

## **AFB RESPONSE TO PRA CONSULTATION PAPER CP4/25 – DEPOSITOR PROTECTION**

The Association of Foreign Banks (AFB) is a trade body which represents the interests of the foreign banking sector in the UK to industry stakeholders, including the Government, regulatory bodies, and financial services organisations. AFB has around 170 international banking group members, representing around 80% of the UK's foreign banking market, providing financial services through branches, subsidiaries, and representative offices in the UK.

AFB member firms include the full spectrum of banking entities, delivering services ranging from retail banks servicing subsections of the community to significant wholesale market participants. AFB members are also accountable to multiple regulators, particularly those of their home or domestic jurisdiction, and subject to multiple regulatory frameworks.

AFB welcomes the opportunity to respond to the PRA consultation CP4/25 on Depositor Protection.

### **Response**

AFB members support the PRA's proposals in relation to the new deposit protection limits available from the Financial Services Compensation Scheme (FSCS) and the rationale set out in Chapter 2 of CP4/25. AFB also support the further proposed changes to the temporary high balance limit and associated information requirements, including the PRA's proposal to remove the notification requirement under PRA Rulebook Depositor Protection 16 Firms' Disclosure Obligations – Information and Exclusions (16.2.4).

In relation to the information requirements AFB would like to request the PRA to consider a further change, namely that Firms should not have to provide an information sheet and obtain an acknowledgement of receipt from an intending depositor that are corporates, credit institutions, financial institutions, or investment firms.

The rationale for this request is that, in practice, such intending corporate depositors, typically large multinational entities making large deposits, would be less concerned

about the potential compensation of £110,000 available under the Deposit Guarantee Scheme (DGS) in the event a wholesale firm were to fail.

Further, other financial institutions that place deposits are not eligible for compensation under the DGS in any event. Despite this firms are required to provide these intending depositors with the information sheet and obtain formal acknowledgement of receipt. This creates a time-consuming notification and response process which is not well understood by firms or eligible counterparty clients. It creates an unnecessary administrative burden without meaningful benefit or enhancing depositor protection.

Accordingly, we would argue that this requirement could be removed, without any risk to the stability of the financial system. By doing so, the PRA would further its secondary international competitiveness and growth objective.

## **Contact**

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**Association of Foreign Banks**

**June 2025**

