

# BANK OF ENGLAND AND FINANCIAL SERVICES BILL [HL]

## EXPLANATORY NOTES

### What these notes do

These Explanatory Notes relate to the Bank of England and Financial Services Bill [HL] as introduced in the House of Lords on 14 October 2015 (HL Bill 65).

- These Explanatory Notes have been prepared by the 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.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill. So where a provision of the Bill does not seem to require any explanation or comment, the Notes simply say in relation to it that the provision is self-explanatory.

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## Overview of the Bill

- 1 The Bank of England and Financial Services Bill is intended to amend governance and accountability arrangements at the Bank of England (the Bank), expand the scope of and make changes to the Senior Managers and Certification Regime, permit the extension of the Government's Pension Wise service, and allow for some flexibility to change which legal entities are authorised to issue commercial banknotes in Scotland and Northern Ireland.
- 2 Part 1 of the Bill makes provision in relation to the governance of the Bank. It makes the Deputy Governor for markets and banking a member of the court of directors, of the Monetary Policy Committee (MPC), the Financial Policy Committee (FPC), and the new Prudential Regulation Committee (PRC), and gives the Government power to make further changes to the membership of the court of directors by secondary legislation. It gives the Bank's oversight functions to the court of directors and makes the FPC a committee of the Bank, rather than a sub-committee of the court. It reduces the required number of annual MPC meetings and provides for faster publication of minutes relating to those meetings.
- 3 The Bill also gives the Comptroller and Auditor General power to carry out examinations of the economy, efficiency and effectiveness with which the Bank uses its resources ("value for money" examinations) and gives the Treasury power to carry out value for money reviews of the prudential regulation functions of the Bank.
- 4 The Bill ends the status of the Prudential Regulation Authority (PRA) as a subsidiary of the Bank, instead providing that the Prudential Regulation Authority is the Bank of England and creating a new Bank committee to be known as the Prudential Regulation Committee, with responsibility for the Bank's functions as the Prudential Regulation Authority.
- 5 Part 2 of the Bill extends the Senior Managers regime to all firms which are authorised to provide financial services under the Financial Services and Markets Act 2000 (FSMA), and amends the definition of "misconduct" applicable to senior managers so that, where there has been a regulatory contravention in an area for which they are responsible, senior managers no longer have to prove that they have taken reasonable steps to prevent that contravention to avoid being found guilty of misconduct. It will be necessary for the regulators to prove that a senior manager has not taken such steps before they can bring disciplinary proceedings against a senior manager on this ground.
- 6 Part 2 also extends the remit of the Government's Pension Wise service to holders of annuities specified by the Treasury so that it can deliver guidance to pensioners who will be eligible to sell their annuity income stream in 2017.
- 7 The Bill imposes a duty on the Bank to provide information to the Treasury when firms' resolution strategies are developed or updated. It also gives the Treasury a power to request specified information supporting the Bank's assessment of public funds risks associated with the failure of a firm.
- 8 Part 3 of the Bill gives the Treasury power to make regulations (with the consent of the Bank of England) which authorise a bank in the same group as an existing issuer to issue commercial banknotes in Scotland or Northern Ireland instead of the existing issuer.

## Policy background

- 9 The Financial Services Act 2012 replaced the 'tripartite' system of financial regulation with a new system that put the Bank at the centre of the system, giving it a number of new responsibilities and powers. The 2012 Act gave the Bank responsibility for macro-prudential

regulation through the establishment of the FPC. It also gave the FPC a key role in safeguarding the UK's financial stability by identifying, monitoring, and taking action to address systemic risks to the UK financial system. The Financial Services Act 2012 also established the PRA as a subsidiary of the Bank. The PRA has specific responsibility for ensuring effective micro-prudential regulation of all deposit takers, insurers, and large investment firms.

