



House of Commons

NOTICES OF AMENDMENTS

given on

Thursday 14 March 2013

For other Amendment(s) see the following page(s):
Financial Services (Banking Reform) Bill Committee 1 and 3

PUBLIC BILL COMMITTEE

FINANCIAL SERVICES (BANKING REFORM) BILL

Chris Leslie
Cathy Jamieson

Clause 4, page 12, line 33, at end insert ‘and
(ba) section 142C.’

1

Chris Leslie
Cathy Jamieson

Clause 4, page 13, line 7, at end add—
‘(7) A Treasury statement referred to in subsection (3) may only be made if the Treasury considers that the statement is necessary—
(a) to protect the continuity of provision in the UK of core services; or
(b) to secure an appropriate degree of protection for depositors, or
(c) to ensure the continuing stability of the UK financial service market.’

2

Chris Leslie
Cathy Jamieson

Clause 4, page 6, line 24, at end insert—
‘(1B) If the order confers powers on a regulator or authorises or requires the making of rules or other instruments by a regulator, then those power’s rules or instruments are to be subject to annulment in pursuance of a resolution of either House of Parliament.’

3

Chris Leslie
Cathy Jamieson

Clause 4, page 6, line 38, at end insert—

4

Financial Services (Banking Reform) Bill, *continued*

- ‘(c) has attempted to carry out an excluded activity or to contravene any provision of an order under section 142E.’.

Chris Leslie
Cathy Jamieson

5

Clause 4, page 12, line 22, at end insert—

‘(4A) If the appropriate regulator is satisfied that—

- (a) a relevant body has contravened a requirement under subsection (1)(a) or (1)(b) and knew or could reasonably be expected to have known it was contravening such a requirement; or
- (b) has at any time attempted to contravene such a requirement and knew or could reasonably be expected to have known it was contravening such a requirement,

it may impose a penalty on the institution of such amount as it considers appropriate.’.

Leverage ratio

Chris Leslie
Cathy Jamieson

NC1

To move the following Clause:—

- ‘(1) The Treasury may by order make provision about the tier 1 leverage ratio applicable to a relevant body so as to require the relevant body to maintain a minimum tier 1 leverage ratio.
- (2) The Treasury may by order make provision about the tier 1 leverage ratio applicable to a ring-fenced body so as to require the Financial Policy Committee to create differing minimum leverage ratios for different classes of ring-fenced bodies, based upon the risk profile of their balance sheet.’.

Chris Leslie
Cathy Jamieson

6

Clause 4, page 5, line 35, at end add—

- ‘(8) Within six months of this Act receiving Royal Assent the Treasury shall carry out a review of the regulated activities of dealing in investments as principal, the purposes of which review shall include consideration of—
- (a) safeguards that may be required to prevent the mis-selling of investments as principal as part of the core services of each ring-fenced body;
 - (b) a definition of “simple derivatives”, will reference to their size, maturity and basis, the dealing of which will be permitted under section 142C;
 - (c) the establishment of a maximum ratio, relevant to the size of the balance sheet of a ring-fenced body which provides core services, for the value of investments as principal held as financial assets or liabilities on its balance sheet;
 - (d) the establishment of a maximum gross volume on the balance sheet of a ring-fenced body which provides core services, for the value of investments as principal held as financial assets or liabilities on its balance sheet; and

Financial Services (Banking Reform) Bill, *continued*

- (e) the information that may be required for an independent valuation of a financial institutions's assets or liabilities in respect of relevant investments as principal.
- (9) The Chancellor of the Exchequer will—
 - (a) lay before Parliament a report of the review in subsection (8); and
 - (b) provide, by Order subject to an affirmative resolution of both Houses of Parliament, such safeguards as may be set out in the review in subsection (8).[?]

Chris Leslie
Cathy Jamieson

7

Clause 9, page 15, line 25, at end insert—

'Category 8: Deposits of charitable bodies

15D Any amount owed at the relevant date by the debtor in respect of deposits made by charitable bodies up to the amount of nine tenths of the amount owed to the persons to whom the amount is owed.

Interpretation for category 8

- 15E (1) In paragraph 15D “charitable body” means any organisation with charitable status under section 1 of the Charities Act 2006.
- (2) For this purpose a “deposit” means rights of the kind described in—
 - (a) paragraph 22 of Schedule 2 to the Financial Services and Markets Act 2000 (deposits), or
 - (b) section 1(2)(b) of the Dormant Bank and Building Society Accounts Act 2008.[?]

