These notes refer to the Financial Services (Banking Reform) Bill as introduced in the House of Commons on 9 May 2013 [Bill 2]

FINANCIAL SERVICES (BANKING REFORM) BILL

EXPLANATORY NOTES

INTRODUCTION

1. These Explanatory Notes relate to the Financial Services (Banking Reform) Bill as introduced in the House of Commons on 9 May 2013. They have been prepared by HM Treasury in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.

2. The notes need to be read in conjunction with the Bill. They are not, and are not meant to be, a comprehensive description of the Bill. So where a clause or part of a clause does not seem to require any explanation or comment, none is given.

SUMMARY AND BACKGROUND

Background

3. The Government is committed to implementing the recommendations of the Independent Commission on Banking ("ICB"), which was established in June 2010 with the following terms of reference:

> "The Commission will make recommendations covering both:
>
> - Structural measures to reform the banking system and promote stability and competition, including the complex issue of separating retail and investment banking functions; and
> - Related non-structural measures to promote stability and competition in banking for the benefit of consumers and businesses.
>
> In considering these measures the Commission will have regard to the legal and operational requirements of implementing the options under consideration, and the importance of generating practical recommendations. It will also take into account the findings of ongoing EU and international work, and inform the UK Government's approach to international discussions on the financial system.

The Commission will also have regard to the Government's wider goals of financial stability and creating an efficient, open, robust and diverse banking sector, with specific attention paid to the potential impact of its recommendations on:

- Financial stability;
- Lending to UK consumers and businesses and the pace of economic recovery;
- Consumer choice;
- The competitiveness of the UK financial and professional services sectors and the wider UK economy; and
- Risks to the fiscal position of the Government."

4. The ICB published its final report on 12 September 2011. It recommended structural reform of the banking industry, together with measures designed to increase the capacity of banks to absorb losses. Its proposals for structural reform centred on the principle that it should be made easier and less costly to resolve banks which get into financial difficulties, or in other words to determine which activities of a failing bank are to be continued, and how they should be continued in an orderly process. In particular, the ICB recommended that retail banking should be separated from wholesale or investment banking, and that this should be achieved by ring-fencing, or separating, retail banking within a banking group in order to isolate banking activities where continuous provision of service is vital to the economy and to the customers of a bank. They also recommended that measures should be taken to ensure the economic independence of the retail bank from the wider banking group, and its independent governance.

5. The ICB recommended that large UK banking groups (and ring-fenced banks on their own behalf, irrespective of the requirements placed on the rest of their group) should be required to hold equity, other capital, and long-term unsecured debt (referred to as the "primary loss absorbing capacity" by the ICB), sufficient to cover at least 17 percent of the group's potential exposure to losses for the largest groups (with the exposures assigned risk weights in accordance with international practice) which regulators could require to bear losses in the event that the bank was resolved. They further recommended that deposits eligible for protection under the Financial Services Compensation Scheme should be made preferential debts in the event of insolvency.

6. The Government published its initial response accepting the ICB's recommendations and setting out its plans for implementation on 19 December 2011 in Cm 8252 *Government response to the Independent Commission on Banking*. The Government developed its proposals further and set them out in a White Paper, Cm 8356 *Banking reform: delivering stability and supporting a sustainable economy*. This set out more detail on the policy design and was followed by a further period of consultation. The government's proposals were intended to deliver a robust ring-fence, separating investment banking and its related activities from retail banking, in

order to reduce the structural complexity of banks (making them easier to resolve in a crisis) and ensuring their independence from other parts of the group. Copies of the relevant documents, including these consultation documents, are available on the Treasury's website (www.hm-treasury.gov.uk) and the website of the ICB, (bankingcommission.independent.gov.uk).

7. A draft Bill was published on the 10 October 2012 in Cm 8453 *Sound Banking:Delivering Reform*. This was to enable pre-legislative scrutiny of the Bill by the Parliamentary Commission on Banking Standards (the "PCBS").

8. On the 21 December 2012 the PCBS published its first report (HL98-HC848) making recommendations on the draft Bill. The Government has published a response to the first report of the PCBS and this is available at www.hm-treasury.gov.uk.

Summary

9. The Bill makes a number of changes in relation to the banking and financial services sector.

10. The Bill contains provision to separate the banking activities on which households and small and medium-sized enterprises depend (in the Bill "core activities") from wholesale or investment banking activities which may involve a greater degree of risk and expose an entity undertaking them to financial problems arising elsewhere in the global financial system. This separation is referred to in these notes as "ring-fencing". Certain banks carrying on core activities will be required to be ring-fenced: that is, they will have to comply with restrictions on the other activities they can undertake, and with rules made by the regulator intended to ensure that they are capable of carrying on the business of providing the core services related to the acceptance of deposits independently of other members in their group. They will, for example, be prohibited from carrying on activities (excluded activities) which make them vulnerable to problems arising in the financial system or which may make it more difficult for the banks to be wound down in an orderly fashion (avoiding damage to the wider provision of banking services) if they fail. The general objective of the Prudential Regulation Authority ("PRA") is amended to require it to discharge its general functions in relation to ring-fencing and ring-fenced bodies to protect the continuity of the provision in the United Kingdom of the core services related to core activities. Further, provision is made to ensure that, in the event that the Financial Conduct Authority ("FCA") ever becomes responsible for regulating a core activity, it would have an additional objective to protect the continuity of core services associated with that activity.

11. The Bill also gives the Treasury power to make regulations in connection with the pension liabilities of ring-fenced bodies which are employers in relation to multi-employer occupational pension schemes.

12. The Bill amends the Insolvency Act 1986 and related Scottish legislation to provide that deposits which are eligible for protection under the financial services

compensation scheme are to be preferential debts. This will ensure that such deposits rank ahead of other unsecured claims in insolvency.

13. The Bill gives the Treasury power to make regulations governing the way in which the PRA may use its powers under the Financial Services and Markets Act 2000 (FSMA) to impose debt requirements on specified classes of institutions.

14. The Bill makes provision as to the way in which the scheme manager of the financial services compensation scheme must exercise its functions; gives the Treasury power to require the scheme manager to provide accounting information to the Treasury, and requires the appointment of an accounting officer to the scheme.

15. The Bill gives the Treasury power to require the PRA, the FCA and the Bank of England to impose fees on members of the financial services industry in order to cover certain expenses incurred by the Treasury in connection with UK membership of, or Treasury participation in, specified international organisations, such as the Financial Stability Board.

