



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP23/15

Depositor and dormant account protection - consequential amendments

July 2015

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Responses are requested by Friday 24 July 2015.

Please address any comments or enquiries to:

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Email: CP23_15@bankofengland.co.uk

1 Overview

1.1 This consultation paper (CP) sets out proposed changes to the Depositor Protection and Dormant Account Scheme Parts in the Prudential Regulation Authority (PRA) Rulebook. The proposed rules are intended to advance the PRA's general objective of promoting the safety and soundness of firms by reducing the adverse effects the failure of PRA authorised firms could be expected to have on the stability of the UK financial system.

1.2 New requirements are proposed following the change to the deposit protection limit, covered in PS14/15 'Depositor and dormant account protection- the protection limit', to ensure that all depositors experiencing a decrease in Financial Services Compensation Scheme (FSCS) protection are given the opportunity to adjust to the new limit, without incurring any charges, penalties or loss of interest.¹

1.3 Minor rule changes are also proposed following consideration of feedback to the disclosure rules consulted on in earlier PRA depositor protection consultations.² The proposed rules seek to confirm and clarify arrangements around how firms should provide the information sheet and eligibility information to depositors, which is supported by related additional guidance included in Supervisory Statement 18/15 'Depositor and dormant account protection' (SS18/15).³ An amendment to the Dormant Account Scheme rules is also proposed.

1.4 This package of proposed measures is being published alongside PS14/15 as a set of PRA publications designed to address the protection limit change and as such firms should refer to this CP, PS14/15, and SS18/15 collectively.

1.5 Appendix 1 of this CP contains the proposed amendments to the Depositor Protection rules found in the Depositor Protection Part of the PRA Rulebook, as well as an amendment to the Dormant Account Scheme Part. Appendix 2 contains a link to the updated version of SS18/15. Details of rule changes and additional SS18/15 guidance resulting from the compensation limit change are covered in PS14/15.⁴

1.6 This CP is relevant to:

- UK banks, building societies and credit unions as well as to overseas firms with PRA deposit-taking permission;
- the FSCS, as the administrator of the UK's Deposit Guarantee Scheme (DGS) and Dormant Account Scheme (DAS);

1 *PRA Policy Statement PS14/15*, 'Depositor and dormant account protection- the protection limit', July 2015; www.bankofengland.co.uk/prapages/publications/ps/2015/ps1415.aspx

2 CP20/14 'Depositor protection', CP4/15 'Depositor, dormant account and policyholder protection — amendments' and CP15/15 'Depositor and dormant account protection- further amendments' (the CPs) published in October 2014, January and April 2015 respectively. Following the CPs the PRA published PS6/15 'Depositor and dormant account protection' and PS9/15 'Depositor and dormant account protection- further amendments' containing amended rules in April and May 2015. For details on policy development to date visit: www.bankofengland.co.uk/prapages/authorisations/fscs/2015updates.aspx

3 *PRA Supervisory Statement SS18/15*, 'Depositor and dormant account protection', April 2015; www.bankofengland.co.uk/prapages/publications/ss/2015/ss1815.aspx

4 The rules in this CP are subject to consultation. The updated guidance in SS18/15 is not subject to consultation as it relates to feedback to earlier PRA consultations and to support final rules published in PS14/15. The rules in PS14/15 are not subject to consultation, as consultation on limit-related rules had remained open following the previous CPs. This consultation is now concluded with the publication of limit-related rules in PS14/15.

- depositors; and
- dormant account fund operators.

Proposals under consultation

1.7 The PRA proposes:

- new rules in the Depositor Protection Part to ensure depositors experiencing a decrease of deposit protection as a result of the limit change are able to withdraw affected funds without charge, penalty or loss of interest from 1 August 2015 until 31 December 2015;
- amendments to the disclosure rules in Chapter 17 of the Depositor Protection Part to provide clarity on how the information sheet should be provided and allow firms greater flexibility, particularly where no annual account statement is provided;
- amendments to the information sheet in Annex 1 of the Depositor Protection Part to address compensation arrangements for small local authorities; and
- an amendment to the Dormant Account Scheme Part in respect of the class J tariff base to ensure a funding approach that is consistent with the class A tariff base in the Depositor Protection Part (under which an amendment in respect of dormant accounts was confirmed in PS15/15 'Depositor and policyholder protection- technical amendments').¹

1.8 Additional guidance has also been added to SS18/15 around how firms can meet disclosure requirements, including around joint accounts, the mode that the depositor acknowledgement of the information sheet may take, and telephone and online banking arrangements (see Appendix 2).²

Statutory obligations

1.9 In discharging its general functions of making rules, and determining the general policy and principles by reference to which it performs particular functions, the PRA must, so far as reasonably possible, act in a way that advances its general objective to promote the safety and soundness of the firms it regulates.³ These proposals advance the PRA's general objective by seeking to minimise the adverse effect that the failure of a PRA-regulated firm could be expected to have on the stability of the UK financial system. They may also support the safety and soundness of firms by enhancing depositor confidence, thus reducing the risk of disorderly runs on deposit-takers.