Chris Leslie
Cathy Jamieson

8

Clause 9, page 15, line 35, after ‘Financial Services Compensation Scheme’, insert ‘and deposits of charitable bodies’.

Chris Leslie
Cathy Jamieson

9

Clause 9, page 15, line 36, at end insert—

'Deposits of charitable bodies

(6C) Any amount owed at the relevant date by the debtor in respect of deposits made by charitable bodies up to the amount of nine tenths of the amount owed to the persons to whom the amount is owed.[?]

FSCS review of company savings schemes

Chris Leslie
Cathy Jamieson

NC2

To move the following Clause:—

Financial Services (Banking Reform) Bill, *continued*

- ‘(1) The Chief Executive of the Financial Services Compensation Scheme shall, within six months of Royal Assent of this Act, publish a review of the protections necessary for customers who make payments to any bodies corporate on the understanding that such payments are deposits in a saving scheme.
- (2) The review in subsection (1) shall include consideration of any consequential reform to creditor preference arrangements so that any payments made in advance as part of a contract for the receipt of goods or services (such as gift vouchers, certificates or other forms of pre-payment) in expectation that those sums would be redeemable in a future exchange for such goods or services might be considered as preferential debts in the event of insolvency.’

Professional standards

Chris Leslie
Cathy Jamieson

NC3

To move the following Clause:—

‘After section 65 of FSMA 2000 insert—

“SECTION 65A

Professional Standards

- (1) The regulator will raise standards of professionalism in financial services by mandating a licensing regime based on training and competence. This must—
- (a) apply to all approved persons exercising controlled functions, regardless of financial sector;
 - (b) specify minimum thresholds of competence including integrity, professional qualifications, continuous professional development and adherence to a recognised code of conduct;
 - (c) make provisions in connection with—
 - (i) the granting of a licence;
 - (ii) the refusal of a licence;
 - (iii) the withdrawal of a licence; and
 - (iv) the revalidation of a licensed person of a prescribed description whenever the appropriate regulator sees fit, either as a condition of the person’s continuing to hold a licence or of the person’s licence being restored.
 - (d) be evidenced by individuals holding an annual validation of competence.
- (2) In the Financial Services and Markets Act 2000, section 59, remove “authorised” and insert “licensed” throughout the section.’

Code of conduct

Chris Leslie
Cathy Jamieson

NC4

To move the following Clause:—

Financial Services (Banking Reform) Bill, *continued*

‘After section 64(6) of FSMA 2000 insert—

- “(6A) A code issued under subsection (2) shall—
- (a) apply to all approved persons exercising controlled functions in the financial sector;
 - (b) specify a framework of certain permitted and prohibited actions with which approved persons must agree in writing to comply;
 - (c) mandate individual financial penalties, and the terms of temporary and permanent suspension of persons’ licence to operate, which can be issued by the appropriate regulator if it determines that an approved person has broken the code;
 - (d) specify the training, including both practical and ethical, which approved persons must undergo before practising controlled functions; and
 - (e) specify the additional training to be provided by institutions for their staff and set out the system by which institutions will monitor and enforce such a code.”.

Duty of care

Chris Leslie
Cathy Jamieson

NC5

To move the following Clause:—

- ‘At all times when carrying out core activities a ring-fenced body shall—
- (a) be subject to a fiduciary duty towards its customers in the operation of core services; and
 - (b) be subject to a duty of care towards its customers across the financial services sector.’.

Chris Leslie
Cathy Jamieson

10

Clause 5, page 13, line 36, at end insert—

- ‘(7D) In relation to the directors of a ring-fenced body, the following arrangements shall apply—
- (a) Half of the board of directors of the ring-fenced body, both executive and non-executive, will be made up of independent persons.
 - (b) In this section an “independent person” means a person who—
 - (i) has not been an employee of the group within the previous five years;
 - (ii) does not have a material business relationship with the group and has not had one within the previous three years, including an indirect relationship as a partner, director, senior employee or shareholder or an adviser or major customer or supplier;
 - (iii) does not receive remuneration from the group other than remuneration in their capacity as an independent person does not participate in the group’s share option or performance-related pay schemes and is not a member of the pension scheme;
 - (iv) does not have close family ties with any of the company’s advisers, directors or senior employees;

Financial Services (Banking Reform) Bill, *continued*

- (v) does not hold cross-directorships or have significant links with other directors through involvement in other companies or bodies;
 - (vi) does not represent a significant shareholder; and
 - (vii) has not served on the board of any body in the group for more than nine years.
- (c) The board of directors of the ring-fenced body, both executive and non-executive, will have no formal, business or family relationship with the directors of the rest of the group, other than by virtue of their appointment to the same group.
 - (d) The primary objective of the board of directors of the ring-fenced body, both executive and non-executive, shall be on the performance and functions of the ring-fenced body and they will have no responsibility for the performance and functions of the remainder of group.
 - (e) All directors of the ring-fenced body shall have a duty to preserve the integrity of the ring-fence between the group and its subsidiary.’.