16. Finally, the Bill enables the Bank of England by direction to exclude the application of requirements of the Companies Act 2006 relating to the preparation of company accounts to certain of its subsidiaries. This power is only exercisable where the Bank consider it necessary to use the power, having regard to the Bank's financial stability objective.

TERRITORIAL EXTENT AND APPLICATION

17. The Bill extends to England and Wales, Scotland, and Northern Ireland.

Scotland

18. The bill does not contain any provisions falling within the terms of the Sewel Convention. Because the Sewel Convention provides that Westminster will not normally legislate with regard to devolved matters in Scotland without the consent of the Scottish Parliament, if there are amendments relating to such matters which trigger the Convention, the consent of the Scottish Parliament will be sought for them .

Wales

19. The Bill does not contain any provisions relating to matters which are within the legislative competence of the National Assembly for Wales. If there are amendments which relate to such matters, the consent of the National Assembly of Wales will be sought for them.

Northern Ireland

20. The Bill does not contain any provisions relating to matters which are

within the legislative competence of the Northern Ireland Assembly. If there are amendments which relate to such matters, the consent of the Northern Ireland Assembly will be sought for them.

COMMENTARY

21. In the commentary, references to "new sections" are to the new sections to be inserted into the Financial Services and Markets Act 2000 ("FSMA") by the Bill.

Ring-fencing

Clause 1: Objectives of the Prudential Regulation Authority

22. Clause 1 amends FSMA to require the PRA, when acting in relation to ring-fencing matters (which are specified in subsection (3)) to further its general objective (promoting the safety and soundness of PRA-authorised persons) by exercising its functions so as to protect the continuity of core services.

23. *Subsection (2)(b)* amends section 2B of FSMA, inserting paragraph (c) into subsection (3) so as to provide that when the PRA is discharging its general functions in relation to ring-fencing matters (see below), it must advance its general objective in a way that ensures that the business of ring-fenced bodies is carried on in a way that avoids any adverse effect on the continuity of core services; ensures that the business of ring-fenced bodies is protected from risks arising elsewhere in the financial system (whether in the United Kingdom or otherwise); and that minimises the risk that the failure of a ring-fenced body would harm the continued provision of core services in the United Kingdom. The PRA is not required to ensure that a particular ring-fenced body does not fail, provided that its failure can be so managed that the continued provision of core services elsewhere in the UK is not adversely affected. *Subsection (4)* inserts subsection (4A) into section 2B of FSMA, which defines ring-fencing matters for the purpose of subsection (3)(c). They comprise: Part 9B (which relates to ring-fencing), ring-fenced bodies, bodies which are members of the same corporate group as a ring-fenced body, and applications for permission under Part 4A of FSMA which would lead to the applicant becoming a ring-fenced body.

Clause 2: Modification of objectives of the Financial Conduct Authority

24. *Clause 2* amends FSMA to give the Financial Conduct Authority ("FCA") a new continuity objective. This is applicable only if a core activity is not regulated by the PRA and accordingly falls under the remit only of the FCA. New section 1EA defines the "continuity objective": the protection of the continued provision in the UK of core services. This objective will be relevant when the FCA is exercising its general functions in relation to the ring-fencing matters listed in *subsection (2)*. *Subsection (3)* sets out the ways in which the FCA is to be required to advance the continuity objective. The focus is on ensuring that there is no adverse effect on the continuity of the core services in the United Kingdom. The modification of section 1B(4) of FSMA by c*lause 2* would have the effect that promoting effective competition in the interests of consumers would be relevant when the FCA is acting

so as to advance its continuity objective.

Clause 3: Amendment of PRA power of direction

25. *Clause 3* amends section 3I of FSMA so that the PRA may by direction require the FCA to refrain from specified action if in the opinion of the PRA such action may threaten the continuity of core services provided in the United Kingdom.

Clause 4: Ring-fencing of certain activities

26. *Clause 4(1)* inserts new Part 9B (ring-fencing) into FSMA.

27. *New section 142A(1)* defines "ring-fenced body" for the purposes of FSMA, as any UK institution which carries on at least one core activity for which it has been given a Part 4A permission under FSMA. *Subsection (2)* excludes building societies from the definition of "ring-fenced bodies" and gives the Treasury power to exclude other institutions from the definition by order. This will enable the Treasury to provide that only banks above a certain size will be required to be "ring-fenced bodies". *Subsection (3)* sets out the condition which must be satisfied before the Treasury are able to make such an order: the Treasury must be satisfied that excluding the classes of institution in question from the definition of a ring-fenced body would not harm the continued provision in the United Kingdom of core services. *Subsection (4)* allows the Treasury to set conditions on the grant of an exemption from the definition of a "ring-fenced body", and *subsection (5)* defines "UK institution" for the purposes of the section.

28. *New section 142B* defines "core activity" for the purpose of FSMA. *Subsection (2)* provides that the regulated activity of accepting deposits is to be a core activity, but also gives the Treasury power to provide for exceptions to this, by making an order setting out circumstances in which accepting deposits is not to be treated as a core activity. The Treasury may therefore provide that accepting deposits of high-net worth individuals, or large corporate entities, is not a core activity, so that such deposits may be held in banks which are neither ring-fenced bodies nor exempt under section 142A(2) from the obligations that apply to ring-fenced bodies.

29. *Subsections (3) and (4)* set out the conditions which must be satisfied before the Treasury are able to make an order setting out when accepting deposits is not a core activity. The Treasury must be satisfied that it is not necessary for accepting deposits to be treated as a core activity either to protect the depositors specified in the order, or to protect the continued provision of the core services in the United Kingdom.

30. *Subsection (5)* gives the Treasury power to provide for additional core activities (and, when creating a new core activity, to provide for the circumstances in which the carrying on of the activity concerned is not to be considered to be a core activity).

31. *Subsection (6)* sets out the conditions which must be satisfied for the Treasury

to designate a new core activity by order. First, the Treasury must be satisfied that an interruption in the provision of the services which are provided in the carrying on of that activity would harm UK financial stability (or the financial stability of a significant part of the UK financial system), and secondly, the Treasury must consider that making the activity in question a core activity is a more effective way of protecting the continued provision of those services.