1.10 In making its rules and establishing its practices and procedures, the PRA has had regard to the Regulatory Principles as set out in the Financial Services and Markets Act (FSMA).⁴

Economic impact

1.11 The PRA is required to perform an analysis of the costs together with an analysis of the benefits that will arise if the proposed rules are made.

1 PRA Policy Statement PS15/15, 'Depositor and policyholder protection- technical amendments', July 2015; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1515.aspx

2 PRA Supervisory Statement SS18/15, 'Depositor and dormant account protection', July 2015; www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss1815update2.aspx

3 Section 2B of FSMA.

4 Section 3B of FSMA.

1.12 The proposed changes to the disclosure rules and supporting guidance are designed to clarify existing requirements or give firms greater flexibility in how these should be met, and as such are not expected to have material cost implications for firms beyond the overall implementation costs outlined in previous CPs, and in some cases may mean reduced costs to firms given the greater flexibility.

1.13 The proposed rules in relation to depositors with aggregate balances above £75,000 would mean firms would incur costs in additional communications with depositors, possible system changes and staff costs to facilitate early withdrawals and potential funding implications. However, the PRA believes these costs are reasonable given the wider public interest in being able to maintain appropriate deposit protection and maintaining depositor confidence in the system. The economic impact of the compensation limit change in general is considered in PS14/15.¹

1.14 The proposed amendment to a DAS member's class J tariff base calculation will mean that, for the purpose of their class J tariff base calculation, DAS members need only include those funds held in dormant accounts that are covered up to the dormant account scheme protection limit.

Impact on mutuals

1.15 The PRA has a statutory obligation to state its opinion on whether the impact of proposed rules on mutuals will be significantly different from the impact on other firms and, if so, details of the difference.²

1.16 The PRA does not expect the impact of the proposed changes on mutuals to be significantly different to the impact on other deposit-takers, except to the extent that a mutual may be less likely to have depositors with fixed-term deposits (and similar products) with balances above £75,000, in which case they are less likely to incur costs from the proposed requirement to allow such depositors to withdraw newly uncovered deposits without penalty.

1.17 Proposals relating to disclosure will affect mutuals but these are minor changes designed to provide firms with additional flexibility and clarification around the PRA's expectations. The impact of the proposed rules is not expected to be significantly different from the impact on other firms.

Impact on competition

1.18 When discharging its general functions in a way that advances its primary objectives the PRA has, as a secondary objective, a duty insofar as reasonably possible, to act in a way that facilitates effective competition in the markets for services provided by PRA-authorized persons in carrying on regulated activities.³ The PRA does not expect an impact on competition as a direct result of the proposed rules.

Equality and diversity

1.19 The PRA may not act in an unlawfully discriminatory manner. It is also required under the Equality Act 2010, to have regard to the need to eliminate discrimination and to promote the equality of opportunity in carrying out its policies, services and functions.⁴ To meet this requirement, the PRA has performed an assessment of the equality and diversity implications

1 *PRA Policy Statement PS14/15*, 'Depositor and dormant account protection- the protection limit', July 2015; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1415.aspx

2 Section 138K of FSMA

3 Section 2H of FSMA

4 Section 149 of the Equality Act 2010

of any new policy proposals considered. In general, the PRA finds that the issues addressed in this CP do not give rise to equality and diversity implications.

Responses and next steps

1.20 This consultation closes on Friday 24 July 2015. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquires to CP23_15@bankofengland.co.uk.

2 Proposed changes to the Depositor Protection rules

2.1 This chapter explains the PRA's proposed changes to the Depositor Protection Part of the PRA Rulebook, in relation to depositors with aggregate balances above £75,000 and disclosure requirements. The proposed rule amendments summarised below can be found in Appendix 1. As noted in Chapter 1, the measures in this CP should be read alongside PS14/15 and SS18/15 in Appendix 2.¹

A. Depositors with aggregate balances above £75,000

2.2 This section sets out proposed new rules in the Depositor Protection Part to ensure that depositors who were previously protected in accordance with the rules in the compensation sourcebook in the PRA Handbook ('COMP'), and continue to be protected under the Depositor Protection Part of the PRA Rulebook, can adjust the total amount of eligible deposits they hold with any one DGS member to take account of the new limit, without incurring charges, penalties or loss of interest when doing so. The PRA has set out what it expects 'charges, penalties or loss of interest' to include in SS18/15. Further detail of the compensation limit change and immediate rule changes can be found in PS14/15.