Remuneration consultants

Chris Leslie
Cathy Jamieson

NC6

To move the following Clause:—

‘The Secretary of State will by regulations provide for a requirement that the remuneration consultants advising on remuneration policy shall be appointed by the shareholders of a relevant financial institution.’.

Remuneration committee

Chris Leslie
Cathy Jamieson

NC7

To move the following Clause:—

‘The Secretary of State will provide for a requirement that an employee representative should be a member of the remuneration committee of a relevant financial institution.’.

Financial Crime Unit

Chris Leslie
Cathy Jamieson

NC8

To move the following Clause:—

- (1) The Secretary of State shall by order create a new Financial Crime Unit as part of the Serious Fraud Office for the purpose of tackling financial crime, using resources from the proceeds of penalties paid to the FCA.
- (2) The Treasury shall conduct a review into the creation of the Financial Crime Unit and consult on its proposals for the Financial Crime Unit’s powers and responsibilities.

Financial Services (Banking Reform) Bill, *continued*

- (3) The Treasury shall lay its proposals before both Houses of Parliament no later than six months after this Act comes into force.
- (4) The orders under subsection (1) may make such amendments to legislation as appear to the Treasury to be necessary or expedient for the purpose of creating the Financial Crime Unit.
- (5) The orders under subsection (1) may only be made if they have been laid before and approved by a resolution of each House of Parliament.’.

Protection for whistleblowers

Chris Leslie
Cathy Jamieson

NC9

To move the following Clause:—

‘After Part IVA (43B(f) of the Employment Rights Act 1996 there is inserted—
“(g) that a breach of regulated activities under FSMA 2000 or the Financial Services Act 2012 has been committed, is being committed, or is likely to be committed.”.’.

Remuneration reform

Chris Leslie
Cathy Jamieson

NC10

To move the following Clause:—

‘Within six months of Royal Assent of this Act the Chancellor of the Exchequer shall lay before Parliament proposals on reform of remuneration at UK financial institutions which shall include incentives to take account of the performance and stability of a UK financial institution over a five- to 10-year period.’.

Review into competitiveness

Chris Leslie
Cathy Jamieson

NC11

To move the following Clause:—

- (1) The Treasury shall arrange for a review of the obstacles to increasing competition for UK institutions involved in the provision of core services.
- (2) The review must be completed during the period of six months beginning with the date on which this Act comes into force.
- (3) The review must consider, in particular—
 - (a) the major obstacle to new UK institutions emerging as competitors in the provision of core services, and
 - (b) possible actions that could be taken to facilitate new UK institutions being competitive in the provision of core services.
- (4) The review must result in a report to the Treasury.
- (5) The Treasury shall lay a copy of the report before Parliament.’.

Financial Services (Banking Reform) Bill, *continued*
Bank account portability

Chris Leslie
Cathy Jamieson

NC12

To move the following Clause:—

- ‘(1) Within six months of Royal Assent of this Act the Chancellor of the Exchequer shall lay before Parliament a report considering—
- (a) the adequacy of the current account redirection service,
 - (b) legislative options for mandating the provision of a current account redirection service by UK ring-fenced bodies.’.

Financial inclusion

Chris Leslie
Cathy Jamieson

NC13

To move the following Clause:—

- ‘(1) In the Financial Services Act 2012 section 6 which inserts section 1B into FSMA 2000 after subsection (5)(b)(ii) insert—
- “(c) the ease with which consumers can have access to financial services and products which are affordable and appropriate to their needs.”.’.

Publication of trends in bank lending

Chris Leslie
Cathy Jamieson

NC14

To move the following Clause:—

- ‘(1) After section 1E(2) of chapter 1 of Part 1A of FSMA 2000 insert—
- “(3) The FCA shall collate and publish anonymised consumer and business lending data disaggregated by UK financial institution and presented on a postcode-level basis.”.’.

