



# Bank of England and Financial Services Act 2016

## 2016 CHAPTER 14

### PART 1

#### THE BANK OF ENGLAND

##### *Prudential regulation*

#### **12 Bank to act as Prudential Regulation Authority**

In the Financial Services and Markets Act 2000, for section 2A substitute—

##### **“2A The Prudential Regulation Authority**

- (1) The “Prudential Regulation Authority” is the Bank of England.
- (2) The Bank's functions as the Prudential Regulation Authority—
  - (a) are to be exercised by the Bank acting through its Prudential Regulation Committee (see Part 3A of the Bank of England Act 1998), and
  - (b) are not exercisable by the Bank in any other way.
- (3) References in this Act or any other enactment to the Prudential Regulation Authority do not include the Bank of England acting otherwise than in its capacity as the Prudential Regulation Authority.
- (4) References in this Act to the Bank of England do not (unless otherwise provided) include the Bank acting in its capacity as the Prudential Regulation Authority.
- (5) Subsections (3) and (4) do not apply to this section.

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- (6) Subsection (4) does not apply for the interpretation of references to the court of directors of the Bank of England, or to a Deputy Governor or committee of the Bank.
- (7) The Prudential Regulation Authority is referred to in this Act as the PRA.

### **2AB Functions of the PRA**

- (1) The PRA is to have the functions conferred on it by or under this Act.
- (2) Schedule 1ZB makes provision about functions of the PRA.
- (3) References in this Act or any other enactment to functions conferred on the PRA by or under this Act include references to functions conferred on the PRA by or under—
- (a) the Insolvency Act 1986,
  - (b) the Banking Act 2009,
  - (c) the Financial Services Act 2012, or
  - (d) a qualifying EU provision that is specified, or of a description specified, for the purposes of this subsection by the Treasury by order.”

#### **Commencement Information**

**II** S. 12 in force at 1.3.2017 by S.I. 2017/43, reg. 2(c)

## **13 Prudential Regulation Committee**

- (1) The Bank of England Act 1998 is amended as follows.
- (2) After Part 3 insert—

### **“PART 3A**

#### **PRUDENTIAL REGULATION**

### **30A Prudential Regulation Committee**

- (1) There is to be a committee of the Bank known as the Prudential Regulation Committee of the Bank of England.
- (2) The Prudential Regulation Committee is to consist of—
- (a) the Governor of the Bank,
  - (b) the Deputy Governor for financial stability,
  - (c) the Deputy Governor for markets and banking,
  - (d) the Deputy Governor for prudential regulation,
  - (e) the Chief Executive of the Financial Conduct Authority,
  - (f) one member appointed by the Governor of the Bank with the approval of the Chancellor of the Exchequer, and
  - (g) at least 6 members appointed by the Chancellor of the Exchequer.

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- (3) The functions of the Prudential Regulation Committee are—
  - (a) its functions by virtue of section 2A of the Financial Services and Markets Act 2000 (which provides for the Bank's functions as the Prudential Regulation Authority to be exercised by the Bank acting through the Prudential Regulation Committee), and
  - (b) the functions conferred on it by this Act.
- (4) Schedule 6A has effect with respect to the Prudential Regulation Committee.

### **30B Recommendations by Treasury**

- (1) The Treasury may at any time by notice in writing to the Prudential Regulation Committee make recommendations to the Committee about aspects of the economic policy of Her Majesty's Government to which the Committee should have regard—
  - (a) when considering how to advance the objectives of the Prudential Regulation Authority, and
  - (b) when considering the application of the regulatory principles set out in section 3B of the Financial Services and Markets Act 2000.
- (2) The Treasury must make recommendations under subsection (1) at least once in each Parliament.
- (3) The Treasury must—
  - (a) publish in such manner as they think fit any notice given under subsection (1), and
  - (b) lay a copy of it before Parliament.

