
EXPLANATORY NOTE

(This note is not part of the Order)

The Financial Conduct Authority (the FCA) and the Prudential Regulation Authority (the PRA) are both responsible for making rules for the Financial Services Compensation Scheme to enable it to compensate persons in circumstances where relevant persons (as defined in s. 213(9) of the Financial Services and Markets Act 2000 (the Act)) are unable, or likely to be unable, to satisfy claims against them; or, in cases where persons (successors, as defined in section 213(1)(b) of the Act) have assumed responsibility for acts or omissions of relevant persons, those successors are unable, or likely to be unable, to satisfy claims based on those acts or omissions (s.213(1) of the Act).

This Order specifies what the PRA may make rules for, and what the FCA may make rules for.

Article 2 enables the PRA to make rules to compensate persons in cases where relevant persons or successors are unable, or likely to be unable, to satisfy claims against them:

- (a) for a deposit within the meaning of article 5 of the Regulated Activities Order including:
 - (i) a deposit that would otherwise be excluded by article 6 of that Order; and
 - (ii) a repayment claim as defined in section 5 of the Dormant Bank and Building Society Accounts Act 2008;
- (b) under a contract of insurance;
- (c) in respect of the activity of managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's; or
- (d) in respect of the activity of arranging by Lloyd's deals in contracts of insurance written at Lloyd's.

Article 3 enables the FCA to make rules to compensate persons in cases where relevant persons or successors are unable, or likely to be unable, to satisfy claims against them except those claims referred to in article 2.

Although the PRA and the FCA are required to make rules to establish a scheme for compensating persons where relevant persons or successors are unable, or likely to be unable to satisfy claims against them, neither the PRA nor the FCA is obliged by this Order to make rules for all the types of claim set out in Articles 2 and 3.

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from, Her Majesty's Treasury, 1 Horse Guards Road, London SW1A 2HQ or on www.hm-treasury.gov.uk and is published alongside the Order on www.legislation.gov.uk.