Basic bank account guarantee

Chris Leslie
Cathy Jamieson

NC15

To move the following Clause:—

- ‘(1) All UK institutions providing the regulated activity of accepting deposits must—
- (a) make a “basic bank account” available to all who request it, and
 - (b) offer a “basic bank account” to people denied access to a current account due to a poor credit score.
- (2) The requirements in subsection (1) do not apply to people with a record of fraud.
- (3) In this section “basic bank account” means a current account which—

Financial Services (Banking Reform) Bill, *continued*

- (a) provides customers with a debit or ATM card,
- (b) does not have an overdraft function,
- (c) does not pay interest on deposits, and
- (d) does not incur periodic fees.’.

Review into extending the Financial Services Compensation Scheme to cover Small and Medium enterprises

Chris Leslie
Cathy Jamieson

NC16

To move the following Clause:—

- ‘(1) The Treasury shall arrange for a review of the impact of extending the Financial Services Compensation Scheme to cover deposits of private non-financial corporations with an annual revenue of less than £20 million.
- (2) The review must consider in particular—
 - (a) the impact on the Financial Services Compensation Scheme in the event of a bank’s insolvency,
 - (b) the impact on the British economy of extending the scheme,
 - (c) the impact of protecting different percentages of private non-financial corporations’ deposits.
- (3) The review must be completed during the period of six months beginning with the date on which this Act comes into force.
- (4) The review must result in a report to the Treasury.
- (5) The Treasury shall lay a copy of the report before Parliament.
- (6) If the review recommends further reviews the Treasury may arrange for the further reviews.’.

Bank of England scheme to boost lending

Chris Leslie
Cathy Jamieson

NC17

To move the following Clause:—

- ‘(1) The Chancellor of the Exchequer shall bring forward proposals within one month of Royal Assent of this Act to reform the Bank of England Funding for Lending Scheme so that—
 - (a) the period under which drawdown requests may be made by UK financial institutions shall be extended until 31 January 2015,
 - (b) the determination of fees for the facility shall be based not only on total net lending during the reference period, but also determined according to the level of net lending to private non-financial corporations over that reference period.’.

Financial Services (Banking Reform) Bill, *continued*
Mutual societies

Chris Leslie
Cathy Jamieson

NC18

To move the following Clause:—

‘After section 50(3)(f) of the Financial Services Act 2012, insert—

- “(g) making provision for the increased diversity of the financial services sector and promotion of mutual societies, including arrangements to measure the number of members of mutual societies, and the market share for mutual societies as a proportion of the UK financial services sector.”’.

Chris Leslie
Cathy Jamieson

11

Clause 1, page 1, line 11, after ‘that’, insert ‘reduces the risk of ring-fenced bodies assuming disproportionate exposure, enhances their capacity to cope with other exposure and otherwise’.

Chris Leslie
Cathy Jamieson

12

Clause 1, page 1, line 18, after ‘services,’ insert ‘in particular by securing the orderly handling of circumstances in which ring-fenced bodies have encountered or may encounter financial difficulties,’.

Chris Leslie
Cathy Jamieson

13

Clause 2, page 2, line 42, after ‘that’, insert ‘reduces the risk of ring-fenced bodies assuming disproportionate exposure, enhances their capacity to cope with other exposure and otherwise’.

Chris Leslie
Cathy Jamieson

14

Clause 2, page 3, line 6, after ‘services,’ insert ‘in particular by securing the orderly handling of circumstances in which ring-fenced bodies have encountered or may encounter financial difficulties,’.

Chris Leslie
Cathy Jamieson

15

Clause 4, page 3, line 33, leave out from ‘order’ to end of line 35 and insert—

- ‘(a) would significantly enhance the stability of the UK financial system or provide other significant benefit to the economy of the United Kingdom, and
(b) would not pose a risk to the continuity of the provision in the United Kingdom of core services.’.

Financial Services (Banking Reform) Bill, continued

Chris Leslie
Cathy Jamieson

- 16
- Clause 4, page 5, line 13, leave out from ‘circumstances’ to end of line 15 and insert—
- ‘(a) would significantly enhance the stability of the UK financial system or provide other significant benefit to the economy of the United Kingdom, and
 - (b) would not pose a risk to the continuity of the provision in the United Kingdom of core services.’.

Chris Leslie
Cathy Jamieson

- 17
- Clause 4, page 8, line 34, at end insert—
- ‘(7A) The Treasury must make regulations prescribing requirements with which ring-fencing rules made for the group ring-fencing purposes must comply.’

Chris Leslie
Cathy Jamieson

- 18
- Clause 4, page 12, line 31, at end insert—
- ‘() section 142H(7A);’.

