Supervisory Statement │ SS18/15

Depositor protection

April 2015

BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

BANK OF ENGLAND
**PRUDENTIAL REGULATION
AUTHORITY**

Supervisory Statement | SS18/15

Depositor protection

April 2015

1   Introduction

1.1 This supervisory statement (SS) sets out the expectations of the Prudential Regulation Authority (PRA) on deposit-takers with regards to the depositor protection rules.

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

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

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

2   Eligibility

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

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

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

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

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

2.6 The PRA expects that a deposit may generally be considered as being 'repayable at par' if repayment of it is subject to the deduction of fees by the firm.

2.7 Further information on the scope of depositors eligible for Deposit Guarantee Scheme (DGS) protection from 3 July 2015 is set out in **Table A**.

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

Depositor	Eligible or ineligible from 3 July 2015
Natural persons	Eligible
Corporates	Eligible (regardless of size) (unless the corporate falls under any other exclusion)
Partnerships	Eligible (regardless of size) (unless the partnership falls under any other exclusion)
Mutual associations/unincorporated associations	Eligible (regardless of size) (unless the association falls under any other exclusion)
Credit institutions (banks, building societies and credit unions)	Ineligible
Investment firms, insurance undertakings and reinsurance undertakings	Ineligible
Collective investment schemes	Ineligible
Pension schemes and retirement funds	Ineligible with the exception of deposits by: • personal pension schemes; • stakeholder pension schemes; and • occupational pension schemes (of micro, small or medium enterprises)
Public authorities	Ineligible
Persons whose claim arises from transactions in connection with which there has been a criminal conviction for money laundering	Ineligible

3   Disclosure

3.1 This section sets out the PRA's expectations of how firms will disclose information about the relevant deposit guarantee scheme and is intended to be read together with the rules contained in Chapters 16, 17, 18, 19, 20, 21, 22 and 23 of the Depositor Protection Part of the Rulebook.

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

Application
3.3 The rules in Chapters 16 and 17 of the Depositor Protection part apply both per depositor and per account. For example, in respect of each account to be opened, firms must provide an information sheet to, and obtain acknowledgement of receipt from, each intending depositor before entering into each deposit-taking contract.

3.4 Where a joint account is to be opened, each joint account holder is considered a depositor. Therefore, for example, the PRA expects that firms provide the information sheet to, and obtain acknowledgement of receipt from, both joint account

holders. This is in line with recast Deposit Guarantee Schemes Directive (DGSD) requirements.

3.5 Where the account holder is not the beneficiary of DGS cover and the firm does not have a direct relationship with the beneficiary, the PRA expects firms to comply with information providing obligations with respect to the account holder, but does not consider requirements should apply with respect to the underlying beneficiary.

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

Information sheet and the acknowledgement of receipt

3.7 Depositor Protection 16.2(3) states that a firm must obtain an acknowledgement of receipt of the information sheet from each potential depositor before entering into a contract on deposit-taking. In order to meet this requirement, prior to the contract being entered into, firms should obtain one of the following:

(a) the customer's signature on the information sheet. In this case, the PRA considers it good practice for firms to provide the depositor with a copy of the information sheet;

(b) the customer's signature on an acknowledgement contained in a separate document to the information sheet (which would allow the depositor to retain the information sheet for their reference); or

(c) the customer's acknowledgement in a separate 'tick box' in the account opening documentation.

3.8 Regarding options (b) and (c), the PRA considers it acceptable for the acknowledgement of receipt to be contained in a separate document from the information sheet. The PRA does not consider it good practice for the information sheet to be included within other terms and conditions (such as the deposit-taking contract).

3.9 Where the deposit-taking contract is entered into online, the depositor should be provided with the information sheet and exclusions list and required to confirm receipt of the information sheet, prior to the contract being entered into. In this scenario, an electronic signature or 'tick box' is sufficient to meet the requirement, in Depositor Protection 16.2(3), to obtain acknowledgement of receipt of the information sheet.