32. *New section 142C* defines “core services” for the purposes of FSMA. *Subsection (2)* defines the “core services” which are associated with the core activity of accepting deposits (the only core activity specified in primary legislation), by identifying the categories of services which are to be “core services”. It will not be necessary for ring-fenced bodies to provide every possible service which could be described as falling into these categories. Some banks only provide for certain forms of payment from their accounts. Indeed, some banks may choose not to provide any overdraft facilities. S*ubsection (3)* gives the Treasury power to require that any service not included in the categories listed in *subsection (2)* which is provided in connection with the core activity of accepting deposits is also to be considered to be a core service. *Subsection (4)* requires that, when the Treasury creates a new core activity in the exercise of its power under section 142B(5), the Treasury must also identify those services provided in the course of that activity which are to be core services.

33. The definition of core services is intended to be comprehensive, and those services which do not fall within the categories of services listed in *subsection (2)*, and are not specified as core services in an order made by the Treasury under *subsection (3)* or *(4)* will not be core services, however closely they are associated with a particular core activity.

34. *New section 142D* defines “excluded activity” for the purposes of FSMA. *Subsection (2)* provides that the regulated activity of dealing in investments as principal is an excluded activity, but also gives the Treasury power to provide for exceptions to this, by making an order setting out the circumstances in which dealing in investments as principal is not to be considered to be an excluded activity.

35. *Subsection (3)* sets out the condition which must be satisfied before the Treasury may make such an order. The Treasury must be satisfied that allowing ring-fenced bodies to deal in investments on their own account in the specified circumstances will not cause significant harm to the continued provision of core services in the United Kingdom.

36. *Subsection (4)* gives the Treasury power to provide for additional excluded activities (and, when creating a new excluded activity, to provide for the circumstances in which the carrying on of the activity concerned is not to be considered to be an excluded activity). *Subsection (5)* clarifies that the activity concerned need not be regulated under FSMA. *Subsections (6)* and *(7)* set out the conditions which must be satisfied before the Treasury may provide for an additional

excluded activity. Under *subsection (6),* the Treasury are required to consider the risks which would arise for the ring-fenced body in the event that it carried on the activity concerned, and whether permitting a ring-fenced body to carry on that activity would increase the risk that its failure would harm the continued provision of the core services in the UK. *Subsection (7)* requires the Treasury to be of the opinion that it is necessary or expedient to make the order to protect the continued provision in the UK of the core services.

37. *New section 142E* gives the Treasury power to make an order imposing prohibitions on ring-fenced bodies. *Subsection (1)* specifies the prohibitions which may be imposed in such an order. *Subsection (2)* specifies the conditions which must be satisfied before the Treasury may make such an order. The Treasury must have regard to the risks to which a ring-fenced body would be exposed if it did anything the Treasury propose to prohibit in the order, and consider whether allowing a ring-fenced body to do the things prohibited in the order would increase the chance that the failure of the ring-fenced body would harm the continuous provision of the core services in the UK. Under *subsection (3),* the Treasury must also be of the opinion that it is necessary or expedient to make the order to protect the continued provision in the UK of the core services. Under *subsection (4)* an order made under this section may also contain exemptions from the proposed prohibitions, and make any such exemptions subject to conditions.

38. *New section 142F* makes additional provision as to what may be included in an order made by the Treasury under new sections 142A, 142B, 142D or 142E. In particular, the Treasury are given power to confer powers on either the FCA or the PRA in such an order. They may authorise the regulator to make rules or other instruments, and, under *subsection (2),* make the exercise of the regulator's new powers (including any rule-making power provided for) subject to conditions or requirements set out in the order. The Treasury are also permitted to include in an order made under these provisions references to publications of different bodies (such as rules made by one of the regulator) as those publications are amended from time to time.

39. *New section 142G* provides for the consequences where a ring-fenced body carries on any excluded activity, or contravenes any prohibition imposed under new section 142E. Under *subsection (1)* a ring-fenced body which has done this is treated as having contravened a requirement imposed on that body by the regulator under FSMA. It will in consequence be liable to the disciplinary measures and penalties which the regulators may impose under Part 14 of FSMA. However, under *subsection (2),* the ring-fenced body will not have committed a criminal offence solely by reason of the contravention, and transactions entered into contrary to a prohibition remain valid. Further, no-one will be able to rely on the contravention to bring an action for breach of statutory duty against the ring-fenced body, unless the Treasury make express provision for this in the exercise of the power given in *subsection (3). Subsection (4)* defines "the appropriate regulator" for the purposes of the section.

40. *New section 142H* makes provision in relation to the rules which must be made by the FCA and the PRA in relation to ring-fencing. It requires (in *subsection (1))* the appropriate regulator (which will be the PRA, as initially all ring-fenced bodies will be PRA-authorised persons) to make rules ensuring that ring-fenced bodies have appropriate arrangements in place for the supply of services and facilities which they need to carry on the core activity. *Subsection (1)* also requires the appropriate regulator to make rules for certain purposes ("the group ring-fencing purposes"), which apply to ring-fenced bodies and to authorised persons that are members of a ring-fenced body's group. The group ring-fencing purposes are set out in *subsection (4).* They are intended to ensure that a ring-fenced body has the ability to take decisions for itself, and is both economically and operationally independent of the other members of the group, in the sense that it is not reliant on resources provided by the group and would be able to continue carrying on the core activities even if one or more other companies in the group become insolvent. Further, the areas where the regulator is required to make rules for the group ring-fencing purposes are listed in *subsection (5).* Each area is concerned with the regulation of the relationship between the ring-fenced body and the group: such as the terms on which it contracts with other members of the group (*paragraph (a)*), payments it may make to the group (*paragraph (b)*), disclosure of intra-group transactions (*paragraph (c)),* and the composition and independence of its board of directors (*paragraph d)*). In addition, the regulator is required to make rules in relation to the remuneration and human resources policies (defined in *subsections (6)* and *(7)* respectively) of a ring-fenced body, and its risk management arrangements (*paragraphs (e), (f)* and *(g)*), to ensure that these policies and arrangements are separate to those of other companies of the group. Finally, in *paragraph (h),* the regulator is required to make any other rules which it considers to be necessary or expedient to achieve the purposes set out in *subsection (4)* whether or not the rules concerned fall within one of the areas listed in *subsection (5).* These provisions do not limit the general rule making power of either regulator. Each regulator may also make any other rules it considers to be necessary or expedient, in the case of the PRA, for the purpose of advancing its general objective, and in the case of the FCA to advance one or more of its operational objectives.