2.3 Eligible deposits of depositors who were previously protected in accordance with the COMP rules and continue to be protected under the Depositor Protection rules will be protected up to £85,000 until 31 December 2015. Until then, depositors can make a request to their bank, building society or credit union to withdraw an amount up to the lower of (i) the amount by which their aggregate deposits exceed £75,000 and (ii) £10,000 without charge, penalty or loss of interest. For example, if Person A holds a total of £80,000 eligible deposits with Bank A, this rule will enable them to withdraw up to £5,000 without charge, penalty or loss of interest. If Person B holds £100,000 with Bank A, this rule will enable them to withdraw up to £10,000 without charge, penalty or loss of interest. In order to reduce the administration costs for firms, an eligible depositor may make only one withdrawal without charge, penalty or loss of interest.

2.4 Firms would be required to ensure such depositors are informed, as soon as practicable and in any event by 1 October 2015, of the right to withdraw affected funds without charge, penalty or loss of interest, to make any systems changes necessary to enable such withdrawals, and ensure staff are trained to be aware of this option to affected depositors.

2.5 The right for depositors to make a request for a withdrawal without charge, penalty or loss of interest under this rule would apply from 1 August 2015 until 31 December 2015, and firms must make such funds available to depositors as soon as practicable and within 2 months of a request being made.

2.6 FSMA enables PRA rules to provide a right of action against a firm for breach of a rule which results in a loss to the person claiming. Depositor Protection 57.8 has the effect of

1 *PRA Policy Statement PS14/15*, 'Depositor and dormant account protection- the protection limit', July 2015; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1415.aspx
PRA Supervisory Statement SS18/15, 'Depositor and dormant account protection', July 2015; www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss1815update2.aspx

enabling depositors, who are individuals or are acting on behalf of individuals, who were previously protected in accordance with the COMP rules and are still protected, to bring a claim against a firm for a breach of the rule requiring the firm to allow such depositors to withdraw their affected deposits without charge, penalty or loss of interest.

2.7 Further information around the PRA's expectations in respect of the proposed rule, is set out in draft changes to SS18/15 in Appendix 2.

B. Disclosure requirements

Amendments to Depositor Protection 17

2.8 Depositor Protection Chapter 17 sets out ongoing disclosure requirements including how firms must confirm deposit eligibility and provide the information sheet and exclusions list, in relation to statements of account.

2.9 The PRA has further considered industry feedback and is proposing minor rule amendments to make clear that:

- confirmation of deposit eligibility is only in relation to eligible deposits;
- where a depositor does not receive statements of account, the information sheet and exclusions list must still be provided; and
- firms have flexibility around whether the information sheet and exclusions list are supplied in the same document as a statement of account or in an accompanying document.

Amendments to Depositor Protection Annex 1

2.10 Annex 1 to the Depositor Protection Part sets out the standard text that should be included in the information sheet that firms provide to depositors. The information sheet is divided into basic information and additional information. A proposed section has been added to the additional information setting out the compensation arrangements for small local authorities under Depositor Protection 9.6(2A).

Additional guidance in SS18/15

2.11 To support the above proposed rule changes, and to address industry feedback around disclosure requirements, the PRA has published an updated version of Supervisory Statement 18/15 'Depositor and dormant account protection' with further guidance on disclosure requirements in the Depositor Protection rules (see Appendix 2).

2.12 The additional disclosure guidance covers a number of areas, including:

- the requirement to provide the information sheet and exclusions list in relation to joint account holders;
- when a deposit-taking contract is entered into;
- how the information sheet can be supplied online and over the phone;
- the extent to which the information sheet can be edited; and
- expectations where the depositor's address is not known.

2.13 This additional guidance should help firms understand the PRA's expectations around the Depositor Protection rules, and in general seeks to provide firms with an appropriate degree of flexibility in terms of implementation, while maintaining robust depositor protection measures in accordance with the European Deposit Guarantee Schemes Directive.

2.14 SS18/15 also includes new guidance to reflect the compensation limit change, and to reflect rules and amendments to SS18/15 published in PS15/15.¹ These changes are summarised in PS14/15 and PS15/15 respectively.

¹ *PRA Supervisory Statement SS18/15*, 'Depositor and dormant account protection', July 2015; www.bankofengland.co.uk/prapublications/ss/2015/ss1815update2.aspx
PRA Policy Statement PS15/15, 'Depositor and policyholder protection- technical amendments', July 2015; www.bankofengland.co.uk/prapublications/ps/2015/ps1515.aspx

3 Proposed change to the Dormant Account Scheme rules

3.1 The PRA is proposing to amend the class J tariff base calculation so that it reflects the dormant account scheme protection limit. This means that, for the purpose of their class J tariff base calculation, DAS members need only include those funds held in dormant accounts that are covered up to the dormant account scheme protection limit. This brings the approach for calculating the class J tariff base in line with the change in approach for calculating the class A tariff base which the PRA recently confirmed in PS6/15.

