period until 30 June 2017 to fully implement the changes.

12.1C The PRA expects firms to make these changes as soon as practicable after 30 January 2017 (and in any event on or before 30 June 2017). Making the changes as soon as possible will minimise the number of depositors provided with materials that reference the old £75,000 deposit protection limit and reduce the need for manual intervention of a firm's SCV file by the FSCS should a firm fail in the transitional period.

### Posters and stickers

12.2 Deleted.

12.2A Annex 2 of the Depositor Protection Part requires amended posters and stickers which refer to the new £85,000 deposit protection limit to be displayed in branches and on websites as soon as practicable after 30 January 2017 and in any event on or before 30 June 2017.<sup>3</sup> Until such time, the PRA expects firms to continue to display the existing posters and stickers (referring to £75,000 in the form set out in Annex 2 of the Depositor Protection Part).

### Information sheet and exclusion list

12.3 Deleted.

12.3A The PRA expects that the information sheet provided for acknowledgment purposes at account opening to reflect the new deposit protection limit as soon as practicable after 30 January 2017 and in any event on or before 30 June 2017.

12.3B The exclusions list in Annex 3 of the Depositor Protection Part requires some of the extra language supporting the 2015 implementation of the DGSD to be deleted as of 1 January 2017. The PRA considers it acceptable for firms to make those changes to the exclusions list at the same time as it makes the changes to its information sheet to reflect the new £85,000 deposit limit (after 30 January 2017).

12.4 Deleted.

12.4A The PRA does not expect firms to change their existing annual information sheet cycles.

1 PRA Policy Statement 1/17 'Deposit protection limit' January 2017: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/deposit-protection-limit>.

2 A 'euro firm' is an incoming firm that is a credit institution of an EEA State that has adopted the euro or that does not convert into their national currency the amount referred to in Art 6(1) of the DGSD, pursuant to Article 6(5) of the DGSD.

3 Updated templates for the posters and stickers are available on the FSCS's website: [www.fscs.org.uk](http://www.fscs.org.uk).

12.5 The PRA expects firms should ensure that their systems are flexible enough to accommodate further limit changes should this be required at a future date.

### **Other references**

12.6 Deleted.

12.6A For the avoidance of doubt, the PRA expects firms to update all relevant references to the deposit protection limit (not only where prescribed in PRA rules) as soon as practicable after 30 January 2017 and in any event on or before 30 June 2017. This includes advertising materials, product literature, website references, etc.

12.6B The PRA has provided flexibility for firms to update distribution channels, different materials and individual brands at different times. The PRA encourages firms to consider the possibility that depositors may receive conflicting information and expects firms to ensure messaging is consistent, as far as practicable.

### **Informing depositors**

12.7 Deleted.

12.8 Deleted.

12.8A The PRA expects firms to train customer facing staff to answer questions from customers about the change in the deposit protection limit by 30 January 2017 or as soon as practicable after 30 January 2017, regardless of when a firm's written materials are amended. At a minimum, the PRA considers this training should include:

- what the limit is changing to and when;
- who is, and is not, protected; and
- what are the implications for depositors with aggregate eligible deposits over the new deposit protection limit.

12.9 Deleted.

12.9A Until such time as staff training is completed, the PRA expects firms' staff to direct customers to the FSCS website in the first instance.

### **Identifying small corporate depositors**

12.10 Deleted.

### **Single Customer View (SCV) and Continuity of Access (CoA) systems**

12.11 Deleted.

12.11A The PRA expects firms to make changes to their SCV and CoA systems to ensure the compensatable amount (and transferable eligible deposit, if the CoA rules are applicable to the firm) as soon as practicable after 30 January 2017 and in any event on or before 30 June 2017.

12.11B If a firm were to fail after 30 January 2017 but had made use of the transitional period and not yet updated its systems to reflect the deposit protection limit change, depositors are still protected to the £85,000 limit. The FSCS's processes will be amended to ensure this protection during the transitional period.

### **Depositors with aggregate eligible deposits above £75,000**

12.12 to 12.27 Deleted.

## 13 UK withdrawal from the EU

13.1 This chapter sets out the PRA's expectations around changes to the Depositor Protection Part as a result of the UK's withdrawal from the EU.

13.2 From exit day, the scope of FSCS protection has been amended to protect eligible deposits held by deposit-takers with FSMA Part 4A permission to accept deposits, only where those deposits are held by UK establishments of such firms (or by UK firms' establishments in Gibraltar).

13.3 Due to the importance of depositor protection, the PRA is requiring new DGS members (firms that from exit day are granted, or deemed to have, Part 4A permission to accept deposits at an establishment in the UK) to comply with the Depositor Protection Part immediately upon exit day.

### Single Customer View

13.4 Depositor Protection Chapter 12 requires DGS members (including new DGS members) to be able to provide SCV and exclusions view files within 24 hours of a request by the PRA or FSCS, or within 24 hours of deposits becoming unavailable. It also requires firms to provide the FSCS with SCV and exclusions view files within three months of being granted or deemed a Part 4A permission to accept deposits.