3.10 Where the deposit-taking contract is entered into over the telephone, the information in the information sheet and the exclusions list may be provided, and the express acknowledgement of the intending depositor obtained, over the telephone. The information provided should include all

the 'basic information' on the information sheet together with the relevant 'additional information'. In such cases, the information sheet and exclusions list should be provided to, and acknowledgement requested from, the depositor alongside other documentation to be issued after the telephone call.

3.11 For child accounts where the deposit-taking contract is entered into by a parent or guardian, the PRA expects that the parent or guardian would be able to acknowledge receipt. Similarly, for accounts where there is power of attorney, receipt may be acknowledged by the depositor's attorney.

3.12 For the avoidance of doubt, the PRA considers that the requirement to obtain acknowledgement of receipt of the information sheet from the depositor does not apply to deposit-taking contracts entered into prior to 3 July 2015. The PRA also does not expect a new information sheet to be provided where an existing customer is moved into a new account (eg at the end of a fixed rate bond term), unless a new deposit-taking contract is entered into.

Record-keeping

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

Trademarks

3.14 Where the information sheet states that firms should 'insert all trading names which operate under the same licence', the PRA expects firms to include all brands and trading names that fall under the same banking licence. Firms may include the relevant brand logos.

Timing for implementation

3.15 The PRA expects firms to apply the rules that are in force at the time the deposit-taking contract is entered into. This means that where an application to open an account has started prior to 3 July, but the contract has not been entered into until on or after 3 July, firms should provide the information sheet and exclusions list to the depositor and obtain acknowledgement of receipt of the information sheet before entering into the contract.

Amendments to the information sheet

3.16 Firms may make minor formatting changes to the information sheet and exclusions list. For example, this could mean changing the format for mobile applications where it may be difficult to convey the information sheet on a small screen.

Method of communication

3.17 For the purposes of Depositor Protection 21.1(3), if the information is communicated by letter or leaflet sent through the post, email or a pop up box on the firm's internet website,

then the PRA expects that it will have been communicated in a way that brings the information to the attention of the recipient.

3.18 Where a firm has reasonable grounds to believe that a depositor is not resident at the address last known to the firm as the address of the depositor, the PRA expects the firm to make reasonable enquiries to ascertain up-to-date contact details of the depositor in order to comply with the information-providing obligations.

Confirmation that deposits are eligible on account statements

3.19 Under Depositor Protection 17.1, a firm must confirm that deposits are eligible deposits on a depositor's statement of account. The PRA expects firms to consider both the eligibility of the depositor and the eligibility of the deposit when making this assessment (except where this is not reasonably practicable, for example, due to a lack of information as to whether a deposit has arisen out of a transaction in connection with which there has been a criminal conviction for money laundering). The PRA does not consider it acceptable if the confirmation on the depositor's statement of account is conditional (ie 'your deposits are eligible if you do not fall within the exclusions') as the PRA expects firms to make this assessment.

3.20 For the avoidance of doubt, the PRA does not expect the confirmation on the statement of account to be changed where the account falls into negative or nil balance.

Compensation information: branches and websites

3.21 If information required to be disclosed under Depositor Protection 23.7 and 23.8 is displayed prominently on the front page of the firm's website or mobile application or a pop-up box upon logging on to the website or mobile application, the PRA expects that the requirement to communicate in a way that best brings the information to depositors' attention will have been satisfied.

3.22 The PRA considers that a DGS member will comply with Depositor Protection 23.4, 23.5, 23.6, 23.7 and 23.8, if it displays the relevant compensation sticker and/or compensation poster produced by the FSCS in accordance with the requirements of those rules.

References to the DGS in advertising

3.23 In Depositor Protection 18.1, the PRA considers 'advertising materials' to include any materials containing an invitation to make a deposit, or information that is intended or might reasonably be presumed to be intended to lead directly or indirectly to the making of a deposit; and includes any means of bringing such an invitation or such information to the notice of the person or persons to whom it is addressed.

