

Review of cash ratio deposit scheme: summary of consultation responses

HM Treasury ran a public consultation on the cash ratio deposit (CRD) scheme between 18 February 2013 and 15 March 2013. One hundred and fifty four organisations were proactively invited to respond. HM Treasury received three responses. Two of these responses understood and accepted proposed changes and one raised concerns.

The consultation document set out Government proposals to:

- 1 Change the CRD rate, which is the percentage of eligible liabilities that are required to be deposited at the Bank of England by eligible institutions, from 0.11% to 0.18%.
- 2 Change CRD threshold, which determines the minimum value of deposits that an institution must hold to be eligible for the scheme, from £500 million to £600 million.

A summary of the responses is below.

Response 1

The respondent understood proposals to amend elements of the CRD scheme and had no additional comments.

Response 2

The respondent flagged that an increase in CRD will represent extra cost for their organisation, but understood the drivers for change and had no points to raise on technical aspects of the operation of the scheme.

Response 3

The respondent noted that they expected a more comprehensive review given changes in regulation caused by the financial crisis than was provided in the consultation document. This respondent disagreed with Government's proposal to maintain the existing approach to funding the Bank's monetary policy and financial stability functions through the cash ratio deposit scheme.

The respondent suggested that the Government look into folding CRD costs into the wider Prudential Regulation fee model or secure funding for the Bank's policy functions from the Bank's general income such as seniorage.

The respondent was pleased to see a small number of institutions will either fall out of the scheme or place reduced CRDs, but noted that deposits will rise for the majority of institutions.

The respondent suggested that the Government look at spreading the costs more widely across the financial sector (beyond deposit takers) before the next five year review is due.

The respondent suggested that the Bank could control costs further, and called for the Bank's finances to be more transparent so that eligible institutions are able to understand better how their deposits are invested and spent.