Appendices

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- 1 Depositor Protection and Dormant Account Scheme (Amendment No. 6) Instrument 2015 (PRA 2015/xx)**
-
- 2 Supervisory Statement- Depositor and dormant account protection (SS18/15) – amended**

**PRA RULEBOOK: CRR FIRMS, NON CRR FIRMS AND NON AUTHORISED PERSONS:
DEPOSITOR PROTECTION AND DORMANT ACCOUNT SCHEME (AMENDMENT No. 6)
INSTRUMENT 2015**

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 138D(1), (4) and (6) (Actions for damages).
 - (4) section 213 (The Compensation scheme); and
 - (5) section 214 (General).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

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

PRA Rulebook: CRR Firms, Non CRR Firms and Non Authorised Persons: Depositor Protection and Dormant Account Scheme (Amendment No. 6) Instrument 2015

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

Commencement

- E. This instrument comes into force on [1 August 2015].

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms, Non CRR Firms and Non Authorised Persons: Depositor Protection and Dormant Account Scheme (Amendment No.6) Instrument 2015

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

Amendments to the Depositor Protection Part

In this Annex, new text is underlined and deleted text is struck through.

...

17 FIRMS' DISCLOSURE OBLIGATIONS – STATEMENTS OF ACCOUNT

17.1 A *firm* must:

- (1) confirm that *deposits* are *eligible deposits* (if that is the case) on a *depositor's* statement of account;
- (2) include a reference to the *information sheet* and a reference to the *exclusions list* on ~~in~~ a *depositor's* statement of account;
- (3) at least annually:
 - (a) provide to the *depositor*:
 - (i) the *information sheet*; and
 - (ii) the *exclusions list*; and
 - (b) if applicable, inform the *depositor* of the exclusions from *deposit guarantee scheme* protection that fall within 2.2(4)(b) and 2.2(4)(k); and
- (4) include the following information ~~in~~ on a *depositor's* statement of account:

For further information about the compensation provided by the FSCS, refer to the FSCS website at www.FSCS.org.uk.

17.2 If the *depositor* receives statements of account, the ~~The~~ information set out in 17.1(3) must be provided in or with such a ~~*depositor's* statement of account.~~

...

57 TRANSITIONAL PROVISIONS – WITHDRAWALS

57.1 ~~This Chapter does not apply to the FSCS.~~

57.2 A *firm* must, as soon as reasonably practicable and in any event no later than 1 October 2015, notify any *relevant person* whose aggregate *eligible deposits*:

- (1) are greater than the *coverage level*; or
- (2) are reasonably likely to be greater than the *coverage level*
about the change to the *coverage level*.

57.3 A notification under 57.2 must include:

- (1) a statement explaining that on 1 January 2016, the *relevant person's eligible deposits* will be covered by the FSCS up to the *coverage level* unless they are a *temporary high balance*, in which case the *relevant person* should contact the FSCS for further information; and

(2) an explanation of how the *relevant person* may request to reduce their aggregate *eligible deposits* in accordance with 57.4.

57.4 57.5 applies where the following conditions are met:

- (1) a *relevant person's* aggregate *eligible deposits* exceed the *coverage level*;
- (2) the *relevant person* (or a *person* who has authority to act on behalf of the *relevant person*) makes a request to a *firm* that has the effect of being a request to reduce that *person's* aggregate *eligible deposits* by an amount that equates to the excess above the *coverage level* held by the *relevant person*, but is no more than the difference between, the *coverage level* and £85,000;
- (3) the request is made on or before 31 December 2015; and
- (4) the request is not made subsequent to a previous payment made under 57.5.

57.5 A *firm* must, within two months of receipt of a request that has the effect of being a request that meets the conditions in 57.4, enable that *relevant person* to reduce their aggregate *eligible deposits*, by the amount requested in accordance with 57.4(2) without charge, penalty or loss of interest.

57.6 Where a request is made before 1 August 2015 that has not been actioned by the firm at that date, but which would meet the conditions in 57.4, the time period in 57.5 is deemed to commence on 1 August 2015.

57.7 A *firm* must act in accordance with any determination received by the *relevant person* (or a *person* who has authority to act on behalf of the *relevant person*) as to the account or accounts, product or products from which the *eligible deposits* are withdrawn.