Other references to the DGS

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

Disclosure and other requirements relating to transfers, mergers or conversions

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

4   Marking eligible deposits and accounts and transitional issues

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

Requirement to mark eligible deposits

4.2 Depositor Protection 11.1 sets out that a firm must mark eligible deposits in a way that allows for immediate identification of such deposits as required by Article 5(4) of the recast DGSD. The PRA considers that firms can meet this requirement in a number of ways, including but not limited to:

(a) marking eligible (and/or ineligible) deposits under the recast DGSD at core systems level (ie flagging at account level);

(b) a separate file showing eligible (and/or ineligible) deposits; or

(c) using the SCV file and exclusions file.

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

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

4.5 In both options 4.2(b) and 4.2(c), the expectation is for files to be produced or updated on a rolling daily basis or where no rolling daily files are updated or produced, capable of being produced immediately following any request from the PRA or the FSCS. Such an approach to SCV under 4.2(c) is not a requirement under the depositor protection rules, but is an option for firms to use to meet Depositor Protection 11.1. The requirements around the timing and content of SCV file production remains as specified in the relevant rules.

4.6 During the transition period,[1] a firm may use a file that is produced daily but takes 72 hours to be produced as long as they are able to provide the details of any eligible and/or ineligible deposits not included in the file the following day of any request.

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

4.8 If firms wish to use option 4.2(c) to meet the marking requirement, the PRA expects that firms, by 3 July 2015, have updated their SCV files to remove all ineligible deposits and include newly eligible deposits under the recast DGSD (including the eligible deposits of large corporates). Such an approach is not a requirement under the PRA transitional rules, but is an option for firms to use to meet Depositor Protection 11.1. Alternatively, the PRA considers it acceptable for firms to use a combination of options. For example, options 4.2(a) and 4.2(b) could be used for newly eligible deposits such as large corporate deposits and option 4.2(c) for all other eligible deposits. The requirements around the timing and content of SCV file production remains as specified in the relevant rules.

4.9 The options above would similarly apply to Depositor Protection 11.2.

4.10 The PRA expects that in compliance with the requirement in Depositor Protection 11.1 to 11.2 to mark eligible deposits/accounts 'in a way that allows for the immediate identification of such deposits', a firm must be able to make the details of such eligible and/or ineligible accounts (separately identified) available to the PRA or FSCS in a format consistent with the relevant rule and this statement and within twelve hours from the point of a request from the PRA or the FSCS.

4.11 The PRA does not consider that any aggregation of data on a per depositor/ legal entity basis is necessary to meet the marking requirements.

Requirement to mark eligible accounts

4.12 Depositor Protection 13.2 sets out that a firm must mark accounts which hold:

(1) eligible deposits of natural persons and micro, small and medium-sized enterprises (SMEs); and

(2) such deposits that would be eligible if they had not been made (ie are held in an account) at a branch of the firm located outside of the EEA.

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

(a) marking relevant natural person and SME accounts at core systems level (ie flagging at account level);

(b) a separate file showing relevant accounts; or

(c) using the SCV and exclusions files (to meet requirement 4.12(1) only).

4.14 The PRA expects that in compliance with the requirement in Depositor Protection 13.2 to mark accounts 'in a way that allows for the immediate identification of such accounts', a firm must be able to make the details of such marked accounts available to the PRA or FSCS in a format consistent with the relevant rule and this statement, and within 24 hours from the point of a request from the PRA or the FSCS.

4.15 If firms wish to use options 4.13(a)–4.13(c) to meet the marking requirement, the same considerations as in paragraphs 4.5 to 4.7 would apply.

4.16 Requirement 4.12(2) cannot be met by 4.13(c) as SCV files and exclusions files do not capture non-eligible deposits.

4.17 For a firm marking an account under Depositor Protection 13.2, the PRA considers that an overall marker of natural person/SME status, rather than differentiation between natural persons, micro, small and medium-sized enterprises, would be sufficient.