- 10 The Bill seeks to simplify further and strengthen the governance of the Bank and the PRA, and to increase transparency and accountability at the Bank.
- 11 The Bank's governance model is determined by statute. The governing body, the court of directors ("the court"), is responsible for managing the affairs of the Bank, other than the formulation of monetary policy, and is accountable for the Bank's performance in relation to its objectives. The Government and the Bank have made continuous improvements to the court's structures and processes since 2012, most recently requiring minutes of its meetings to be published. A review commissioned by the Governor of the Bank into the Bank's practices on transparency, particularly in relation to the work of the MPC, was carried out by Kevin Warsh. The report of that review, "Transparency and the Bank of England's Monetary Policy Committee" (the Warsh Review) was published on 11 December 2014. At the same time the Bank announced a number of other measures they wished to take to improve their transparency and accountability. This Bill amends the Bank of England Act 1998 to enable the Bank to implement these measures, building on action the Bank has already taken.
- 12 The Bill changes the membership of the court, adding an additional deputy governor, and assigns the oversight functions to the full court to enable the court to operate more like a unitary board. The Financial Services Act 2012 established the FPC as a sub-committee of the court responsible for identifying, monitoring and taking action to address emerging risks and vulnerabilities across the financial system as a whole. By making the FPC a committee of the Bank, the Bill simplifies the governance structure within the Bank, with all the policy committees established as committees of the Bank. The Bill makes changes to the operation of the MPC, to implement the recommendations made by the Warsh review.
- 13 The Bill aims to strengthen the Bank's accountability to the public and to Parliament, by giving the Comptroller and Auditor General the power to initiate value for money studies in relation to the whole of the Bank, following consultation with court.
- 14 The Bill is also intended to clarify the responsibilities of the Bank for prudential regulation by transferring the PRA's functions to the Bank. The PRA's brand and objectives will remain unchanged and the Bill contains safeguards to ensure that the Bank's functions as Prudential Regulation Authority must be operated independently from the Bank's resolution functions, to comply with EU legislation and the Basel Core Principles on Supervision.
- 15 The Bank has primary operational responsibility for resolving banks and other financial institutions when they fail. However, the Chancellor and the Treasury have sole responsibility for any decision involving public funds. The Bill seeks to enhance the powers of the Treasury to ensure that public funds are applied appropriately in a financial crisis by imposing new obligations on the Bank to provide the Treasury with information on proposed resolution options being considered by the Bank, and by enhancing the Treasury's powers to obtain additional information from the Bank in relation to the implications for public funds of the failure of a bank or other financial institution.
- 16 At present, the Approved Persons Regime (APR) in Part 5 of the Financial Services and Markets Act 2000 (FSMA) is the main way in which individuals in the financial services

industry are regulated. In its final report, Changing Banking for Good[1], the Parliamentary Commission on Banking Standards (PCBS) raised concerns about the existing Approved Persons Regime (APR) and made a number of recommendations for change including the introduction of a new regime for regulating senior persons in the banking industry, new arrangements for ensuring that more junior staff are fit and proper, and provisions enabling the regulators to make rules of conduct applying to staff other than approved persons. The Government broadly accepted these recommendations[2] and used the Financial Services (Banking Reform) Act 2013 (“the 2013 Act”) to put in place the Senior Managers and Certification Regime (“SM&CR”).