Chris Leslie
Cathy Jamieson

- 19
- Clause 4, page 13, line 7, at end insert—

‘142NA Enhanced scrutiny procedure for certain affirmative procedure orders

- (1) This section applies if—
 - (a) an order under section 142A(2)(b) exempts a class of UK institutions from being ring-fenced bodies,
 - (b) an order under sections 142B(2) or 142B(5) makes provision for a regulated activity to be or cease to be a core activity or varies the circumstances in which a regulated activity is a core activity,
 - (c) an order under section 142D(2) varies the circumstances in which the regulated activity of dealing in investments as principal is an excluded activity,
 - (d) an order under section 142D(4) provides for an activity to be or cease to be an excluded activity or varies the circumstances in which an activity is an excluded activity, or
 - (e) an order under section 142E varies the scope of what ring-fenced bodies are prohibited from doing by virtue of that section (including by varying exemptions or conditions),
 - (f) an order is made under section 142M, and the order is not made in reliance on section 142N(4).
- (2) The Treasury must, before laying a draft of the order before either House of Parliament for approval, consult such persons as the Treasury considers appropriate in relation to the proposed draft.
- (3) If, after the consultation required by subsection (2), the Treasury considers that it is appropriate to proceed with the making of an order, the Treasury must lay

Financial Services (Banking Reform) Bill, *continued*

before each House of Parliament a draft of the order together with an explanatory document—

- (a) explaining the provisions in the draft order, and
 - (b) giving details of the consultation under subsection (2), any representations received as a result of the consultation and any changes made to the proposed draft as a result of the representations.
- (4) If a joint committee of both Houses of Parliament is charged with reporting on the draft order—
- (a) the chairman of the Treasury Committee of the House of Commons is to be the chairman of the joint committee, and
 - (b) the Treasury must have regard to any recommendations of the joint committee made during the 60-day period.
- (5) If, after the expiry of the 60-day period, the Treasury wish to make an order including material changes from the draft order, they must lay before Parliament—
- (a) a revised draft order, and
 - (b) a statement giving details of the revisions
- (6) After the expiry of the 60-day period (and, if subsection (5) applies, after complying with that subsection) the Treasury may make the order in the terms of the draft, or revised draft, if it is approved by a resolution of each House of Parliament (as required by section 142N(2)(a)).
- (7) In this section “the 60-day period” means the period of 60 days beginning with the day on which the draft order is laid before Parliament under subsection (3).
- (8) In calculating the 60-day period no account is to be taken of any time during which Parliament is dissolved or prorogued or during which either House is adjourned for more than 4 days.
- (9) The references in this section to the Treasury Committee of the House of Commons—
- (a) if the name of that Committee is changed, is to be treated as a reference to that Committee by its new name, and
 - (b) if the functions of that Committee (or substantially corresponding functions) become functions of a different Committee of the House of Commons, is to be treated as a reference to the Committee by which the functions are exercisable;

and any question arising under paragraph (a) or (b) is to be determined by the Speaker of the House of Commons.”.

Chris Leslie
Cathy Jamieson

20

Clause 4, page 9, line 21, at end insert—

*Power to order full separation***142JC Power to order separation in case of particular groups**

- (1) Where—
- (a) the members of a group include one or more ring-fenced bodies and one or more other bodies, and
 - (b) it appears to the appropriate regulator that the conduct of any one or more of the members of the group is such that there is a significant risk that the appropriate regulator will not be able to advance the objective in section