57.8 A contravention of 57.5 by a *firm* is actionable at the suit of a *private person* who suffers loss as a result of the contravention, subject to the defences and other incidents applying to actions for breach of statutory duty.

57.9 A *person* who is not a *private person* may exercise the right afforded by 57.8, if a case prescribed by regulation 6(2) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 for the purposes of section 138D(4) Financial Services and Markets Act 2000 applies.

57.10 In this Chapter the following definitions shall apply:

coverage level

means the coverage level set out in 4.2, as that provision is applied on 1 January 2016;

relevant person

has the meaning given in regulation 7A(4) of the *deposit guarantee scheme regulations*; and

private person

has the meaning given by regulation 3 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001.

ANNEX 1

INFORMATION SHEET (CHAPTER 16)

...

⁴Reimbursement

...

Where the FSCS cannot make the repayable amount available within 7 working days, it will, from 1 June 2016 until 31 December 2023, ensure that you have access to an appropriate amount of your covered deposits to cover the cost of living (in the case of a depositor which is an individual) or to cover necessary business expenses or operating costs (in the case of a depositor which is not an individual or a large company) within 5 working days of a request. Again, there are specific exceptions to this obligation.

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

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

...

Annex B

Amendments to the Dormant Account Scheme Part

In this Annex, new text is underlined.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

class J tariff base

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

...

Supervisory Statement | SS18/15

Depositor and dormant account protection

April 2015

Last updated July 2015



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Supervisory Statement | SS18/15

Depositor and dormant account protection

April 2015

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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.

1.2 This statement is intended to be read together with the rules contained in the Depositor Protection Part of the PRA Rulebook.

1.3 This statement is relevant to deposit-takers (hereafter, 'firms') to which these rules apply.

1.4 By setting out the PRA's expectations with regards to the Depositor Protection rules, this statement may help to minimise the adverse effect that the failure of a PRA firm could have on financial stability and enhance depositor confidence and therefore contribute towards the safety and soundness of firms.

2 Eligibility

2.1 The provisions in Depositor Protection 2.2 determine whether a deposit is an eligible deposit.

2.2 Regarding Depositor Protection 2.2(2), a firm can use sort codes to show that a deposit has been assigned to a UK establishment or a branch in another EEA state.

2.3 The definition of deposit in the Depositor Protection Part includes savings products evidenced by a certificate of deposit made out to a named person and which exists in a Member State on 2 July 2014. For the avoidance of doubt, the PRA expects the certificate itself to have existed on 2 July 2014 (not merely the product).

2.4 The definition of deposit excludes a credit balance where the principal is not repayable at par. The PRA considers that, for a deposit to be 'repayable at par', the depositor must be entitled to repayment in full of sums deposited. For the avoidance of doubt, the PRA considers that capital at risk structured deposits are not classed as deposits for the purposes of deposit protection.

2.5 However, where the depositor accepts investment risk on the calculation of interest on a deposit because it is, for example, determined by reference to a financial index, but the principal is repayable at par, the PRA expects that such product will generally be classed as 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 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.

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

Depositor	Eligible or ineligible from 3 July 2015
Natural persons	Eligible
Corporates	Eligible (regardless of size) (unless the Corporate falls under any other exclusion)
Partnerships	Eligible (regardless of size) (unless the partnership falls under any other exclusion)
Mutual associations/unincorporated associations	Eligible (regardless of size) (unless the association falls under any other exclusion)
Credit institutions (banks, building societies and credit unions)	Ineligible
Investment firms, insurance undertakings and reinsurance undertakings	Ineligible
Collective investment schemes	Ineligible
Pension schemes and retirement funds	Ineligible with the exception of deposits by: <ul style="list-style-type: none"> • personal pension schemes; • stakeholder pension schemes; and • occupational pension schemes (of micro, small or medium enterprises)
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 section sets out the PRA's expectations of how firms will disclose information about the relevant deposit guarantee scheme and is intended to be read together with the rules contained in Chapters 16, 17, 18, 19, 20, 21, 22 and 23 of the Depositor Protection Part of the 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 information sheet

3.2 Rules relating to the 'information sheet' that must be provided to depositors are set out in Depositor Protection Chapters 16 and 17.

Application

3.3 The 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, each 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.

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.

~~Where a joint account is to be opened, each joint account holder is considered a depositor. Therefore, for example, the PRA expects that firms provide the information sheet to, and obtain acknowledgement of receipt from, both joint account holders. This is in line with recast Deposit Guarantee Schemes Directive (DGSD) requirements.~~

3.6 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 ~~potential~~ intending depositor before entering into a contract on deposit-taking. In order to meet this requirement, prior to the contract being entered into, firms should obtain one of the following:

- (a) ~~the customer's (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 customer (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); ~~or~~
- (c) ~~the customer (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 (only in cases where the deposit-taking contract is concluded over the telephone – see paragraph 3.11).