4.18 Where an account is subject to marking under more than one of Depositor Protection 11.1, 11.2 and 13.2, the PRA expects that a firm would be able to identify the account for each and all of those requirements.

Recast DGSD information requirements during transition period

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

---

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

DGSD requirements. Depositor Protection 11.3 and 11.4 require that firms upon receipt of a request must be able to provide the FSCS with the aggregated amounts of eligible deposits of each and every depositor. Depositor Protection 11.5 and 11.6 require that a firm upon receipt of a request must be able to provide the FSCS with all information necessary to enable the FSCS to prepare for the payment of compensation and that they must provide this information to the FSCS to enable the FSCS to pay compensation within the applicable time period.

4.20 The PRA expects that firms would meet the above requirements through the use of an SCV file and exclusions file containing all eligible depositors. During the transition period when Depositor Protection 11 applies, where firms may not have yet included the eligible deposits of large corporates in their SCV files or where firms do not yet have an SCV file, the PRA expects these firms to give consideration to what information would be needed by the FSCS in a failure scenario. Firms should be capable of demonstrating they have a plan in place to obtain the necessary information to meet the requirements, should they receive a request from the FSCS or PRA.

4.21 For example, where a firm currently has insufficient information to report the aggregate amount for their large corporate deposits on an individual legal entity basis, the PRA expects the firm to have a plan in place for how they would obtain this information upon receipt of a request from the FSCS or PRA.

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

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

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

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

5   Temporary high balances

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

6   Calculation of levies

6.1 Depositor Protection 43 sets out the PRA's rule for calculating the FSCS tariff base for deposit-takers (the Class A tariff base). The PRA expects firms to include in this calculation covered deposits from the SCV file and the total balance of deposits in any non-active account or account which holds funds to which the account holder is not absolutely entitled.

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

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

7   Single customer view

Submission requirements

7.1 Depositor Protection 12.1 and 12.2 set out that a firm must provide an SCV file and an exclusions file to the PRA or the FSCS within 24 hours of a deposit becoming an unavailable deposit or request by the PRA or the FSCS. The PRA considers that the beginning of the 24-hour period can be taken as the end of the business day on which the request was made. The PRA or the FSCS may request the submission of an SCV file and exclusions file at any time, including as part of the business as usual review programme. As such, firms should be ready and able to submit SCV and exclusions files to the PRA and FSCS upon request, and within the time period set out in the depositor protection rules.

7.2 Depositor Protection 50.7 allows a firm with fewer than 5,000 eligible accounts to continue to opt out of the

electronic elements of SCV requirements during the transition period. There is no such opt-out following the transition period. The PRA considers that firms may meet Rules 12.4, 12.7, 50.5 and 50.6 using a range of options based on their size and volume of deposits/accounts, including externally provided SCV systems, internal bespoke SCV systems, or widely available spreadsheet software (eg Excel), as long as in all cases the rule requirements are met, including the automatic identification of covered deposits.

Keys and codes

7.3 Depositor Protection 14.5 sets out that firms must provide information on any keys or codes used by the firm internally. These keys and codes can provide useful information for the FSCS on how different accounts should be treated, including whether there is any reason why the account is not fit for straight through payout. For example, this could be the case if a depositor needs a letter in a different format or if post sent to the depositor's house was returned because the depositor was no longer at that address. The PRA expects firms to consider the purpose for which the FSCS will use this information and consider what information the FSCS may find useful.

Definition of material change

7.4 Depositor Protection 14.3 sets out what a firm must do after a material change in its SCV system. The PRA considers that a material change would include any change that would have a material impact on the firm's SCV system. For example, there is likely to be a material change in a firm's SCV system upon a merger or acquisition of a deposit book, or the introduction of a new IT system that relates to the firm's SCV system.