41. *Subsection (2)* of *new section 142H* provides that the power given to the Treasury in section 142E(1)(c) to prohibit ring-fenced bodies from holding shares or voting power in other companies in specified circumstances does not prevent the regulator exercising its own power to make general rules imposing restrictions in this area, but rules made by the regulator are subject to any such provision made by the Treasury. For example, if the Treasury made an order which prevented a ring-fenced body from having a shareholding of more than 10% in a certain type of company, it would not be possible for the regulator to make rules preventing ring-fenced bodies from having shareholdings of more than 5%.

42. *New section 142I* gives the Treasury power to specify further what matters must be dealt with by rules made by the regulator in each of the areas specified in *section 142H(5),* or to require the regulator to make rules in other areas, if this is

necessary to ensure the independence of the ring-fenced body from the other members of its group.

43. *New section 142J* requires the PRA (and where relevant the FCA) to carry out a review of their ring-fencing rules every five years, to report to the Treasury on that review, and publish the report. The Treasury must lay a copy of the report before Parliament.

44. *New section 142K* makes provision about the pension liabilities of ring-fenced bodies which are employers in relation to a "relevant pension scheme". A "relevant pension scheme" is defined in *subsection (1)* as an occupational pension scheme (other than a money purchase scheme), which is a multi-employer scheme, where at least one of the employers participating in the scheme is a ring-fenced body, and one is not a ring-fenced body. *Subsection (2)* enables the Treasury to make regulations requiring a ring-fenced body to make arrangements to ensure that it will not be liable to meet, or contribute to, any pension liabilities relating to employment by an employer who is not a ring-fenced body, or if this is not possible, at least to make arrangements to minimise any such potential liability.

45. *Subsection (3)* contains a non-exhaustive list of the provisions that may be included in the regulations. Many are provisions which will enable a ring-fenced body to make arrangements under existing pensions legislation, by removing potential obstacles. For example, the terms of a pension scheme may need to be modified and the trustees may have no power to do this. The regulations could give the trustees power to modify the scheme, but only with the consent of the participating employers. Similarly, the arrangements a ring-fenced body may need to make may require trustees' consent. If the trustees unreasonably refuse consent the regulations can enable a court to dispense with the need for consent. But the regulations cannot allow a court to dispense with consent where consent has been withheld reasonably. A ring-fenced body may be required to apply to the Pensions Regulator for clearance statements under sections 42 or 46 of the Pensions Act 2004 (or under equivalent provisions of the Pensions (Northern Ireland) Order 2005) in relation to anything it does to comply with the regulations. The regulations may provide that a contravention of a requirement included in them is to be treated in the same way as a contravention of a requirement imposed by the PRA under FSMA. The effect of this would be to ensure that the disciplinary powers available to the PRA under FSMA could be used to penalise any contravention of the regulations.

46. *Subsection (5)* provides that if a ring-fenced body is not a PRA-authorised person, references to the PRA are to be read as references to the FCA.

47. *Subsection (6)* provides that regulations made by Treasury under this section may not require ring-fenced bodies to make arrangements in accordance with regulations made under this section before 1 January 2026. Though the Treasury may require preparatory steps to be taken earlier than 2026, this means ring-fenced bodies will have until at least 2026 to ensure they have made the arrangements necessary to

comply with regulations made under new section 142K.

48. *New section 142L* contains interpretative provisions relating to section 142K.

49. *New section 142M* gives the Treasury power to make an order regulating the way in which the PRA and the FCA may exercise their functions under FSMA to impose requirements on a relevant body as to the debt which must be issued or maintained by that body. The ICB recommended that certain banks should be required to hold minimum levels of debt (or extra capital in its place if a bank chooses to do this). This is intended to facilitate the exercise of the new powers proposed in the Recovery and Resolution Directive currently being negotiated in the Council of the European Union. If, for example, a bank suffers a significant drop in the value of its assets, the powers proposed in the Directive may be exercised to impose a reduction in the value of the obligations due under the bank's debt before the bank actually becomes insolvent, so reducing the chance that the bank will need to be liquidated, undermining the stability of the financial system.

50. The Treasury may wish to specify which types of debt instrument can count towards the minimum level of debt recommended by the ICB, as the Treasury must be satisfied (and markets must believe it credible) that resolution authorities would be both prepared and able to impose losses on a bank's creditors in a crisis situation. For example, the Treasury may decide it is necessary for eligible instruments to have at least 12 months remaining on their term, because investors in longer-term instruments would be less able to withdraw their investment in the bank by demanding that their debts are repaid as a crisis approaches, and because this would give the authorities responsible for exercising the powers proposed in the Recovery and Resolution Directive a grace period to exercise those powers, restructure the firm if necessary, and restore market confidence before it needs to refinance these debt instruments.

51. *Subsection (2)* defines "relevant body" for the purpose of the section. Ring-fenced bodies will be relevant bodies, but the definition is not limited to ring-fenced bodies. A body corporate which has permission under FSMA to accept deposits, and a body corporate which is a member of the same group as a ring-fenced body or of another body corporate which has permission under FSMA to accept deposits which is not itself a ring-fenced body will also be "relevant bodies" for the purposes of this section. Relevant bodies will therefore include any global systemically important banks which are based in the UK, even if the bank in question is not a ring-fenced body. *Subsection (3)* defines "debt instrument" for the purposes of the section. The definition is a broad one: all forms of debt including bonds and any form of transferable debt would be covered. *Subsection (4)* contains a non-exhaustive list of what provisions may be included in an order made by the Treasury under this section. The Treasury may both require the regulator to impose specified debt requirements on a relevant body, and limit the requirements which may be imposed. They may set out the matters to which the regulator must (or must not) have regard or refer to. They may require the regulator to consult or obtain the consent of the Treasury before it exercises its powers or require the regulator to make additional procedural provision

in relation to the exercise of its functions. The Treasury may also refer in an order to a publication of any body in the UK or abroad (such as rules made by the regulator), as that publication is in force for time to time.

52. *New section 142N* makes provision for the draft affirmative resolution procedure to be used in relation to orders made by the Treasury under the provisions listed in *subsection (1),* so that no such order may be made unless the draft order has been laid before Parliament and approved by each House (*subsection (2)). Subsections (3)* to *(6)* provide for the application of the made affirmative resolution procedure to apply to orders made under sections 142D(4) (new excluded activities) and 142E (prohibitions), where the Treasury consider that the matter is urgent so that it is not appropriate to proceed by the draft affirmative procedure. If this applies, the order may be made without being approved in draft, but it must be approved by each House of Parliament within 28 days from the day on which it is made if it is to continue in force (*subsection (4))*.