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 (i.e. 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.

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

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

Trademarks

3.15 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.

Amendments to the information sheet

3.16 Firms may make minor formatting changes to the information sheet and exclusions list. For example, this could mean changing the format for mobile applications where it may be difficult to convey the information sheet on a small screen. The PRA does not expect firms to redraft the wording of the information sheet.

3.17 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”.

3.18 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

For the purposes of Depositor Protection 21.1(3), ~~if the information should be~~ is 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. by letter or leaflet sent through the post, email or a pop-up box on the firm’s internet website, then the PRA expects that it will have been communicated in a way that brings the information to the attention of the recipient.

3.19 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

3.20 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.

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

Compensation information: branches and websites

3.22 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.

3.23 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

3.24 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

3.25 The PRA expects firms to update or, where appropriate pursuant to Depositor Protection 18.1, delete any existing references to the DGS in advertising materials, where changes in PRA rules mean the information is either no longer accurate or permitted.

Disclosure and other requirements relating to transfers, mergers or conversions

3.26 For the avoidance of doubt, the PRA considers Depositor Protection 19.1 to apply to transfers of engagement taking place between credit unions.

4 Marking eligible deposits and accounts and transitional issues

4.1 This section sets out the PRA's expectations of how firms will mark eligible deposits and accounts and meet recast Deposit Guarantee Schemes Directive (DGSD) information requirements, and is intended to be read together with Chapters 11 and 13 of the Depositor Protection Part.

Requirement to mark eligible deposits

4.2 Depositor Protection 11.1 sets out that a firm must mark eligible deposits in a way that allows for immediate identification of such deposits as required by Article 5(4) of the recast

DGSD. The PRA considers that firms can meet this requirement in a number of ways, including but not limited to:

- (a) marking eligible (and/or ineligible) deposits under the recast DGSD at core systems level (ie flagging at account level);
- (b) a separate file showing eligible (and/or ineligible) deposits; or
- (c) using the SCV file and exclusions file.

4.3 For the purposes of meeting Depositor Protection 11.1, the PRA considers the marking of eligible deposits may be achieved by marking accounts of eligible depositors which contain eligible deposits. For the avoidance of doubt, where such an account balance becomes negative, the PRA does not expect firms to remove the eligible deposit marker.

4.4 The PRA's preferred approach to marking is for firms to produce a list of eligible accounts and a list of ineligible accounts, or clearly be able to separately identify both within core systems. If a firm can only produce/show one of these, the PRA expects the firm to give confirmation that the remaining accounts not marked are ineligible or eligible (whichever are not marked).

4.5 In both options 4.2(b) and 4.2(c), the expectation is for files to be produced or updated on a rolling daily basis or where no rolling daily files are updated or produced, capable of being 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 period¹, 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.

4.7 For the avoidance of doubt, the PRA considers the separate file (generated under whichever option) only need contain a list of eligible and/or ineligible unique identification account numbers and does not need to include any customer or balance information.

4.8 If firms wish to use option 4.2(c) to meet the marking requirement, the PRA expects that firms, by 3 July 2015, have updated their SCV files to remove all ineligible deposits and include newly eligible deposits under the recast DGSD (including the eligible deposits of large corporates 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.

¹ The 'transition period' refers to the time between 3 July 2015 when most depositor protection rules (with the exception of rules in Depositor Protection 12–15) take effect and 1 December 2016 (when rules in Depositor Protection 49–52 cease to have effect and rules in Depositor Protection 12–15 take effect).

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 EEA.

4.13 The PRA considers that firms can meet the Depositor Protection 13.2 requirements set out above in a number of ways, including but not limited to:

- (a) marking relevant natural person and SME accounts at core systems level (ie flagging at account level);
- (b) a separate file showing relevant accounts; or
- (c) using the SCV and exclusions files (to meet requirement 4.12(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.

Recast DGSD information requirements during transition period

4.19 Depositor Protection 11 sets out a number of information requirements firms are expected to meet in line with recast DGSD requirements. Depositor Protection 11.3 and 11.4

require that firms upon receipt of a request must be able to provide the FSCS with the aggregated amounts of eligible deposits of each and every depositor. Depositor Protection 11.5 and 11.6 require that a firm upon receipt of a request must be able to provide the FSCS with all information necessary to enable the FSCS to prepare for the payment of compensation and that they must provide this information to the FSCS to enable the FSCS to pay compensation within the applicable time period.

4.20 The PRA expects that firms would meet the above requirements through the use of an SCV file and exclusions file containing all eligible depositors. During the transition period when Depositor Protection 11 applies, where firms may not have yet included the eligible deposits of large corporates 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.