- 17 The PCBS considered that the deficiencies they had identified in the APR would not be confined to banking. However, they were concerned that attempting to change the APR for the whole financial services industry would risk delaying the introduction of reforms. The Government shared those concerns and limited the substantive reforms in the 2013 Act to banks, other deposit takers and those investment firms that are regulated by the PRA. The Senior Managers and Certification Regime (SM&CR) will come into operation for those financial services firms on 7 March 2016. Following consultation, and subject to Parliamentary approval[3], the SM&CR will also apply to UK branches of corresponding foreign institutions.
- 18 The experience and feedback gained from developing the detailed measures needed for implementation of the SM&CR, mainly rules made by the regulators, indicates that the SM&CR should deliver the improvements in conduct and performance of key bank staff that the PCBS and the Government were seeking. The Government therefore considers that it is appropriate to legislate to extend the SM&CR to all types of financial services firms. The Government will also take this opportunity to make improvements and correction to the SM&CR. The regulators will remain responsible for developing the detailed measures in their rules.
- 19 In April 2015 the Government introduced greater flexibility for pensions products, removing tax penalties which applied to the use of pension funds other than for the purchase of an annuity. A new service, Pension Wise, was introduced with the aim of providing guidance to people approaching retirement and helping them understand the options available for using their pension funds.
- 20 From 2017, the options available for the use of pension funds will be extended further by allowing people who have already bought an annuity to sell their annuity income to a third party. Since the current remit of Pension Wise is tightly defined, primary legislation is required to allow Pension Wise to deliver guidance for the secondary annuity market. This Bill intends to enable the Government to extend the Pension Wise service to cover holders of annuities specified by the Treasury.
- 21 The Bill intends to provide the flexibility to change which legal entities are authorised to issue commercial banknotes. The Banking Act 2009 restricts the permission for banks to issue banknotes only to those banks who had that permission immediately before the 2009 Act came into force. Part 6 of that Act was intended to deliver the Government policy of supporting the continuation of the long-standing tradition of certain Scottish and Northern

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1 <http://www.parliament.uk/business/committees/committees-a-z/joint-select/professional-standards-in-the-banking-industry/news/changing-banking-for-good-report/>

2 See the Government’s response to the Commission on Banking Standards, [https://www.gov.uk/Government/uploads/system/uploads/attachment\\_data/file/211047/gov\\_response\\_to\\_the\\_parliamentary\\_commission\\_on\\_banking\\_standards.pdf](https://www.gov.uk/Government/uploads/system/uploads/attachment_data/file/211047/gov_response_to_the_parliamentary_commission_on_banking_standards.pdf).

3 The necessary secondary legislation – the draft Financial Services and Markets Act 2000 (Relevant Authorised Persons) Order 2015 was laid before Parliament on 20 July 2015.

Ireland banks being able to issue their own banknotes, whilst not allowing for new issuers to emerge. However, the Government believes that inflexibility in the current legislation can cause problems when a bank wants to restructure its operations. In these circumstances, the permission to issue banknotes cannot be moved to a different legal entity, except by legislation, even if they are within the same group structure. The Bill provides a power for the Treasury to make regulations authorising a bank in the same group as an existing issuer to issue banknotes instead of that issuer.

## Legal background

- 22 The existing governance arrangements for the Bank of England are primarily set out in the Bank of England Act 1998 ("the 1998 Act"). Part 1 of that Act makes provision about the constitution, regulation and financial arrangements for the Bank, with Schedule 1 to the 1998 Act making additional provision in relation to the court of directors. Part 1A and Schedule 2A to the 1998 Act make provision for the Financial Policy Committee, as a sub-committee of the court, with responsibility for the Bank's financial stability objective, and set out the FPC's powers. Part 2 and Schedule 3 to the 1998 Act provide for the Monetary Policy Committee.
- 23 The legislative framework for financial regulation is set out in the Financial Services and Markets Act 2000 (FSMA). Part 1A of that Act establishes the Prudential Regulation Authority (the PRA) as the financial regulator responsible for prudential regulation, and sets out its functions and objectives. Schedule 1ZB to FSMA provides for the constitution of the PRA. Part 5 of FSMA makes provision for regulation of the conduct of people working in the financial services industry. It was amended by the Financial Services (Banking Reform) Act 2013, which introduced a special regime for people working in banks, building societies, credit unions and PRA-regulated investment firms..
- 24 Parts 1 to 3 of the Banking Act 2009 give the Bank various powers to take action when a bank or another financial institution is failing to "resolve" that institution by, for example, transferring the business or part of the business of the institution to another entity. The consent of the Treasury is required by section 78 of the 2009 Act in relation to the exercise of any power in Part 1 of the Act which has implications for public funds. The Bank is required by the Bank Recovery and Resolution (No 2) Order 2014 to prepare resolution plans setting out what action the Bank will take to resolve a bank or other financial institution if that institution fails. Part 4 of the Financial Services Act 2012 imposes a duty on the Bank to notify the Treasury whenever it considers that there is a material risk that public funds might be required in connection with the exercise by the Bank of its powers under Parts 1 to 3 of the Banking Act 2009.
- 25 Part 6 of the Banking Act 2009 authorises commercial banks to continue to issue Scottish or Northern Ireland banknotes if they had permission to do so before Part 6 came into force, but prohibits all other banks (apart from the Bank of England) from issuing banknotes, provides for the circumstances in which a bank's permission to issue these banknotes will terminate, and gives the Treasury power to make regulations about the issue of banknotes. If a bank ceases to issue banknotes its permission to do so will terminate, and Part 6 of the 2009 Act makes no provision for the permission to be transferred to another entity.

