
EXPLANATORY NOTE

(This note is not part of the Regulations)

Schedule 2ZA to the Bank of England Act 1998 (c. 11) makes provision for the Bank of England to impose a charge, known as the Bank of England levy (“the levy”) on eligible institutions to fund its policy functions in relation to a levy year. An eligible institution is an “authorised deposit-taker” as defined in paragraph 2 of that Schedule. The policy functions that may be covered by the levy are set out in paragraph 4(3) of that Schedule and the levy year will be determined by the Bank under paragraph 3 of that Schedule.

The Bank will determine the total amount of levy it reasonably requires (“the anticipated levy requirement”) under paragraph 4 of that Schedule. Paragraph 5(1) requires the Bank to determine the amount of levy that an eligible institution is liable to pay in respect of a levy year in accordance with regulations made by the Treasury.

Regulation 3 of these Regulations make provision for which eligible institutions will be liable to pay the levy in respect of a levy year, and the proportion of the levy that each institution will pay be reference to their average eligible liability base. Where an eligible institution has an average eligible liability base up to and including £600 million for the relevant reference period that institution will not be required to pay any levy. Where an eligible institution has an average eligible liability base that exceeds £600 million for the relevant reference period, the amount of levy that is payable for that institution is calculated by applying the formula set out in these Regulations. Regulation 3(4) allows the Bank to make adjustments to the relevant costs for a levy year where there is a levy payer who has not paid a levy the previous year. Regulation 3(5) makes provision for the reference period and regulation 3(7) makes provision for calculating the average liability base.

An eligible institution’s liability base comprises those sterling and foreign currency liabilities of the institution which are eligible liabilities. Regulation 4 and the Schedule to these Regulations define eligible liabilities and make provision for the calculation of those liabilities.

Regulation 5 makes provision for a review of these Regulations and regulation 6 makes transitional provision for use of information.

A full regulatory assessment has not been produced for this instrument as the levy is outside of the scope of the Better Regulation Framework.