4.21 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.

4.22 The PRA would expect the information provided to the FSCS to specify which deposits are accepted in branches outside the United Kingdom.

4.23 For the avoidance of doubt, firms are not required to collect this information to meet the requirements ahead of such a request, only to have a credible plan in place to do so in the event of a request. The PRA reserves the right to request firms do implement the plan where it is required, for example, if the PRA is contingency planning for the event of failure of the firm.

4.24 Regarding Depositor Protection 11.5 and 11.6, the PRA considers that the FSCS may request this information at any time, although during the transition period the PRA would not expect such a request to be made as a matter of course.

4.25 Regarding Depositor Protection 11.6, the PRA expects that the timeline for delivery of the relevant information to FSCS will be subject to supervisory judgement and depend on the nature and complexity of the firm and the given scenario.

5 Temporary high balances

5.1 For the avoidance of doubt, firms are not required to mark or verify balances qualifying as temporary high balances under PRA rules. This is for the FSCS to determine, in accordance with PRA rules, after default.

6 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 For the transition period, between 3 July 2015 (when the recast DGSD takes effect) and December 2016 (where the new SCV rules come into force), where depositors do not have an exclusions file, firms should also include covered deposits that are not included in the SCV file (as they are not fit for straight through payout (eg accounts under legal sanction)). The PRA considers this to be in line with the current approach. For the transition period, firms are not required to include large corporate or small local authority covered deposits in their tariff data.

7.3 Where firms choose to include deposits of large corporates and small local authorities in their SCV files from 3 July 2015, firms may wish to (but are not required to) report covered deposits, excluding these deposits as set out in Depositor Protection 52.2 to ensure they are not levied more than they would otherwise be levied. For example, firms may choose to continue to run an 'old' SCV file to identify this amount (updated to remove ineligible deposits under the recast DGSD).

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.

8.8 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-YYYYMMDDHHMMSSSEXCFormatW.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. For example, a firm with EEA branches may indicate that an account is held with a branch in Spain. A firm with only UK branches should indicate that the deposits are held in the United Kingdom.

Format of exclusions file

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 section provides more information on the PRA's expectations concerning the treatment of in-flight transactions covered under Depositor Protection 12.14. The PRA understands that each firm's approach may differ depending on the timing of end of day processes, speed to produce the SCV file and the type of access to each payment system. The PRA will allow each firm the freedom to satisfy Depositor Protection 12.14 within the scope of their own processes and external relationships. Therefore this SS sets out the PRA's expectations in general terms. It does not provide detail or prescribe the settlement processes between banks (between settlement banks or between settlement banks and their agency/customer banks). Settlement bank and agency/customer bank in this context can refer to all deposit-takers, including building societies and credit unions.

9.2 Firms should consider the information in this section alongside their own processes and relationships with the financial market infrastructures (FMIs) or settlement banks. They should apply this guidance to each payment type accordingly. This will help ensure consistency across the industry in a transfer of deposit book or an FSCS payout.

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.¹

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.

¹ PRA Supervisory Statement LSS12/13, 'Settlement bank exposures to customer banks: management of the risks', April 2013; www.bankofengland.co.uk/publications/Documents/other/pras/policy/2013/settlementbankexposureslss12-13.pdf

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 section sets out additional details on how a deposit book transfer in resolution might work to set the PRA's expectations in context and provide more information for firms as to how systems changes may be used. The PRA would expect the rules in Depositor Protection Chapters 11 to 15 to be read alongside this section.

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 13.9 that it should be operationally feasible for firms' systems to freeze deposit accounts that are not identified under Depositor Protection 11.1 within five hours of a resolution and a request of the PRA. The PRA considers that the minimum result of freezing an account should be that a customer is unable to move money into or out of the account.

Account separation

10.6 Depositor Protection 13.4 to 13.9 require firms to create and maintain systems that enable the firm to separate uncovered from covered balances and place the uncovered balances into a separate suspense or shadow account at the point of resolution and on the request of the PRA, within 48 hours. The legal ownership of the covered deposits remaining in the account will be transferred to an acquiring institution, but the deposit account remains operational on the failed bank's systems providing the depositor with continued access to their account. Subsequent to the resolution weekend, the PRA would expect the acquiring institution to over time migrate the depositors' accounts onto their own systems.

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 15.57.

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 continuity of access 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 continuity of access 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 13.6 to ensure the hierarchy is adhered to. Where a product could fall into several categories, it should be recorded as the highest of these categories in the hierarchy. Where a product cannot reasonably be placed into one of the categories, the 'other' category should be used.

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.