7.5 The PRA considers that minor changes to a firm's SCV system (such as to achieve the SCV changes outlined in Depositor Protection Chapter 50) would not constitute a material change to the SCV system. However, the full implementation of the SCV changes required under Depositor Protection Chapter 12, or significant steps towards this, would be considered a material change. Similarly, the full implementation of the marking requirements under Depositor Protection Chapters 11 and 13 would be considered a material change to systems to satisfy marking requirements.

7.6 A similar interpretation applies in relation to Depositor Protection 15.2, where a material change in a firm's continuity of access (CoA) systems includes any change that would have a material impact on the firm's CoA systems. For example, a merger or acquisition of a deposit book and/or an IT upgrade that impacts the SCV file.

7.7 Depositor Protection 14.3, 15.3, 49.4 and 51.4 set out that a firm must notify the PRA and the FSCS within three months of a material change to its systems to meet marking, SCV, and

CoA requirements, including an attestation from the firm's governing body that its systems are compliant with the relevant PRA requirements. The PRA considers that the full implementation of marking requirements in Depositor Protection Chapter 11; the full implementation of the SCV requirements in Depositor Protection Chapter 12; and the full implementation of CoA requirements in Depositor Protection Chapter 13 would each constitute a material change. The PRA and the FSCS may also request a marking effectiveness report, SCV effectiveness report, and CoA report at any time, and firms should be ready and able to submit such reports to the PRA and FSCS promptly upon request. The PRA may then consider if further verification of a firm's measures to meet the relevant requirements is appropriate.

7.8 The PRA expects that firms will begin to make progress towards final rules during the transition period up to December 2016. In order to ensure firms are able to implement Depositor Protection Chapters 12 to 15 ahead of the required implementation date, if so desired, the PRA considers that firms may submit SCV files and reports during the transition period compliant with Depositor Protection Chapters 50 and 51, but including the additional provisions set out in Depositor Protection Chapters 12 to 15.

SCV file format

7.9 Where firms do not hold the data required to be included in the SCV or exclusions file or the data are not applicable, corresponding fields in the SCV and exclusion files should remain empty. Even if these fields are empty, the PRA expects these fields to remain in the SCV file and the exclusions file, so that the files are standard in length. Fields should always appear in the same order set out in Depositor Protection 12.9. Completion of all fields is mandatory unless otherwise indicated (ie not applicable or not held by the firm (where not mandatory)). Firms must complete all fields where data are mandatory, or where applicable and held by the firm.

7.10 Any relevant additional information concerning data in the SCV or exclusions file, such as the unverified nature of any data, should be included in Field 36 (as set out in Depositor Protection 12.9).

7.11 Depositor Protection 12.4 states that firms must submit their information in a format which is readily compatible with the FSCS's system. There are three formats that are considered compatible:

- Format one: a firm should send through the information in four files. File one should contain 'Customer details', file two should contain 'Contact details', file three should contain 'Details of account(s)' and file four should contain 'Aggregate balance details'.

- Format two: a firm should send through the information in two files. One file should contain 'Customer details',

'Contact details' and 'Aggregate balance details' and one file should contain the 'Details of account(s)'.

- Format three: a firm should send through one file which contains 'Customer details', 'Contact details', 'Aggregate balance details' and 'Details of account(s)'.

7.12 Firms should use one of these three formats for both the SCV and exclusions file. They do not have to use the same format for each.

7.13 For all of these formats, a 'single line format' should be used. This means that customer information should all be kept on the same line. Where depositors have more than one account, this information can be on separate lines.

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

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

7.16 File names should follow the format FRNxxx-YYYYMMDDHHMMSSSCVFormatW.xxx for a SCV file or FRNxxx-YYYYMMDDHHMMSSEXCFormatW.xxx for an exclusions file. Firms should insert their FRN number and the date and time that the SCV file was created. 'FormatW' should be replaced with information about what is contained within the file according to the following:

- For format one, this should be four files called 'Customerdetails', 'Contactdetails', 'Detailsofaccount' and 'Aggregatebalancedetails'.