13.4A The PRA expects firms to comply with applicable data protection requirements when providing SCV and other data to the FSCS or PRA. Firms are expected to factor such requirements into their plans and systems to deliver information under the Depositor Protection Part.

13.5 Firms with existing Part 4A permissions prior to exit will need to revise their SCV systems to remove deposits that are no longer eligible, namely deposits held by UK firms' branches located in the EEA.

13.6 Chapter 8 of this SS provides further expectations regarding the SCV.

### Informing depositors

13.7 Chapter 3 of this SS provides expectations regarding customer disclosure. The following expectations are specific to the UK's withdrawal from the EU.

#### Deposits held by UK establishments

##### *New customer disclosure and acknowledgements*

13.8 Depositor Protection 16 requires all DGS members (including new DGS members as of exit day) to provide up-to-date information sheets and exclusions lists in prescribed form to intending depositors and to obtain an acknowledgment of receipt from the intending depositor, before entering into a contract on deposit-taking.

13.9 A new exclusions list has been included in Annex 3 of the Depositor Protection Part.

13.10 As noted in paragraphs 3.3 and 3.9, Depositor Protection 16 applies when the deposit is held by the firm in a UK establishment or by a UK firm's Gibraltar establishment.



### *Disclosure to existing depositors*

13.11 Depositor Protection 17.3 requires new DGS members (firms that are becoming new DGS members immediately after exit day under the Temporary Permission Regime or Supervised Run-off Regime) to provide a revised information sheet and exclusions list to existing depositors with deposits held in a UK establishment within two months after exit day.

13.12 The provision of the information sheet and exclusion list required by Depositor Protection 17.3 will also count for the purposes of the obligation under Depositor Protection 17.1 to provide that information annually, and accordingly will 'reset' the annual obligation.

13.13 Depositor Protection 17.1(3) applies when the deposit is held by the firm in a UK establishment (or by a UK firm's Gibraltar establishment).

### *Posters and stickers*

13.14 The Depositor Protection Part requires firms to display posters and stickers which refer to FSCS protection to be displayed in branches and on websites. The PRA expects new DGS members to remove previous posters and stickers (that referred to coverage by home DGSs) and meet the requirements in respect of the updated materials reflecting FSCS coverage on the day following exit day.<sup>1</sup>

### *Staff Training*

13.15 The PRA expects new DGS members to train customer facing staff to answer questions from customers about the fact that the FSCS is now providing depositor protection for deposits held by the DGS member at a UK establishment.

### *Deposits held by UK firms' EEA branches*

13.16 From exit day, deposits held by UK firms' establishments outside the UK will not be protected by the FSCS.

### *Information about removal of FSCS protection*

13.17 Depositor Protection 20.3 requires UK firms with establishments in the EEA, whose deposits will no longer be protected by the FSCS following exit day to notify affected depositors within one month beginning on the day following exit day. Firms should not send these notifications before exit day.

### **Other references**

13.18 The PRA expects both UK firms with establishments in the EEA and new DGS members to update all relevant references to depositor protection to reflect the new scope of protection.

### **Levies**

13.19 As a result of falling within the scope of the FSCS, EEA firms that have Part 4A permission (or deemed Part 4A permission) with effect from exit day will have joined the FSCS part way through a levy year. These firms will be required to pay levies in respect of FSCS base costs for the current year, and other FSCS levies (eg. compensation cost levies) starting with the FSCS's next levy year. This is not a change in policy, but how the FSCS levy rules in the PRA Rulebook apply in light of the delay in exit day past the original 29 March 2019 date.

<sup>1</sup> Updated templates for the posters and stickers will be available on the FSCS's website: [www.fscs.org.uk](http://www.fscs.org.uk).

## Annex - SS18/15 – updates

This annex details changes made to SS18/15 following its initial publication in April 2015 following PS6/15 ‘Depositor and dormant account protection’.<sup>1</sup>

### 2019

#### April 2019

As a result of the delay in exit day, at the time of making final rules to account for the possibility of a no-deal withdrawal from the EU some updates were required to this SS as compared to the near-final version published in February.

Changes to SS18/15 as a result of the delay in exit day:

- A footnote defining exit day was removed from paragraph 13.2; and
- Paragraph 13.19 was amended to reflect the way the FSCS levy rules apply to firms that join the FSCS part way through a levy year (specifically, after 31 March 2019, rather than before). This is not a change in policy, but how the FSCS levy rules in the PRA Rulebook apply in light of the delay in exit day past the original 29 March 2019 date.

#### February 2019

An updated version of SS18/15 was published to reflect a no-deal withdrawal from the EU, as part of a joint Bank of England and PRA Policy Statement 5/19 ‘The Bank of England’s amendments to financial services legislation under the European Union (Withdrawal) Act 2018’<sup>2</sup>. In the event there is no implementation period, the following updates apply to reflect changes to depositor protection in light of the UK’s withdrawal from the EU.