53. *New section 142O* explains how the regulated activities of accepting deposits and dealing in investments as principal are to be understood for the purpose of Part 9B of FSMA.

54. *Clause 4(2)* of the Bill inserts definitions of “core activities”, “core services”, “excluded activities”, “ring-fenced body” and “ring-fencing rules” into section 417 of FSMA.

Clause 5: Directors of ring-fenced bodies to be approved persons.

55. *Clause 5* amends section 59 (approval of particular arrangements) of FSMA to ensure that being a director of a ring-fenced body (or having an equivalent management role in a ring-fenced body with no board of directors) is always a “significant-influence function” and that each regulator is required to make it a “controlled function” in its rules. The consequence of this is that a director of a ring-fenced body will always have to be an approved person, and as such will be liable to disciplinary action by the regulator if they have been knowingly concerned in any contravention by the ring-fenced body of ring-fencing rules made by the regulator, or of the ring-fencing provisions set out in FSMA as amended by the Bill.

Clause 6: PRA annual report

56. *Clause 6* amends Schedule 1ZB (the Prudential Regulatory Authority) of FSMA to require the PRA to make an annual report on the way in which ring-fenced bodies comply with the ring-fencing provisions (that is, not only the obligation imposed on ring-fenced bodies under section 142G of FSMA, as inserted by the Bill, but also with any ring-fencing rules made by the regulator). The PRA must also report on the extent to which any guidance which it has issued in relation to ring-fencing has been complied with by ring-fenced bodies.

Clause 7: Ring-fencing transfer schemes

57. *Clause 7* gives effect to Schedule 1, which amends Part 7 of FSMA to make

provision for ring-fencing transfer schemes. Part 7 provides a mechanism for transferring, with the sanction of the court, all or part of the business of banks, insurance companies and reclaim funds, without requiring the approval of all those who may be affected by the transfer. Clause 7 and Schedule 1 provide for an additional form of transfer scheme (a "ring-fencing transfer scheme"), which will enable bodies to use the procedures set out in Part 7 of FSMA to give effect to any transfers of business needed to ensure that core activities are only undertaken by ring-fenced bodies, and that no entity wishing to be a ring-fenced body carries on excluded activities.

58. *Paragraph 2* of Schedule 1 replaces the expression "authorised person concerned" with "transferor concerned", throughout Part 7, to provide for the possibility that in the case of a ring-fencing transfer scheme, the transferor may not be an authorised person.

59. *Paragraph 3* amends section 103A of FSMA (meaning of "the appropriate regulator") to provide for ring-fencing transfer schemes.

60. *Paragraph 4* amends section 106 of FSMA to exclude ring-fencing transfer schemes from banking business transfer schemes, so that the categories of scheme are separate.

61. *Paragraph 5* inserts *new section 106B* into FSMA 2000. This makes provision about ring-fencing transfer schemes. *Subsection (1)* defines "ring-fencing transfer scheme". A scheme is a ring-fencing transfer scheme if the whole or part of the business to be transferred is carried on by a UK authorised person, or by a "qualified subsidiary" of such a person (defined in *subsection (2)*), provided the scheme is not an excluded scheme (see subsection (4)) and is made for the purposes set out in *subsection (3)*. The qualified subsidiary does not have to be an authorised person.

62. *Subsection (3)* specifies the relevant purposes. They are: enabling either the person transferring the business, or the person to whom it is transferred, to carry on core activities lawfully and in compliance with the regulator's rules as a ring-fenced body; or to assist the corporate restructuring of a group made to enable one or more members of the group to become ring-fenced bodies, whilst one or more other members of the group are not ring-fenced bodies.

63. *Subsection (4)* defines excluded schemes for the purposes of the section. An excluded scheme is a scheme in which the person transferring part of their business is a building society or credit union, or a scheme which is a compromise or arrangement to which Part 27 of the Companies Act 2006 (mergers and divisions of public companies) applies.

64. *Subsection (5)* provides that in determining whether a business transfer is a ring-fencing transfer scheme, it does not matter whether the business is carried on in

the UK.

65. *Subsections (6)* to *(8)* define “UK authorised person”, “building society”, “credit union” and “the ring-fencing provisions” for the purposes of this section.

66. *Paragraph 6* amends section 107 of FSMA (application for order sanctioning transfer scheme) (*sub-paragraph 1*) to add a reference to ring-fencing transfer schemes. It also inserts new subsection 2A, providing that no application may be made to the court for approval of a ring-fencing transfer unless the PRA has consented to the application.

67. *Paragraph 7* amends section 110 of FSMA (right to participate in proceedings) to provide who is entitled to be heard before the court on any application for the approval of a ring-fencing transfer scheme. This includes any person who alleges he would be adversely affected by a transfer scheme. This right is limited under *new subsection (5)* of section 110. Such a person is not entitled to be heard on an application for the approval of a transfer scheme unless before the hearing they have filed with the court a written statement of the representations that they wish the court to consider, and served copies of the statement on the PRA and the person by whom the proposed transfer is to be made.

68. *Paragraph 8* amends section 111 of FSMA (sanctions of the court for business transfer schemes), extending it to apply to ring-fencing transfer schemes, and setting out the conditions which must be satisfied before the court may make an order sanctioning a ring-fencing transfer scheme.

69. *Paragraph 9 and 10* amend sections 112 (effect of order sanctioning business transfer schemes) and 112A (rights to terminate etc.) to include references to ring-fencing transfer schemes.

70. *Paragraph 11* amends schedule 12 of FSMA, inserting a new Part 2B, which in *paragraph 9B* provides what certificates must be obtained in support of an application to the court for the approval of a ring-fencing transfer scheme; in *paragraph 9C* determines which authority must provide a certificate as to the financial resources of the transferee and *paragraph 9D* sets out what must be certified by the home state regulator of the transferee.