- For format two, this should be called 'Detailsofaccount' and 'Customerandaccountinformation'.

- For format three, this should be called 'Full'.

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

Secure electronic submission

7.18 Depositor Protection 12.4 specifies that the SCV and exclusions files should be sent by secure electronic transmission. This can be via Secure File Transfer Protocol (SFTP) or via web portal upload. The details of both methods are available through the FSCS website.

Name

7.19 When completing the SCV or exclusions file, firms should consider the forename and surname fields as mandatory for

natural persons. For companies, only the surname field is mandatory.

National identification (ID)

7.20 Where firms hold identification numbers for depositors on file, they should include this in the SCV or exclusion file under field 11 in Depositor Protection 12.9. Where a firm holds identification numbers other than the National Insurance number or passport number of the depositor, the firm should explain what type of identification number it holds and provide the unique number. Examples of national ID include a photocard national identity card or a driving licence.

Country where account is domiciled

7.21 Field 39 in Depositor Protection 12.9 requires firms to provide information in the SCV or exclusions file on the location of the branch where the account is held. This may be different to the country where the depositor has their address. For example, a firm with EEA branches may indicate that an account is held with a branch in Spain. A firm with only UK branches should indicate that the deposits are held in the United Kingdom.

Format of exclusions file

7.22 For inactive accounts or beneficiary accounts, the PRA expects firms to use the same format as the SCV file structure and provide the same information as required for the SCV file.

7.23 For beneficiary accounts, the PRA expects firms to supply details of the contact for the client/trust account, rather than the underlying beneficiary.

Dormant accounts

7.24 Dormant accounts that meet the definition in the Dormant Banks and Building Societies Accounts Act 2008 should be placed in the exclusions file. The PRA would expect all such accounts, even if not transferred to a dormant account provider, to be excluded from the SCV file.

7.25 For otherwise-active accounts, it should be recorded in field 38 of the SCV file, whether there has been any transaction relating to the deposit within the 24 months prior to production of the single customer view. The PRA and the FSCS recognise that for some accounts such inactivity may not be indicative of possible dormancy (eg fixed term accounts), and the FSCS will use judgement in the paying out of such deposits within applicable timeframes.

Calculating interest

7.26 Depositor Protection 5.9 sets out the requirements for calculating interest. The PRA expects firms to apply the interest accrued to date regardless of the date that it is usually credited to balances in the SCV and exclusion file.

Calculating the return on certain structured deposits

7.27 In the case of structured deposits firms may not be able to accurately predict the return because the calculation

of the return is based on the growth of an index as at the maturity date of the structured deposit. If that is the case, firms should flag this type of product in the SCV file and only add interest accrued prior to the product start date and any minimum return to the account balance in the SCV file.

Aggregate balances

7.28 The aggregate balance, transferable eligible deposit, and compensatable amount in the SCV file should be calculated in relation to the accounts included in the SCV file. The aggregate balance and compensatable amount in the exclusions file should be calculated in relation to accounts included in the exclusions file.

8   In-flight transactions

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

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

8.3 The PRA would expect the same process to apply for payments both where the failed firm is a direct member of a payment scheme and where it is an indirect member of a payment system, where possible.

What are in-flight transactions?

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

8.5 In-flight transactions may be incoming payments to depositors' accounts for which the firm has not yet received value but which are reflected on the depositor's balance, and/or outgoing payments which have been reflected on the depositor's account but for which the firm may not yet have made a corresponding outgoing payment. There may also be

in-flight transactions that have 'neither settled (or, in the case of an indirect member, been received by the depositors' firm) nor been reflected on depositors' accounts.

8.6 In-flight transactions may arise where there is deferred net settlement. There may also be in-flight transactions arising where indirect members of payment schemes do not have a real-time flow of settled funds from their settlement bank.

