



Financial Services Act 2012

2012 CHAPTER 21

PART 5

INQUIRIES AND INVESTIGATIONS

Investigations

74 Duty of PRA to investigate and report on possible regulatory failure

- (1) Subsection (4) applies where it appears to the PRA that—
- (a) relevant public expenditure has been incurred in respect of a PRA-authorized person, and
 - (b) that expenditure might not have been incurred but for a serious failure in—
 - (i) the system established by FSMA 2000 for the regulation of PRA-authorized persons and their activities, so far as it relates to the functions of the PRA, or
 - (ii) the operation of that system, so far as it relates to those functions.
- (2) Subsection (4) also applies where it appears to the PRA that—
- (a) events have occurred which—
 - (i) had or could have had a significant adverse effect on the safety or soundness of one or more PRA-authorized persons, or
 - (ii) if the effecting and carrying out of contracts of insurance is a PRA-regulated activity for the purposes of FSMA 2000, related to a PRA-authorized person carrying on that activity and indicated a significant failure to secure an appropriate degree of protection for policyholders, and
 - (b) those events might not have occurred, or the adverse effect or failure might have been reduced, but for a serious failure in—
 - (i) the system established by FSMA 2000 for the regulation of PRA-authorized persons and their activities, so far as it relates to the functions of the PRA, or

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- (ii) the operation of that system, so far as it relates to those functions.
- (3) Subsection (4) also applies where the Treasury direct the PRA that it appears to the Treasury—
 - (a) that the conditions in subsection (1)(a) and (b) are met in relation to a specified person, or
 - (b) that the conditions in subsection (2)(a) and (b) are met in relation to specified events.
- (4) The PRA must—
 - (a) carry out an investigation into—
 - (i) the events that gave rise to the incurring of the public expenditure mentioned in subsection (1)(a) and the circumstances surrounding them, or
 - (ii) the events mentioned in subsection (2)(a) and the circumstances surrounding them, and
 - (b) report to the Treasury on the result of the investigation.
- (5) Subsection (4) does not apply by virtue of subsection (1) if the Treasury direct the PRA that it is not required to carry out an investigation into the events concerned.