Financial Services (Banking Reform) Bill, *continued*

- 2B(3)(c) (in the case of the PRA) or the continuity objective (in the case of the FCA) otherwise than by acting under this section, the appropriate regulator may give a notice to each of the members of the group.
- (2) The notice must state that the appropriate regulator proposes to require the taking of relevant steps in relation to the group before the date specified in the notice.
 - (3) In this section “relevant steps” means steps to secure one of the following results—
 - (a) that there is no member of the group with a Part 4A permission to carry on a regulated activity of a description specified in the notice;
 - (b) that no member of the group is a ring-fenced body;
 - (c) that there is no member of the group with a Part 4A permission to carry on a regulated activity which is not a ring-fenced body.
 - (4) The notice must—
 - (a) specify a period, of not less than 3 months, during which any member of the group may make representations to the appropriate regulator in relation to its proposal, and
 - (b) name an independent reviewer who is to report on the conduct of the members of the group and the appropriateness of the proposal made by the appropriate regulator.
 - (5) A person may not be named as the independent reviewer without the consent of the chairman of the Treasury Committee of the House of Commons; and the reference in this subsection to the Treasury Committee of the House of Commons—
 - (a) if the name of that Committee is changed, is to be treated as a reference to that Committee by its new name, and
 - (b) if the functions of that Committee (or substantially corresponding functions) become functions of a different Committee of the House of Commons, is to be treated as a reference to the Committee by which the functions are exercisable;and any question arising under this paragraph (a) or (b) is to be determined by the Speaker of the House of Commons.
 - (6) After receiving any representations made in relation to the proposal by members of the group and the report of the independent reviewer, the appropriate regulator must decide whether it intends to implement the proposal.
 - (7) If the appropriate regulator decides that it does intend to implement the proposal, it must publish notice of the proposal, and of its decision to implement it, at least 60 days before it is implemented.
 - (8) A person who is aggrieved by the decision of the appropriate regulator that it intends to implement the proposal may refer the matter to the Tribunal.
 - (9) The proposal may not be implemented without the consent of the Treasury; and the Treasury must publish their decision on any application made by the appropriate regulator for consent, together with their reasons for the decision, at least 60 days before it is implemented.
 - (10) Once the Treasury has consented to the implementation of the proposal and either—
 - (a) any reference to the Tribunal under subsection (8) has been dismissed, or
 - (b) the period for making such a reference to the Tribunal has expired without a reference having been made,the appropriate regulator may implement the proposal by giving notice to the members of the group requiring the taking of the relevant steps specified in the proposal before the date so specified.
 - (11) If the relevant steps have not been taken by the specified date, the appropriate regulator may—

Financial Services (Banking Reform) Bill, *continued*

- (a) in a case where the relevant steps are aimed at securing the result in paragraph (a) of subsection (3), take the action specified in subsection (12),
 - (b) in a case where the relevant steps are aimed at securing the result in paragraph (b) of subsection (3), take the action specified in subsection (13), or
 - (c) in a case where the relevant steps are aimed at securing the result in paragraph (c) of subsection (3), take the action specified in subsection (14).
- (12) The action referred to in paragraph (a) of subsection (11) is—
- (a) to cancel the Part 4A permission of any member of the group to carry on the regulated activity specified in the notice, and
 - (b) to refuse to give a Part 4A permission to any member of the group to carry on that activity.
- (13) The action referred to in paragraph (b) of subsection (11) is—
- (a) to cancel the Part 4A permission of any member of the group that is a ring-fenced body to the extent that it relates to a core activity, and
 - (b) to refuse to give any member of the group a Part 4A permission to carry on a core activity.
- (14) The action referred to in paragraph (c) of subsection (11) is—
- (a) to cancel the Part 4A permission of any member of the group that is not a ring-fenced body, and
 - (b) to refuse to give a Part 4A permission to any member of the group that is not a ring-fenced body.’.

Chris Leslie
Cathy Jamieson

21

Clause 20, page 21, line 23, at end insert—

- ‘() No order may be made appointing a day for the coming into force of section 4 so far as it inserts section 142JC of FSMA 2000 unless the day is later than that on which the report of the first review under section 142J of that Act is published.’.

Chris Leslie
Cathy Jamieson

22

Clause 4, page 9, line 21, at end insert—

*Full separation***142JD General requirement of separation**

- (1) Where the members of any group include one or more ring-fenced bodies and one or more other bodies, the members of the group must, before the end of the period of five years beginning with the relevant commencement date, take steps to secure that there are no members of the group that are ring-fenced bodies.
- (2) If in the case of any group steps to secure that there are no members of the group that are ring-fenced bodies are not taken within the period specified in subsection (1)—
 - (a) at the end of that period the Part 4A permission of each member of the group that is a ring-fenced body shall be treated as having been cancelled to the extent that it relates to a core activity, and

Financial Services (Banking Reform) Bill, *continued*

- (b) after the end of that period the appropriate regulator must refuse to give any member of the group a Part 4A permission to carry on a core activity.
- (3) At the end of the period specified in subsection (1)—
 - (a) section 142H(1)(b) and (4) to (7), and
 - (b) section 142JC,
 cease to have effect.
- (4) In subsection (1) “the relevant commencement date” means the day appointed for the coming into force of section 4 of the Financial Services (Banking Reform) Act 2013 so far as it inserts this section.’.

Chris Leslie
Cathy Jamieson

23

Clause 20, page 21, line 23, at end insert—

- ‘() No order may be made appointing a day for the coming into force of section 4 so far as it inserts section 142JD of FSMA 2000 unless—
 - (a) the day is later than that on which there is published the report of a review under section 142J of that Act containing a recommendation that section 4 should be brought into force to that extent, and
 - (b) a draft of the order has been laid before, and approved by a resolution of, each House of Parliament.’.