8.7 At the point of resolution or insolvency there is likely to be a number of payments still moving through payment systems that have either not yet settled at bank level or been credited or debited into depositors' accounts. Depositor Protection 12.14 sets out how these in-flight payments must be treated in the SCV file. This rule is intended to ensure, in so far as possible, that the balance a depositor can see at the end of the business day matches the balance in the SCV file. In-flight transactions will be dealt with by the insolvency practitioner or administrator after a resolution. However, it is important that firms understand how to treat in-flight transactions in the SCV file to ensure a consistent approach. There will need to be a process of reconciliation between the insolvency practitioner or administrator, the FSCS and any acquiring firm (as relevant).

How settlement banks should respond

8.8 Settlement banks should have processes in place to support the transfer (part or whole) of its customer/agency bank's (indirect member) deposit book in a resolution, as appropriate. This should include the provision of continued access to their services. Settlement banks will also be expected to comply with previously published guidance.[1]

Principles

8.9 All payments for which funds have been received by the depositor's firm intraday should be reflected on the depositor's accounts and therefore in the account balance field in the SCV or exclusions file by close of business.

8.10 Some payments may be reflected on depositors' accounts before they have been settled between firms due to timings in payment systems or internal processes. Some timing differences will be intraday and some may go across multiple days. Where these payments have already been credited or debited to a depositor's account, even if interbank settlement has not yet completed, the value should be included as part of a depositor's compensatable balance. For example, if a depositor has made a debit card payment which has reduced the amount of their available balance, this payment should be excluded from the compensatable amount in the SCV file.

---

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

8.11 For payments that have not been reflected on accounts and where the depositor does not continue to have access to their account it is possible that these payments will need to settle and then be returned as unapplied payments. Firms should consider if this impacts on their processes.

8.12 Depositor Protection 12.14 states that payments debited from a depositor's account should be excluded from the SCV and exclusions file regardless of whether the firm has sent the value itself. However, where possible, payments debited that have not yet been entered into the payment system should be reapplied to a depositor's account. For example, amounts debited may have been credited to a suspense account. This will then form part of a depositor's compensation balance in the SCV or exclusions file.

8.13 The PRA recognises that there will be a small number of payments that are not known about at the point of resolution but where the depositor has already committed to making that payment by taking goods or services in exchange. Any irrevocable debits (for example, overseas debit card transactions) that have not been reflected on the SCV file may need to go through a process of reconciliation with the insolvency practitioner or administrator, the FSCS and any acquiring firm (as relevant).

SCV file timing

8.14 When creating their SCV systems, firms should work on the basis that the point in time on which they should base their account snapshot for the purpose of in-flight transactions will be close of business on the effective date of the relevant insolvency order issued by the court or the relevant transfer instrument issued by the Bank of England, or the date on which a request is made by the FSCS or the PRA.

Relationship with payment schemes

8.15 The PRA recognises that both CoA and in-flight transactions may carry implications for firms' relationships with payment schemes. The Bank is working closely with UK payment systems and their members to identify practical issues that banks' interaction with payment systems could raise when we are seeking to resolve a member bank. Other than the in-flight transaction treatment rules, there are no direct requirements on firms to develop additional measures in terms of payment systems in relation to the Depositor Protection requirements other than a general expectation that access to accounts being transferred through CoA and payment instructions associated with these accounts should be maintained so that payments can continue to be made during and following resolution.

9   Continuity of access

9.1 This section sets out additional details on how a deposit book transfer in resolution might work to set the PRA's

expectations in context and provide more information for firms as to how systems changes may be used. The PRA would expect the rules in Depositor Protection Chapters 11 to 15 to be read alongside this section.

9.2 The PRA's rules in Depositor Protection Chapters 12 and 13 set out systems requirements that will facilitate continued access to accounts for eligible depositors, including the ability to make payments, where accounts are transferred from a failed firm to another financial institution.

9.3 It is possible that deposits that are not covered by the FSCS may not be transferred and would be dealt with as claims in the insolvency or administration of the failed firm. This follows the same expectation as the bank or building society insolvency procedure (BIP/BSIP) or administration procedure, when only eligible deposits are subject to a seven-day payout by the FSCS.