Changes to SS18/15 consulted upon as part of CP26/18:

- Chapter 2 – paragraphs 2.2 and 2.3 were amended to reflect rule changes;
- Chapter 3 – paragraphs 3.1 and 3.27 were updated to direct the reader to Chapter 13 for expectations regarding the UK’s withdrawal, and paragraphs 3.3 and 3.9 were amended to reflect rule changes;
- Chapter 4 – paragraphs 4.1, 4.2, 4.8 and 4.19 were updated to remove references to the recast Deposit Guarantee Schemes Directive (DGSD), 4.12 was updated to reflect rule changes, and 4.22 was deleted;
- Chapter 7 – paragraph 7.4 was added;
- Chapter 8 – paragraph 8.21 was amended to reflect rule changes;
- Chapter 13 was added.

Changes made post-consultation:

<sup>1</sup> <https://www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps615.aspx>.

<sup>2</sup> <https://www.bankofengland.co.uk/paper/2019/the-boes-amendments-to-financial-services-legislation-under-the-eu-withdrawal-act-2018>.

- Paragraphs 2.2, 2.3, 3.3, 3.9, 4.12, 8.21, 13.2, 13.10 and 13.13 were amended to reflect the UK's post-exit depositor protection policy in respect of UK firms' Gibraltarian branches;
- Paragraph 13.3 was clarified.
- Paragraph 13.4A was added to make explicit that the PRA expects firms to comply with applicable data protection requirements when providing SCV and other data to the FSCS or PRA;
- Paragraph 13.11 was amended to clarify the meaning of new DGS members relating to Depositor Protection 17.3;
- Paragraph 13.17 was amended to reflect new numbering in Depositor Protection 20.

## **2017**

### **19 September 2017**

An updated version of SS18/15 was published. The update was to section 3.16 where the PRA is providing clarity to firms on the use of the FSCS badge on the Information Sheet contained in Annex 1 of the Depositor Protection Part.

### **16 January 2017**

This SS was updated following publication of PS1/17 'Deposit protection limit'.<sup>1</sup> The following updates have been made to reflect revised guidance and procedures for the changes to the deposit protection limit from £75,000 to £85,000:

- Chapter 7 – paragraphs 7.2 and 7.3 have been deleted;
- Chapters 8 – paragraph 8.7A has been added;
- Chapter 11 – paragraph 11.5 has been added; and
- Chapter 12 – paragraph 12.1, 12.2, 12.3, 12.4, 12.6, 12.7, 12.8, 12.9, 12.10, 12.11 and 12.12-12.27 have been deleted, and paragraphs 12.1A-C, 12.2A, 12.3A, 12.3B, 12.4A 12.6A, 12.8A, 12.9A, 12.11A and 12.11B have been added.

Other changes have been made throughout the SS to improve cross-referencing between chapters and terminology (eg referring to 'chapters' instead of 'sections').

## **2015**

### **31 July 2015**

Chapter 2 was updated to include paragraph 2.9 following PS18/15 'Depositor and dormant account protection – consequential amendments'.

Chapter 3 was updated to reflect changes following CP23/15 and PS18/15 'Depositor and dormant account protection – consequential amendments'. The main updates are on application, amendments to the information sheet and method of communication. Paragraph 3.4 as published in SS18/15 on 20 July 2015 has been deleted and paragraphs 3.1, 3.3-3.7, 3.9, 3.11, 3.12, 3.14, 3.16-3.21 and 3.23 are new or have been amended.

<sup>1</sup> <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/deposit-protection-limit>.

### 20 July 2015

An updated version of SS18/15 was published. The only updates to the version published on 3 July 2015 are to section 12 regarding the provision of the information sheet before 1 January 2016 and the requirement to notify depositors of the limit change. The PRA has updated this section to advise that firms discuss options with their supervisor (for example where they face challenges in meeting the relevant requirements).

### 3 July 2015

SS18/15 was updated and published alongside PS14/15 'Depositor and dormant account protection- the protection limit'<sup>1</sup> and PS15/15 'Depositor and policyholder protection - technical amendments'.<sup>2</sup> The main updates relate to amendments made in PS14/15 concerning the change in the deposit protection limit.

### 20 May 2015

SS18/15 was updated and published alongside PS9/15 'Depositor and dormant account protection – further amendments'<sup>3</sup> in response to proposals set out in CP15/15 'Depositor and dormant account protection – further amendments'.<sup>4</sup> The main updates relate to Continuity of Access requirements in relation to overdrafts, dormant account scheme rules, and the treatment of small local authorities.

- 1 <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/depositor-and-dormant-account-protection-the-protection-limit>.
- 2 July 2015: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/depositor-and-policyholder-protection-technical-amendments>.
- 3 May 2015: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/depositor-and-dormant-account-protection-further-amendments>.
- 4 April 2015: [w https://www.bankofengland.co.uk/prudential-regulation/publication/2015/depositor-and-dormant-account-protection-further-amendments](https://www.bankofengland.co.uk/prudential-regulation/publication/2015/depositor-and-dormant-account-protection-further-amendments).