

**EXPLANATORY MEMORANDUM TO**  
**THE BANK LEVY (AMENDMENT OF SCHEDULE 19 TO THE FINANCE ACT**  
**2011) REGULATIONS 2016**

**2016 No. 874**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by HM Revenue and Customs on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.
- 1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

**2. Purpose of the instrument**

- 2.1 These regulations amend schedule 19 to the Finance Act 2011. The purpose of this instrument is to amend the legislation to reflect new regulatory standards that have been adopted by the Prudential Regulation Authority (PRA).
- 2.2 The regulations will provide those within scope of the bank levy with certainty over the treatment of specific categories of assets held for regulatory purposes.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Select Committee on Statutory Instruments*

- 3.1 This is the first exercise of powers under paragraph 81 of Schedule 19 to the Finance Act 2011.

*Other matters of interest to the House of Commons*

- 3.2 As this instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**4. Legislative Context**

- 4.1 The instrument is made using the power contained within paragraph 81 of Schedule 19 to the Finance Act 2011, which allows Regulations to be made to in respect of changes to regulatory or accounting standards.
- 4.2 Schedule 19 of the Finance Act 2011 paragraphs 31 and 70 previously referred to definitions contained within or taken from section BIPRU 12.7 of the PRA Handbook. From 1 October 2015 these definitions were superseded by the PRA's new Liquidity Coverage Requirements introduced into the PRA rulebook. Schedule 19 has been amended accordingly.

**5. Extent and Territorial Application**

- 5.1 The extent of this instrument is the United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

## **6. European Convention on Human Rights**

- 6.1 The Economic Secretary to the Treasury, Harriet Baldwin MP, has made the following statement regarding Human Rights:
- 6.2 In my view the provisions of the Bank Levy (Amendment to Schedule 19 of the Finance Act 2011) Regulations 2016 are compatible with the Convention rights.

## **7. Policy background**

### *What is being done and why*

- 7.1 To avoid conflict with regulatory requirements, the bank levy grants a deduction in respect of assets that the Prudential Regulation Authority mandates must be held to fund the bank's liquid asset buffer.
- 7.2 On the 1 October 2015 the Prudential Regulation Authority ceased using the previous definitions to determine the liquidity buffer for UK banks and moved to the new Liquidity Coverage Requirements.
- 7.3 The bank levy currently uses the definition in the Prudential Regulation Authority's handbook that has now been superseded.
- 7.4 The amendment to the legislation will update the definition to refer to the current regulatory definitions.

### *Consolidation*

- 7.5 This instrument is the first to be made under this power.

## **8. Consultation outcome**

- 8.1 A consultation was held between 9 December 2015 and 4 March 2016 to enable those affected by the proposed revision to comment on the options to deal with the amendment to the regulator's handbook and its interaction with the bank levy. Both written and oral representations were made and considered when devising the regulations.

## **9. Guidance**

- 9.1 Guidance on this change will be incorporated into HM Revenue and Customs' Bank Levy Manual in due course.

## **10. Impact**

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 There is no impact on the public sector.
- 10.3 A Tax Information and Impact Note covering this instrument will be published on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

## **11. Regulating small business**

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

**12. Monitoring & review**

12.1 Receipts from the bank levy are constantly monitored.

**13. Contact**

13.1 Charlotte Hopwood at HM Revenue and Customs Telephone: 03000 585950 or email: [charlotte.hopwood@hmrc.gsi.gov.uk](mailto:charlotte.hopwood@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.