### **30C Operational independence**

- (1) The Bank must make arrangements to ensure compliance with—
  - (a) article 4.7 of the capital requirements directive, and
  - (b) article 3.3 of the recovery and resolution directive,  
(which require resolution functions and supervisory functions to be operationally independent of one another).
- (2) The Bank must prepare and issue a statement of its arrangements under subsection (1).
- (3) If there are material changes to the arrangements, it must prepare and issue a revised statement.
- (4) The Bank must consult the Treasury before issuing a statement under subsection (2) or a revised statement under subsection (3).
- (5) If it appears to the Treasury that any action proposed to be taken by the Bank would be incompatible with obligations of the United Kingdom under the provisions mentioned in subsection (1)(a) or (b), the Treasury may direct the Bank not to take that action.
- (6) If it appears to the Treasury that any action which the Bank has power to take is required for the purpose of implementing those obligations, the Treasury may direct the Bank to take that action.

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(7) In this section—

“the capital requirements directive” means [Directive 2013/36/EU](#) of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;

“the recovery and resolution directive” means [Directive 2014/59/EU](#) of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.”

(3) Before Schedule 7 insert the Schedule 6A set out in Schedule 1 to this Act.

#### Commencement Information

**I2** [S. 13](#) in force at 1.3.2017 by [S.I. 2017/43](#), [reg. 2\(d\)](#)

## 14 Accounts relating to Bank's functions as Prudential Regulation Authority

(1) Section 7 of the Bank of England Act 1998 (accounts) is amended as follows.

(2) After subsection (2) insert—

“(2A) The Bank shall also prepare for each of its financial years a statement of accounts in relation to—

- (a) income received and assets accrued by the Bank by virtue of its functions as the Prudential Regulation Authority, and
- (b) expenses and liabilities incurred by the Bank by virtue of its functions as the Prudential Regulation Authority.”

(3) After subsection (4) insert—

“(4A) In preparing a statement under subsection (2A) the Bank must comply with any directions given by the Treasury as to—

- (a) the information to be contained in the statement and the manner in which it is to be presented, and
- (b) the methods and principles according to which the statement is to be prepared.”

(4) In subsection (5), after “subsection (2)” insert “ or (2A) ”.

(5) After subsection (5) insert—

“(5A) The auditor's report on a statement under subsection (2A) must state whether the auditor is satisfied that the Bank has complied with the requirements of Part 3 of Schedule 1ZB to the Financial Services and Markets Act 2000 (Prudential Regulation Authority fees and penalties).”

(6) In subsection (6), after “subsection (2)” insert “ or (2A) ”.

(7) After subsection (8) insert—

“(8A) A direction under subsection (4A) or a notice under subsection (7) may be revoked by a further direction or notice.”

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**Commencement Information**

**I3** [S. 14](#) in force at 1.3.2017 by [S.I. 2017/43](#), [reg. 2\(e\)](#)

## **15 Transfer of property etc to Bank**

- (1) The property, rights and liabilities to which the company is entitled or subject immediately before this section comes into force transfer to and vest in the Bank of England, in its capacity as the Prudential Regulation Authority.
- (2) Subsection (1) has effect in spite of any provision (of whatever nature) that would otherwise prevent, penalise or restrict the transfer of the property, rights or liabilities.
- (3) In particular, it has effect regardless of a contravention, liability or interference with an interest or right that would otherwise exist by reason of such a provision having effect in relation to the terms on which the company is entitled to the property or right, or subject to the liability, in question.
- (4) A certificate by the Chancellor of the Exchequer that anything specified in the certificate has vested in the Bank of England under this section is conclusive evidence for all purposes of that fact.
- (5) In this section “the company” means the body corporate originally incorporated as the Prudential Regulation Authority Limited and renamed as the Prudential Regulation Authority by section 2A of the Financial Services and Markets Act 2000 (as it had effect before section 12 came into force).

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**Commencement Information**

**I4** [S. 15](#) in force at 1.3.2017 by [S.I. 2017/43](#), [reg. 2\(f\)](#)

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**Changes and effects yet to be applied to :**

- specified provision(s) amendment to earlier commencing S.I. 2019/1136 by [S.I. 2020/929 reg. 2](#)