



HM Treasury

Implementing the Bank of England Levy:

Summary of consultation responses and next steps

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Chapter 1

Introduction and Background

1.1 HM Treasury ran a public consultation on implementing the Bank of England ('the Bank') levy between 8 November 2023 and 15 December 2023. The consultation was highlighted to relevant trade associations representing the majority of eligible institutions under the proposed levy and they were invited to respond. The consultation ran in parallel with the Bank's Consultation Paper (Bank of England Levy: Framework Document).

1.2 The consultation followed an initial 6-week public consultation on the cash ratio deposit (CRD) scheme between 24 September 2021 and 5 November 2021 and a subsequent Policy Statement from the government, issued on 7 June 2022, confirming that it intended to proceed with a levy based arrangement to replace the existing CRD scheme. The Financial Services and Markets Act 2023 made provision for the levy. This new levy will deliver a more reliable and stable funding scheme for the Bank's policy functions.

1.3 Under the primary legislation, the Bank must determine the amount of levy that each institution must pay in accordance with Regulations made by HM Treasury. Before making those Regulations, HM Treasury is required to consult on draft Regulations. The draft Regulations make provision for the eligible institutions that do not have to pay a levy, how the cost is apportioned between eligible institutions that do have to pay a levy and how appropriate adjustments will be made for years in which there is a new levy payer.

1.4 The consultation document sought views from respondents on whether the draft regulations reflected the policy intention that costs should continue to be apportioned proportionately; if there were any comments on clarifications that had been made to the provisions that were part of the CRD scheme; and if there were any further comments on the drafting of the draft Regulations.

Chapter 2

Summary of responses and next steps

2.1 HM Treasury received two responses to the consultation. One response was received from a trade association which represents many of the firms who will be impacted by the levy and one response was received from an individual bank. The response from the trade association was also received by the Bank of England.

Response 1

2.2 The respondent stated that they had were supportive of the plan to replace the current CRD scheme and the proposed mechanics of the levy and therefore had no responses to the questions raised in HM Treasury's consultation.

2.3 The respondent noted that:

2.3.1 It would be beneficial to see the planned sell-down programme for the Bank's gilt portfolio.

2.3.2 The Bank could include Non-Bank Financial Institutions as eligible institutions in the future.

2.3.3 It would be helpful if the Bank adopted a rolling five-year budget to help institutions plan their own budgets.

2.3.4 The reference period used for calculating the Anticipated Levy Requirement could be a longer period.

2.3.5 Clarification on the accounting treatment for the Levy would be useful.

2.4 The Bank of England has considered these points and produced a policy statement in response. This can be found on the Bank of England's website with the title 'Bank of England Levy Framework Document Policy statement'.¹

Response 2

2.5 The respondent did not comment on the questions raised in HM Treasury's consultation.

¹ <https://www.bankofengland.co.uk/news/publications>

2.6 The respondent raised a number of specific clarification questions which HM Treasury will respond to on an individual basis.

Next Steps and Implementation

2.7 HM Treasury has considered the responses to the consultation and noted that no questions were raised with regards to the drafting of the Regulations. The government has therefore proceeded with laying the Regulations and, subject to Parliamentary approval, will progress with commencing the Bank of England Levy.

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This document can be downloaded from www.gov.uk

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