## Territorial extent and application

- 26 The Bill's provisions extend to the whole of the United Kingdom. In the Government's view, the matters to which the provisions of the Bill relate are not within the legislative competence of the Scottish Parliament, the National Assembly for Wales or the Northern Ireland

Assembly; accordingly no legislative consent motions are necessary.

- 27 There is a convention that Westminster will not normally legislate with regard to matters that are within the legislative competence of any of these legislatures without the consent of the legislature concerned. If there are amendments relating to such matters that fall within the convention, the consent of the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly (as appropriate) will be sought for them.

# Commentary on provisions of Bill

## Part 1: The Bank of England

### Clause 1: Membership of court of directors

- 28 This clause makes the person in the position of Deputy Governor for markets and banking a member of the court of directors of the Bank.
- 29 It gives the Treasury power by order to alter the title of a Deputy Governor or to add or remove a Deputy Governor from the membership of the court. If a Deputy Governor has been made a member of the court, that Deputy Governor may also be made a member of the FPC, MPC or PRC. Similarly, if a Deputy Governor has been removed from membership of the court, that Deputy Governor may also be removed from membership of the FPC, the MPC or the PRC. If it is necessary to accommodate the addition or removal of a Deputy Governor, the order may also change the number of members who may be appointed to the relevant committee by the Chancellor (in the case of the FPC or PRC) or the Governor (in the case of the MPC). No change may be made to the title of a Deputy Governor so as to affect the current holder of that post. Equally, the removal of a Deputy Governor from the list of Deputy Governors who are members of the court will not affect the person in that post at the time.
- 30 The clause also provides (in *new section 1A(7)*) that an order changing the membership of the court of directors or the title of one of the Deputy Governors of the court may make any consequential amendments required to the 1998 Act or other Acts of Parliament or statutory instruments.

### Clause 2: Term of office of non-executive directors

- 31 This clause enables the term of office of a non-executive director of the court to be extended once for up to 6 months. If re-appointed, the individual's subsequent term of office is reduced by the length of the extension (but may itself be extended by up to six months).

### Clause 3: Abolition of Oversight Committee

- 32 This clause gives the oversight functions previously delegated to the Oversight Committee (a sub-committee of the court) to the full court. The oversight functions are listed in section 3A of the 1998 Act, which the Bill amends. The clause also removes the requirement for there to be an Oversight Committee.

### Clause 4: Functions of non-executive directors

- 33 This clause permits the court to delegate its oversight functions to a sub-committee consisting of 2 or more non-executive directors.
- 34 It also requires the remuneration of the Governor and Deputy Governors to be determined by a sub-committee of the court consisting of 2 or more non-executive directors.

### Clause 5: Financial stability strategy

- 35 This clause moves responsibility for producing the Bank's financial stability strategy from the court to the Bank itself. Currently the court is responsible for producing and reviewing the strategy, consulting the FPC and HM Treasury before determining or revising the strategy. Though the court of directors will ultimately remain responsible for determining the Bank's strategy under section 2 of the 1998 Act, assigning responsibility for the financial stability strategy to the Bank gives the court greater flexibility to allocate components of that strategy to the most appropriate section of the Bank. The requirements for the FPC and HM Treasury to be consulted will remain.