Clause 8: Building societies: power to make provision about ring-fencing

71. *Clause 8* enables the Treasury to ensure that building societies are subject to restrictions equivalent to those applying to ring-fenced bodies in Part 9B of FSMA, or in rules or orders made under that Part. Building societies are excluded from the definition of a ring-fenced body under section 142A because they are already subject to significant restrictions under the Building Societies Act 1986. The powers in this clause will enable the regime for building societies to be aligned with the regime which is to apply to ring-fenced bodies under Part 9B of FSMA. *Clause 8(1)* gives the Treasury power to make regulations making provision corresponding to that made by

or under Part 9B (ring-fencing) in relation to building societies, for the same purposes as the provisions in new Part 9B of FSMA, or in any secondary legislation made under powers given in that Part. The Treasury may also provide that the PRA's obligation under section 2B of FSMA (as amended by clause 1) to advance its general objective, in relation to ring-fencing matters, by protecting the continuous provision within the UK of the core services, and (where applicable) the FCA's continuity objective also applies in relation to any function given to the PRA or the FCA in such regulations, or as a result of such regulations. *Subsection (2)* lists a number of things which may be done by the Treasury in regulations made under this power, including the amendment of the Building Societies Act 1986. *Subsection (3)* defines the terms "building society" and "the relevant continuity provision", for the purposes of the section.

Depositor preference

Clause 9: Preferential debts: Great Britain

72. *Clause 9* makes amendments to the Insolvency Act 1986 and the Bankruptcy (Scotland) Act 1985 to add to the existing categories of preferential debts on insolvency in Great Britain. *Subsection (1)* amends Schedule 6 to the Insolvency Act 1986, to insert new paragraphs 15B and 15C. *Paragraph 15B* defines the new category of preferential debts. Where a deposit is within the scope of the financial services compensation scheme ("FSCS"), it will be a preferential debt. Where a deposit is not eligible for protection under the FSCS, it will not be a preferential debt. If a single depositor has a very large deposit, part of which is not eligible for protection under the FSCS, only the part of that deposit which is covered by the FSCS will be a preferential debt. The remainder of the deposit will not be a preferential debt: it will rank equally to other non-preferred unsecured debts. *Paragraph 15C* defines the terms "eligible deposit" and "deposit" for the purposes of the new category of preferential debts. Deposits which were held in dormant accounts and have been transferred to authorised reclaim funds under the Dormant Bank and Building Society Accounts Act 2008 are included in the definition of "deposit".

73. *Subsection (2)* makes a consequential amendment to section 386 of the Insolvency Act 1986.

74. *Subsection (3)* amends Part 1 of Schedule 3 to the Bankruptcy (Scotland) Act 1985 to insert new paragraph 6B. The Insolvency Act 1986 covers corporate insolvency in both England and Wales and Scotland, but deals with bankruptcy only in England and Wales. Bankruptcy in Scotland is dealt with under the Bankruptcy (Scotland) Act 1985. This paragraph makes provision in relation to bankruptcy and sequestration proceedings in Scotland equivalent to the provision made in new paragraphs 15B of Schedule 6 to the Insolvency Act 1986 which will apply to England and Wales and corporate insolvency proceedings in Scotland. *Subsection (4)* amends Part 2 of Schedule 3 to the 1985 Act to insert new paragraph 9A. This paragraph contains equivalent definitions of "eligible deposit" and "deposit" to those set out in new paragraph 15C of Schedule 6 to the Insolvency Act 1986. A balance

transferred to an authorised reclaim fund is not mentioned as the insolvency of a reclaim fund in Scotland is subject to the Insolvency Act 1986, not the 1985 Act.

Financial Services Compensation Scheme

Clause 10: discharge of functions by scheme manager

75. *Clauses 10* to *12* make provision in relation to the scheme manager of the financial services compensation scheme.

76. *Clause 10* inserts a new section 224ZA into FSMA to require the scheme manager to have regard to the need for efficiency and effectiveness in the way in which it discharges its functions. It must also have regard to the need to minimise public expenditure in relation to loans or financial assistance to the scheme manager. For example, the scheme manager would be expected to have regard to the need to ensure that the cost to the government of making a loan or providing other financial assistance to the financial services compensation scheme (such as loan) is covered by repayments made by the scheme to the government.

Clause 11: Power to require information

77. *Clause 11* gives the Treasury power by written notice to require the scheme manager to provide specified information needed by the Treasury in connection with its duties under the Government Resources and Accounts Act 2000 (such as its duty to prepare consolidated accounts for the public sector, and to consolidate information relating to the financial services compensation scheme in its departmental accounts). *Subsection (2)* requires such information to be provided before the end of a reasonable period specified in the notice.

Clause 12: Scheme manager: appointment of accounting officer

78. *Clause 12* amends section 212 of FSMA. *Subsection (2)* amends subsection 212(3) of FSMA so that the constitution of the scheme manager must provide for it to have a chief executive, who is to be a member of the board of the scheme manager. The chief executive is also to be the accounting officer. *Subsection (3)* amends subsection 212(4) of FSMA to provide that the chief executive must be appointed by the PRA and the FCA. The appointment, and if relevant the removal from office of the chief executive by the regulator will be subject to the approval of the Treasury.

Fees to meet Treasury expenditure

Clause 13: Fees to meet Treasury expenditure

79. *Clause 13* inserts new sections 410A and 410B into FSMA.

80. *New section 410A(1)* gives the Treasury power to make regulations to give themselves a power to direct a regulator (the FCA, the PRA or the Bank of England) to impose fees on certain persons to meet relevant expenses, to make related provision as to the way in which the regulator must comply with any direction given by the Treasury under the regulations, and to require the regulator to pay any monies

received through the levy to the Treasury. The PRA may be required to impose fees on PRA-authorised persons. The FCA may be required to impose fees on other authorised persons or recognised investment exchanges. The Bank of England may be required to impose fees on recognised clearing houses provided they are not regulated by the PRA or the FCA. The definition of "relevant persons" (in *subsection (8))* has been designed to ensure that no person can be made liable to pay fees to more than one regulator.

81. *Subsection (2)* defines "relevant expenses" as those expenses incurred by the Treasury in connection with, or for the purposes of, United Kingdom membership of (or Treasury participation in) international organisations identified in the regulations, provided that the expenses represent a contribution (by way of subscription or otherwise) to the resources of the international organisation, and provided that Treasury considers that the expenses are connected to the organisation's work in relation to financial stability or financial services. "Relevant expenses" includes expenses of a capital nature (for example, the provision of an endowment). Other examples of expenses which may be relevant for this purpose are the payment of a membership fee or the secondment of staff to a relevant international organisation.

82. *Subsection (3)* ensures that the PRA and the FCA charge fees in pursuance of a direction by way of rules.

83. *Subsection (4)* applies Chapter 2 of Part 9A of FSMA to rules made by either the PRA or the FCA charging fees in order to comply with a direction from the Treasury under regulations made under section 410A, as it applies to any rules made by the regulators charging fees, so that all rules charging fees are subject to the same procedural requirements.

