

## **REVIEW OF THE CASH RATIO DEPOSIT SCHEME AND CONSULTATION ON PROPOSED CHANGES**

The Treasury issued a consultation paper in August 2003 on the recommendations arising from the review of the cash ratio deposit (CRD) scheme earlier last year.

This document summarises the responses received to the consultation paper.

### **Consultation responses**

Four responses were received. Three were from representative bodies and one from an individual building society as follows:

- €# British Bankers Association (BBA)
- €# Building Societies Association (BSA)
- €# Association of Foreign Banks (AFB)
- €# Hinckley and Rugby Building Society

### **Comments on the review's recommendations**

Responses on each of the review's three recommendations are summarised below.

#### **1. The proposal to increase the threshold to £500 million but leave all other parameters of the scheme unchanged.**

There was general support for this proposal. The BBA noted, however, that the proportionate share of funding by the major British banking groups would increase marginally.

#### **2. Whether there are any technical aspects of the operation of the scheme that could be improved.**

No specific suggestions were made, though the BBA commented that bringing the CRD scheme's methodology for calculating eligible liabilities in line with that of the Financial Services Authority (FSA) would generate reporting cost savings for its members.

#### **3. The proposal to enhance disclosure of the working of the scheme, ensuring that interested parties have the information they need to assess its financial operation and to make representations to the Treasury if they consider the parameters should be altered in the future.**

There was agreement with this proposal, with respondents suggesting there should be greater disclosure of the workings of the scheme and more transparency both in relation to costs incurred and revenues generated by the CRD scheme.

**Next steps**

The Treasury and the Bank of England concluded that it would be reasonable to take the low level of responses as indicative of general endorsement of the review's recommendations.

In order to effect the first proposal above, to increase the threshold to £500 million but leave all other parameters of the scheme unchanged, draft secondary legislation is being laid before Parliament, designed to come into force on 1 June 2004.

**HM Treasury**  
**3 March 2004**