Chris Leslie
Cathy Jamieson

24

Clause 4, page 9, leave out lines 8 to 21 and insert—

*Reviews***142J Reviews of ring-fencing**

- (1) The Treasury must make arrangements for the carrying out of reviews of the effects of the operation of the provision made by or under this Part in relation to ring-fenced bodies, including ring-fencing rules made by the PRA and the FCA. Such arrangements shall be set out in a statutory instrument subject to approval by resolution of both Houses of Parliament.
- (2) The first review must be completed before the end of the period of two years beginning with the date on which section 4 of the Financial Services (Banking Reform) Act 2013, so far as it inserts this section, comes into force.
- (3) Subsequent reviews must be completed before the end of the period of two years beginning with the date on which the previous review was completed.
- (4) Not less than nine months, nor more than 12 months, before the date on which a review is due to be completed, the PRA and the FCA must publish a joint assessment of the impact of the operation of their ring-fence rules.
- (5) For the purposes of this section a review is completed when the report of it is published.

142JA Persons by whom reviews are to be conducted

- (1) The Treasury shall appoint not fewer than five persons to conduct a review of whom one is to chair it.
- (2) A person may not be appointed to chair a review unless the chairman of the Treasury Committee of the House of Commons has notified the Treasury that, in

Financial Services (Banking Reform) Bill, *continued*

the chairman's opinion, the person is likely to act independently of the Treasury, the PRA and the FCA in carrying out the review.

- (3) The persons appointed to conduct a review must include at least one person with substantial experience in central banking or financial regulation at a senior level.
- (4) The reference in subsection (2) to the Treasury Committee of the House of Commons—
 - (a) if the name of that Committee is changed, is to be treated as a reference to that Committee by its new name, and
 - (b) if the functions of that Committee (or substantially corresponding functions) become functions of a different Committee of the House of Commons, is to be treated as a reference to the Committee by which the functions are exercisable;

and any question arising under paragraph (a) or (b) is to be determined by the Speaker of the House of Commons.

142JB Reports of review

- (1) The persons appointed to conduct a review must give the Treasury a report of the review.
- (2) The report must include an assessment of the extent to which the provision made by or under this Part in relation to ring-fenced bodies, including ring-fencing rules made by the PRA and by the FCA, are facilitating the advancement by the PRA of the objective in section 2B(3)(c) and by the FCA of the continuity objective.
- (3) If the report is made before section 4 of the Financial Services (Banking Reform) Act 2013, so far as it inserts section 142JD, has come into force it must also include a recommendation as to whether or not section 4 of that Act should be brought into force to that extent.
- (4) The report must include—
 - (a) recommendations to the Treasury as to the provision that should be included in orders and regulations under this Part, and
 - (b) recommendations to the PRA and the FCA about the provision that should be included in ring-fencing rules.
- (5) The Treasury must lay a copy of the report before Parliament and publish it in such manner as it thinks fit.

Chris Leslie
Cathy Jamieson

25

Clause 6, page 14, line 7, at end insert—

- () the nature and extent of the dealings by ring-fenced bodies in derivative products (including options, futures, contracts for differences and similar products);

Chris Leslie
Cathy Jamieson

26

Clause 4, page 3, line 35, at end insert—

- (3A) In making an order under subsection (2)(b) which—
 - (a) provides an exemption for UK institutions holding deposits below a specified amount, or
 - (b) varies the amount previously specified for the purposes of such an exemption,

the Treasury must aim to enhance competition among UK institutions which have a Part 4A permission relating to one or more core activities (in particular by

Financial Services (Banking Reform) Bill, *continued*

having regard to the likely effect on the number of UK institutions applying for or obtaining such a permission for the first time).’.

Chris Leslie
Cathy Jamieson

27

- Clause 6, page 14, line 7, at end insert ‘and
() developments affecting the appropriateness of the amount for the time being specified for the purposes of any exemption under section 142A(2)(b) for UK institutions holding deposits below that specified amount.’.

Chris Leslie
Cathy Jamieson

28

- Clause 4, page 7, line 45, at end insert—
() provision requiring that shares or voting power in a ring-fenced body are held only by another member of the ring-fenced body’s group which is not carrying on an excluded activity or by other members of that group none of which is carrying on such an activity;’.