84. *Subsection (5)* applies paragraph 36 of Schedule 17A to FSMA to fees charged by the Bank of England in compliance with a direction from the Treasury under regulations made under section 410A so that such fees are subject to the same provisions as other fees the Bank charges to recognised clearing houses.

85. *Subsection (6)* makes further provision as to what may be included in regulations made by the Treasury. In particular, the Treasury may make provision about what is, or what is not, to be regarded as an expense for this purpose.

86. *Subsection (7)* ensures that each regulator is able to recover any amount payable to it for fees imposed in consequence of regulations made by the Treasury as a debt owed to it.

87. *New section 410B* sets out the requirements which the Treasury must satisfy in giving any direction to the regulators as a result of regulations made under new section 410A. Under *subsection (2),* the Treasury must first consult the regulator to which they propose to give a direction. *Subsection (3)* provides that the direction must be in writing and sets out what information it should contain. *Subsection (4)* requires

the Treasury to lay a copy of any direction it gives to the regulator under regulations made under section 410A before Parliament.

Parliamentary control of statutory instruments under FSMA 2000

Clause 14: Amendments of section 429 of FSMA 2000

88. *Clause 14* amends section 429 of FSMA 2000 to provide for the parliamentary procedure applicable to statutory instruments made under new section 142K (*subsection (2)),* and new section 410A (s*ubsection (4))*. Orders under section 410A are subject to draft affirmative resolution procedure, apart from regulations which only contain provision made under section 410A(2) (prescription of international organisations), which will be subject to negative resolution procedure. The amendment made by *subsection (2)* does not make any substantive change but adjusts the order of the sections referred to in section 429 of FSMA so they follow a logical sequence.

Bank of England

Clause 15: Accounts of Bank of England and its wholly-owned subsidiaries

89. *Clause 15* amends the Bank of England Act 1998 ("the 1998 Act").

90. The Bank of England is established by Royal Charter and so is not subject to the Companies Act 2006 ("the 2006 Act"). However section 7 of the 1998 Act provides that in preparing its accounts the Bank is subject to provisions corresponding to the requirements placed on directors of a banking company under the 2006 Act (in the 1998 Act called the "relevant Companies Act requirements"). Currently section 7(4) of the 1998 Act provides that the Bank may disregard a requirement to the extent it considers it appropriate, having regard to its functions. The amendments made by *clause 15(2)* of the Bill will mean that the Bank may only disregard a requirement where it considers it necessary to do so having regard to its financial stability objective under section 2A of the 1998 Act.

91. *Subsection (3)* inserts new section 7A of the 1998 Act. This makes provision similar to that made in section 7 in relation to certain wholly-owned subsidiaries of the Bank of England. Subsection (1) of new section 7A enables the Bank, by direction to a "qualifying company", to exclude the application to that company of any of the relevant Companies Act requirements. Such a direction may only be given where the Bank considers it necessary to do so, having regard to the Bank's financial stability objective. "Qualifying company" is defined by *subsection (9)* as a company which is wholly-owned by the Bank, other than the Prudential Regulation Authority or a company which is a bridge bank for the purposes of section 12(3) of the Banking Act 2009. "Relevant Companies Act requirements" is defined in *subsection (2).*

92. *Subsections (4)* to *(7)* of new section 7A of the 1998 Act relate to the role of the Treasury. *Subsection (4)* requires the Bank to consult the Treasury before giving a direction under subsection (1). *Subsection (5)* enables the Treasury, by notice in

writing, to require the Bank to publish information about the accounts of a qualifying company. *Subsection (6)* makes it clear that such information may include information which, as a result of a direction issued by the Bank under subsection (1), was not included in the accounts of the qualifying company. The Treasury must consult the Bank before giving such a notice.

Final Provisions

Clause 16: Orders and regulations

93. *Clause 16* provides that any power of the Treasury to make an order or regulations under the Bill is exercisable by statutory instrument. *Subsection (2)* provides that a statutory instrument containing provisions under clause 8 (building societies: power to make provision about ring-fencing) is subject to the draft affirmative procedure. *Subsection (3)* provides that a statutory instrument containing provisions under clause 18 (transitional provision and savings) is subject to negative resolution procedure unless it also contains provisions made under a power which is subject to draft affirmative resolution procedure. In this case the whole order is subject to draft affirmative resolution procedure.

Clause 17*:* Interpretation

94. *Clause 17* defines "enactment", "the FCA", "FSMA 2000" and "the PRA".

Clause 18: Transitional provisions and savings

95. *Clause 18* allows the Treasury to make transitional and saving provisions which may be necessary on the commencement of any provision in the Bill, and gives the Treasury power to confer functions on the FCA or the PRA for this purpose, and to modify, exclude or apply enactments should this be needed to enable the commencement of any provision in the Bill.

Clause 19: Extent

96. *Clause 19* provides that the Bill extends to the whole of the United Kingdom (*subsection (1)).*

Clause 20: Commencement and short title

97. *Clause 20* provides that clauses 16 to 20 come into force on the day the Act receives Royal Assent *(subsection (1))*, that all other provisions will come into force on days appointed by the Treasury by order (*subsections (2) and (3)),* and that the short title of the Bill when it has been enacted, will be the Financial Services (Banking Reform) Act 2013 *(subsection (4))*.

FINANCIAL EFFECTS

98. There will be no significant effects on spending by Government departments met from money voted by Parliament. The effects on expenses incurred by the Bank of England and the Financial Conduct Authority and the Prudential Regulation

Authority are considered in the impact assessment.

99. The additional fees to be imposed on industry to meet relevant expenses of HM Treasury incurred in connection with international organisations are expected to be around £100,000 per annum.

PUBLIC SECTOR MANPOWER

100. The Bill will have no impact on manpower in government departments.

SUMMARY OF THE IMPACT ASSESSMENT

101. The main purpose of this Bill is to implement the recommendations of the Independent Commission on Banking with regard to ring-fencing and depositor preference. The impact assessment considers 2 options:

a. Do nothing. This would leave the structure of UK banks unreformed and thus not address the flaws in unstructured universal banking exposed by the recent financial crisis;

b. Implement ring-fencing and depositor preference. This is the preferred option. This option would require UK banks to conduct "core activities" in separate legal entities from "excluded activities". Deposits eligible for protection under the financial services compensation scheme would become preferential debts within the creditor hierarchy.