12 The change in the deposit protection limit

12.1 This section sets out the PRA's expectations around a number of changes to the Depositor Protection rules arising from the change to the deposit protection limit. The requirements for a UK branch of a "euro firm", are not affected.¹

Posters and stickers

12.2 The PRA requires amended posters and stickers which refer to the new deposit protection limit to be displayed in branches and on websites as soon as practicable and in any event from 1 September 2015. Until such time, the PRA expects firms to continue to display the existing posters and stickers (that were prescribed under the Compensation sourcebook in the PRA Handbook or in the form previously set out in Annex 2 of the Depositor Protection Part).

Information sheet

12.3 Requirements for firms to provide the information sheet and exclusions list to depositors apply from 1 January 2016. Firms should not provide the amended information sheet or any other version of the information sheet before this time. Where a firm has already provided an information sheet to a depositor, that firm should prioritise providing the coverage information (set out in Annex 4 to the Depositor Protection Part) to that depositor, under Depositor Protection 54.1.

12.4 Depositors must also be provided with the information sheet and exclusions list as soon as practicable after 31 December 2015 and in any event by 1 July 2016, under Depositor Protection 54.2. The PRA considers that satisfaction of this requirement will also satisfy the requirements of Depositor Protection 17.1(3) for the first annual cycle.

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 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). This includes advertising materials, product literature, website references, etc.

Informing depositors

12.7 The PRA considers firms should train customer facing staff to answer questions from customers about the change in the deposit protection limit. At a minimum, the PRA considers this training should include:

- what the limit is changing to and when;
- who is and is not protected up to £85,000 during the period from 3 July 2015 until 31 December 2015 and thereafter; and

¹ 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.

- what are the implications for depositors with aggregate eligible deposits over the new deposit protection limit.

12.8 Before staff are adequately trained, firms should instruct staff to direct customers to the FSCS website in the first instance.

Identifying small corporate depositors

12.9 The PRA has stated that it expects firms to make progress towards final SCV rules during the transition period to new SCV rules which take effect in December 2016. This means that firms may include newly eligible deposits such as large corporates in their SCV ahead of this time. Where firms have adopted this approach prior to January 2016, the PRA expects firms to be able to continue to identify small corporate deposits until the new limit takes effect on 1 January 2016 (for example by maintaining a separate list of such depositors). This will help ensure the FSCS is able to pay out small corporate depositors at £85,000 during the transitional period for these depositors.

SCV

12.10 The PRA considers that the effect of the HMT transitional legislation is that firms should not amend their SCV systems to reflect the new deposit protection limit until 1 January 2016. This approach applies whether or not a firm has adopted the new SCV requirements in Depositor Protection 12.9 early.

Depositors with aggregate balances above £75,000

12.11 Depositor Protection 57 requires firms to notify those eligible depositors whose aggregate balance is above the new deposit protection limit on 1 January 2016, and those whose balance is likely to be above that limit on that date. Regular savers or those receiving dividends into a current account may only go above the new deposit protection limit quite late in the year. Firms must tell this group about the change to the limit and explain how they may request a withdrawal without charge, penalty or loss of interest. It is for firms to decide how to communicate to eligible depositors and the rules do not prevent a firm from also communicating the change of limit to a wider group of eligible depositors if they wish.

12.12 Depositor Protection 57 requires firms to allow depositors to withdraw an amount up to the lower of (i) the amount by which their aggregate deposits exceed £75,000 and (ii) £10,000 (hereafter 'affected funds') without charge, penalty or loss of interest. The PRA rules require firms to allow depositors to withdraw funds from the account or accounts of their choice, including fixed-term accounts, even in circumstances where the depositor has an instant access account that could also be reduced. However, as Depositor Protection 57.4 makes clear, this rule allows a depositor to make only one withdrawal without charge.

12.13 While Depositor Protection 57 applies only from 1 August 2015 until 31 December 2015, the PRA expects firms to take account of the proposed rule being consulted upon in CP23/15 and refrain from action that would undermine its effect, if made.¹ This could involve delay in actioning requests made to withdraw affected funds until after the consultation has closed and the PRA approach (along with any rules, if made) is published. As a matter of good practice, firms may also wish to consider extending arrangements to withdraw affected funds without charge, penalty or loss of interest beyond 31 December 2015. The PRA also expects firms to

¹ PRA Consultation Paper CP23/15, 'Depositor and dormant account protection - consequential amendments', July 2015; www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2315.aspx

consider longer term system and process functionality to support any similar transitional withdrawal arrangements following any future deposit protection limit changes.

12.14 The PRA considers that a 'charge, penalty, or loss of interest' in relation to withdrawal of funds from an account could include, but is not necessarily limited to: a fixed fee for early withdrawal, product provisions preventing a withdrawal, a percentage charge for early withdrawal, administrative fees and loss of accrued interest or ongoing interest on remaining funds.