9.4 Accounts that are included in the exclusions file and temporary high balances may not be transferred and instead may be paid out, as relevant, by the FSCS, in line with relevant timescales.

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

Account separation

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

9.7 Firms may choose either to set up a single suspense account or individual shadow accounts for each account from which uncovered deposits will be transferred. Firms can choose whether they would want to create the separate accounts within the core banking system ahead of resolution or demonstrate that they have designed a system with the capability to create these features at the point of resolution. If firms decide that they wish to create shadow accounts ahead of resolution, the PRA expects firms to demonstrate good

control processes and to provide appropriate assurance to manage any risks as part of CoA reporting under Depositor Protection 15.57.

9.8 The PRA expects that firms should have sufficient record keeping procedures to enable all deposit values to be reconciled effectively back to the original account and depositor. The PRA would highlight this is particularly relevant where single suspense accounts are used.

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

Account details in transfer

9.10 Wherever possible, to support continuity of payments, the PRA expects account details (such as the sort-code, account number and debit card details) to remain unchanged at the point of resolution for an account that is transferred. The PRA would expect that as part of the migration of the accounts to the acquiring banks systems, following the resolution weekend, it may be necessary for the acquiring bank to set up new account details.

Hierarchy of accounts

9.11 Depositor Protection 13.5 requires firms to apply a hierarchy to eligible accounts where the depositor has multiple eligible accounts and their aggregate balance is over the covered limit. Firms should ensure that all products are categorised according to the categories in Depositor Protection 13.6 to ensure the hierarchy is adhered to. Where a product could fall into several categories, it should be recorded as the highest of these categories in the hierarchy. Where a product cannot reasonably be placed into one of the categories, the 'other' category should be used.

9.12 To meet the objective of enabling CoA to deposits the hierarchy is designed to ensure continuity is maintained for accounts with the most regular transactions. The PRA expects the balance in transactional accounts to be the last to be reduced while the balance in fixed term deposits with a term of four years or more should be the first balance to be reduced (second only to accounts identified as 'other'). When classifying term products within the hierarchy, the PRA expects that firms would do this on the basis of the original term of the product rather than the term remaining.

9.13 As long as the requirements in the depositor protection rules are met, firms are free to make additional arrangements as they see fit based on other factors, such as system functionality or the preferences of depositors in relation to their accounts.

9.14 If a depositor holds several accounts within a category in the hierarchy, the PRA would expect all accounts within that category to be reduced *pari passu*.

Joint accounts

9.15 Depositor Protection 5.4 sets out the treatment of joint accounts generally. In a covered deposit transfer using CoA systems, the PRA expects the hierarchy set out in Depositor Protection 13.5 to apply in the same way to joint accounts. For example, if someone had a joint transactional account, their share of the eligible balance in the transactional account would be the last to be reduced.

9.16 If a depositor holds a joint account and a single account within a category in the hierarchy, the PRA would expect accounts within that category to be reduced *pari passu*.

10 Scope of depositor protection requirements

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

10.2 The PRA would consider waivers or modifications to SCV and CoA rules in accordance with section 138A of the Financial Services and Markets Act 2000 (FSMA) if compliance with a rule would be unduly burdensome or would not meet the purpose for which the rule was made, and the direction would not adversely affect the advancement of any of the PRA objectives (the statutory tests).

10.3 Relevant factors that the PRA would consider in judging whether the statutory tests had been met include: the relevance of the requirements to the wider resolution approach of the firm; the proximity to the firm to failure; and the level of transactional and instant access accounts held by the firm. The overall size of the firm, for example, in terms of number of accounts containing eligible deposits and the amount of covered deposits held by a firm, would also be a relevant considerations, including any forward-looking business plans

10.4 These factors would be assessed in the round so the PRA's decision on any application for a waiver or modification would depend on the individual circumstances of the firm applying.