102. The preferred option is the most cost-effective way of meeting the Government's objectives. Ring-fencing and depositor preference are expected to impose transitional and ongoing costs on UK banks: the Government estimates the ongoing costs in the range £2bn to £5bn per annum, with one-off transitional cost in the range £1.5bn to £2.5bn. Additional private costs for UK banks are likely to create a cost to GDP: the Government estimates this will lead to a reduction in the long-run level of GDP of between 0.04 and 0.1 per cent, equivalent to an average annual cost to GDP of £0.4bn to £1.1bn. There is also likely to be a consequent cost to the Exchequer in reduced tax receipts, estimated at between £150m and £400m per annum, and in a reduction in the value of the Government's shareholdings in Royal Bank of Scotland and Lloyds Banking Group, estimated in the range £2bn to £5bn relative to a 'do nothing' baseline. There is also expected be a cost to the regulator (PRA) of enforcing the new regulations, estimated at around £2m per annum. The benefits of the preferred option will accrue from increased financial stability. These cannot be quantified precisely (only illustrative estimates are included in the impact assessment) but are expected significantly to exceed the costs of the preferred option.

COMPATIBILITY WITH THE EUROPEAN CONVENTION ON HUMAN RIGHTS.

103. Section 19 of the Human Rights Act 1998 requires the Minister in charge of a Bill in either House of Parliament to make a statement about the compatibility of the provisions in the Bill with the Convention rights (as defined by section 1 of that Act).

104. The Chancellor of the Exchequer has made the following statement: "In my view the provisions of the Financial Services (Banking Reform) Bill are compatible with the Convention rights."

105. A number of provisions engage Article 1, Protocol 1 (A1P1) to the Convention. A1P1 specifies that “every natural and legal person is entitled to the peaceful enjoyment of his possessions” and “no-one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law”. New section 142G bars ring-fenced bodies from carrying on excluded activities (defined in new section 142D), and contravening prohibitions set by the Treasury under new section 142E. The combined effect of this provision, and the power given to the Treasury to provide for new excluded activities and prohibitions (under new sections 142D and 142E), will be to restrict the way in which ring-fenced bodies may use their possessions, by limiting the activities in which they can engage. The power for the regulator to make rules limiting the ability of ring-fenced bodies to invest in other companies and the duty to make rules regulating transactions which a ring-fenced body can enter into with other members of the same corporate group under new section 142H similarly limit the way in which the ring-fenced body may use its own assets.

106. The powers given to the Treasury under new section 142K may also engage A1P1. The right to a pension is not as such guaranteed by the Convention. However benefits from an occupational pension scheme that have already been earned or accrued (through length of service, payment of contributions, or otherwise) are possessions within the meaning of A1P1[1], although the exact nature of the benefits that have been earned or accrued will require careful examination of the facts. The requirement on a ring-fenced body to depart from a multi-employer scheme, or to segregate it, will not alter the terms or the extent of any benefits that have been earned or accrued. However, the effect may weaken the employer covenant[2] and so may affect the trustees’ perception of the risks faced by the pension scheme, leading them to require enhanced payments from the employer. To the extent that this amounts to an interference with property rights, we consider that it will be lawful, in pursuit of a

[1] *R (Carson) v Secretary of State for Work and Pensions* [2005] UKHL 37, and *Stigson v Sweden,* App No 12264/86, European Commission of Human Rights, Decision on admissibility of 13 July 1988, DR 57 p. 131.

[2] That is, the extent to which the trustees consider they can rely on the employer’s ability to make future payments to the scheme.

legitimate aim (the protection of consumers and of financial stability) which is in the general interest, and a proportionate means of achieving those aims.

107. The powers given to the Treasury to regulate the debt requirements which may be imposed on ring-fenced bodies under new section 142M are also capable of being exercised in a way which would control a ring-fenced body's use of its possessions, by imposing a level of debt requirement which, in practice, may prevent a ring-fenced body from redeeming debt, or requiring it to issue additional debt. (The exercise of this power may also give rise to issues under Article 14 of the European Convention on Human Rights ("the Convention"), which prohibits discrimination in relation to the rights and freedoms set out in the Convention, if it imposes different restrictions on different firms without an objective justification for those differences). The Treasury believes that the restrictions on the way in which ring-fenced bodies may conduct their business are being imposed for a legitimate purpose – to protect the continuity of retail banking in the UK (so protecting both consumers and financial stability in the UK). The Treasury also considers that the provisions on excluded activities in the Bill strike a fair balance between the interests of the ring-fenced bodies which will be subject to restrictions, and the interests of the community in the continuation of a safe retail banking system, and the powers given to the Treasury and to the PRA and the FCA to impose further restrictions are capable of being exercised to achieve such a fair balance. The Treasury and the regulators are both, as public authorities, subject to the duty to act compatibly with the Convention rights under section 6 of the Human Rights Act 1998, and must therefore ensure that such a balance is achieved, and that any difference in treatment of those subject to the restrictions is objectively justified.

108. The powers given to the Treasury to require the regulators and the Bank of England to impose fees on certain classes of authorised person to contribute towards specified Treasury expenses in relation to international organisations such as the Financial Stability Board is also likely to result in an interference with rights under A1P1. This power in practice permits the Treasury to impose a tax (the fees) on those working in the field of financial services. The European Court on Human Rights has recognised that states have a wide margin in framing and implementing policy on taxation. The fees will be imposed for the legitimate aim of reducing the level of public expenditure, and the Treasury will be obliged under section 6 of the Human Rights Act 1998 to ensure that the conditions set for the imposition of the fees strike a fair balance between the rights of those required to pay the fees and the public interest.

COMMENCEMENT

109. The only provisions of the Bill that are to come into force on the day on which the Bill receives Royal Assent are those dealing with orders and regulations, interpretation, extent, commencement and the short title to the Bill. All the other provisions of the Bill will come into force on the day or days appointed by the Treasury by order.

FINANCIAL SERVICES (BANKING REFORM) BILL

EXPLANATORY NOTES

These notes refer to the Financial Services (Banking Reform) Bill as introduced in the House of Commons on 9 May 2013 [Bill 2]

Ordered, by The House of Commons, *to be Printed*, 9 *May* 2013.

© Parliamentary copyright 2013
This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/site-information/copyright.

PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON — THE STATIONERY OFFICE LIMITED
Printed in the United Kingdom by The Stationery Office Limited
£x.xx

Bill 2—EN 55/3