## Clause 6: Financial Policy Committee: status and membership

- 36 This clause makes the FPC a committee of the Bank instead of a sub-committee of the court, makes clear which Deputy Governors are members of the FPC and increases the number of members of the Committee appointed by the Chancellor of the Exchequer from four to five in order to maintain the balance between external members of the FPC and officers of the Bank following the addition of the Deputy Governor for markets and banking as a member of the FPC.

## Clause 7: Monetary Policy Committee: membership

- 37 This clause makes the Deputy Governor for markets and banking an ex officio member of the Monetary Policy Committee. Previously the only ex officio members of the committee were the Governor, the Deputy Governor for Monetary Policy and the Deputy Governor for Financial Stability. The Deputy Governor for markets and banking was previously one of the two MPC members appointed by the Governor of the Bank of England after consultation with the Chancellor of the Exchequer.
- 38 The clause also reduces the number of members of the Committee who may be appointed by the Governor of the Bank of England from two to one; provides that the person appointed as a member of the Committee by the Governor must carry out monetary policy analysis within the Bank, rather than have executive responsibility for such analysis (the previous requirement), and gives that member the title "Chief Economist of the Bank".

## Clause 8: Monetary Policy Committee: procedure

- 39 This clause amends the requirement on the timing of publication of minutes of MPC meetings so that they must be published "as soon as reasonably practicable" following the meeting, or, where the proceedings in the meeting related to a decision to intervene in the financial markets, after publication of that decision. This contrasts with the current requirement, which is for publication within six weeks after the meeting or publication of a decision to intervene.
- 40 *Subsection (4)* reduces the number of times the MPC has to meet each year, changing the requirement to meet "at least once a month" to a requirement to meet at least eight times a year, and at least once in any 10 week period.
- 41 *Subsection (5)* changes the rules on the quorum for the Monetary Policy Committee. A meeting will not be quorate unless either the Governor of the Bank, or the Deputy Governor for monetary policy are present. In addition, unless both the Governor and the Deputy Governor for monetary policy are at the meeting, the meeting will not be quorate unless either the Deputy Governor for financial stability or the Deputy Governor for markets and banking is present.
- 42 *Subsection (6)* sets out the procedure to be followed where a member of the Committee has an interest in anything being considered by the Committee, and requires the Bank to have a code of practice on the way in which the Committee is to deal with conflicts of interest.

## Clause 9: Audit

- 43 This clause inserts new *section 7ZA* into the 1998 Act. This defines the role of the C&AG in relation to the Bank. The C&AG will be consulted by the Bank about the appointment of the Bank's external auditors. The auditor or auditors appointed by the Bank will then consult the C&AG on the way in which the audit is planned. If an audit plan is produced, the C&AG must be consulted not only on the audit plan itself, but also on any revision of the plan.
- 44 The C&AG will have the right to see information reasonably required relating to the audit of the Bank which is held by the Bank, and to attend any meetings of the Audit and Risk Committee of the Bank which deal with any aspect of the audit of the Bank.

## Clause 10: Activities indemnified by Treasury

- 45 This clause inserts new *sections 7B and 7C* into the 1998 Act.
- 46 *Section 7B* gives the Treasury power to require the Bank to prepare a financial report for any activity of the Bank which has been the subject of an indemnity or guarantee given by the Treasury, and which therefore represents a risk to public funds. This report may be sent to the C&AG for review. The clause also gives the C&AG the power to access any document which the Bank or its auditors hold if the document is reasonably required for the purposes of this review.
- 47 *Section 7C* applies when the Treasury has given an indemnity or guarantee to a subsidiary of the Bank. The Treasury may direct the subsidiary to send its own accounts to the C&AG to be audited. The C&AG must report on any accounts sent for examination, and both the accounts and the report will be sent to the Treasury and laid before Parliament.