Chris Leslie
Cathy Jamieson

29

- Schedule, page 24, line 9, at end insert—
() After subsection (3) insert—
“(4) Without prejudice to the generality of subsection (3), in the case of a ring-fencing transfer scheme the court must not make an order sanctioning the scheme if it considers that it might lead to the dissolution of a company or to the transfer of liabilities owed to any persons in a manner that may prejudice the interests of those persons.”.’.

Bank bail-in regime

Chris Leslie
Cathy Jamieson

NC19

To move the following Clause:—

- (1) The Bank of England must, at least once in every year, prepare an assessment of any progress which has been made towards the introduction of a bank bail-in regime in the United Kingdom or, once a bank bail-in regime has been introduced, of its operation.
- (2) If a bank bail-in regime is not in force in the United Kingdom by the end of 2015, the Treasury must by regulations make provision for such a regime.
- (3) an assessment under subsection (1) must include—
 - (a) an assessment of how much of the issued debt of banks would be covered by any proposed bank bail-in regime or is covered by the provisions of the bank bail-in regime in force;
 - (b) (if a bank bail-in regime is in force) an account of the sorts of companies within groups which have creditors who are covered by the bank bail-in regime and of the sorts of persons who are creditors who are so covered;

Financial Services (Banking Reform) Bill, *continued*

- (c) a review of the descriptions of creditors who would be covered by any proposed bail-in regime or are covered by the provisions of the bank bail-in regime in force, and
 - (d) an account of progress towards international co-operation in relation to bail-in regimes.
- (4) The Bank of England must send the assessment to the Treasury.
 - (5) The Treasury must lay the assessment before Parliament.
 - (6) The Bank of England must publish the assessment in such manner as they think fit.
 - (7) In this section “bank bail-in regime” means provisions under which losses incurred by a bank are to be met by certain descriptions of creditors of the bank should the bank encounter financial difficulties which might otherwise lead to the taking of action which would be likely to have implications for public funds.
 - (8) For the purposes of subsection (7) “action having implications for public funds” has the same meaning as in section 78(1) of the Banking Act 2009.
 - (9) In this section “bank” means a UK institution which has permission under Part 4A of FSMA 2000 to carry on the regulated activity of accepting deposits, other than a building society (within the meaning of the Building Societies Act 1986) or any description of institution excluded by virtue of subsection (2)(b) of section 142A of that Act from being a ring-fenced body as defined in subsection (1) of that section.’

Chris Leslie
Cathy Jamieson

30

Clause 16, page 20, line 28, after ‘ring-fencing’ insert ‘or section (*Bank bail-in regime*)(2) (bank bail-in regime)’.

Chris Leslie
Cathy Jamieson

31

Title, line 4, after ‘insolvency;’ insert ‘to make provision in relation to a bank bail-in regime;’.

Chris Leslie
Cathy Jamieson

32

Clause 4, page 12, line 22, at end insert—

- () If an order under this section includes provision for the grant by a regulator of any exemption from the requirements imposed by such an order, the order must—
 - (a) require a relevant body claiming the exemption to satisfy the regulator that the exemption should be granted;
 - (b) require the regulator, in deciding whether to grant the exemption, to have regard to all reasonably foreseeable circumstances;
 - (c) include provision for reviews of, or appeals from, any decision not to grant the exemption;
 - (d) require the regulator to make to the Treasury a report setting out any decision to grant the exemption and the terms of the exemption granted, and
 - (e) require the Treasury to lay a copy of such a report before Parliament and to publish it in such manner as they think fit.’

Financial Services (Banking Reform) Bill, *continued**Annual assessment of developments in respect of risk-weighting*

Chris Leslie
Cathy Jamieson

NC20

To move the following Clause:—

- (1) The Bank of England must, at least once in every year, prepare an assessment of developments in respect of risk-weighting in relation to banks and building societies.
- (2) The Bank must send the assessment to the Treasury.
- (3) The Treasury must lay the assessment before Parliament.
- (4) The Bank of England must publish the assessment in such manner as they think fit.
- (5) In this section “risk weighting” means the process by which the assets of a bank or building society are accorded a risk weight.
- (6) In this section—

“bank” means a UK institution which has permission under Part 4A of FSMA 2000 to carry on the regulated activity of accepting deposits, other than any description of institution excluded by virtue of subsection (2)(b) of section 142A of that Act from being a ring-fenced body as defined in subsection (1) of that section (or a building society);

“building society” has the same meaning as in the Building Societies Act 1986;

“risk weight” means a percentage that is derived from the risk to the value of an asset.’.

Chris Leslie
Cathy Jamieson

33

Title, line 4, after ‘insolvency;’ insert ‘to make provision for reports relating to developments in respect of risk-weighting;’.