## Clause 11: Examinations and reviews

- 48 This clause inserts new *sections 7D, 7E, 7F, 7G and 7H* into the 1998 Act. These give the C&AG and the Treasury power to initiate value for money studies of the Bank (the C&AG of the whole Bank, and the Treasury of the Bank's PRA functions). Under new *section 7D* the C&AG has power to carry out value for money studies of any functions of the Bank (after consulting the court of directors of the Bank) and report to Parliament on the results. This does not give the C&AG power to question the Bank's general policy in pursuing its objectives. New *section 7E* sets out what is to happen when there is a disagreement between the C&AG and the court of directors as to what constitutes policy.
- 49 Under new *section 7F* the Treasury is given power to commission an independent value for money study of the way in which the Bank carries out prudential regulation. This provision replaces section 2O of the Financial Services and Markets Act 2000 (which contained a similar provision for the Treasury to review the PRA when it was a subsidiary of the Bank) which is being repealed by the Bill.
- 50 New *section 7G* ensures that the C&AG, and any person asked by the Treasury to carry out a value for money study, has access to the documents and information they need to see to enable them to do the study.
- 51 New *section 7H* ensures that any information which the C&AG or the National Audit Office receives from the Bank during the course of such an examination (or otherwise) which relates to monetary policy, the Bank's financial support operations or the provision of private banking services must be treated as protected information and may not be disclosed.

## Clause 12: Bank to act as Prudential Regulation Authority

- 52 This clause ends the subsidiary status of the Prudential Regulation Authority by making the Bank the Prudential Regulation Authority (PRA). The Bank must exercise its functions as PRA (which are identified in new section 2AB of FSMA) through the new Prudential Regulation Committee, and it is prohibited from exercising them in any other way.

## Clause 13: Prudential Regulation Committee

- 53 This clause inserts new *sections 30A, 30B and 30C* into the 1998 Act.
- 54 New *section 30A* creates the Prudential Regulation Committee (PRC), sets out its membership and makes it responsible for the Bank's prudential regulation functions: that is, the Bank's functions as PRA, and the functions conferred on the PRC by the 1998 Act.
- 55 New *section 30B* requires the Treasury to make recommendations to the PRC (at least once

every Parliament) about the matters of Government economic policy which it wants the PRC to take into account. Any recommendation made will be published, and laid before Parliament.

- 56 New *section 30C* requires the Bank to make arrangements to comply with the specified European Union directives, which provide that where a single institution is responsible both for supervising financial institutions and for resolving financial institutions when they fail, the supervision functions of the institution are operationally independent from its resolution functions. If it appears to the Treasury that the Bank's proposed action would be incompatible with the UK's obligations under those directives, the Treasury may direct the Bank not to take that action, or to take any action that is needed to ensure compliance.
- 57 *Subsection (3)* of this clause inserts a new Schedule 6A (found in Schedule 1 of the Bill) into the Bank of England Act 1998. The Schedule makes provision about the PRC.
- 58 *Paragraphs 2 to 9* of Schedule 6A set out the rules to be followed by the Chancellor in appointing any member of the PRC (including terms of office, factors intended to ensure their independence and provisions on disqualification), and the terms on which they may be removed.
- 59 *Paragraphs 10 to 16* set out what procedure must be followed by the Committee in meetings, how the Committee is to deal with potential conflicts of interest and the procedure for taking decisions in writing. Subject to these provisions, the Committee may determine its own procedure.
- 60 *Paragraph 17* allows the Committee to delegate some of its functions and states to whom they may be delegated. It requires certain functions to be delegated to the chief executive (while making it clear that the chief executive is not prevented from delegating those functions to another person), and sets out which of the Committee's functions may not be delegated to anyone else.
- 61 *Paragraph 18* requires a prudential regulation budget to be adopted by the PRC.
- 62 *Paragraph 19* requires the PRC to make an annual report to the Chancellor on the resources the Bank is giving to prudential regulation and whether prudential regulation is being carried out within the Bank independently of its other functions.

#### Clause 14: Accounts relating to Bank's functions as Prudential Regulation Authority

- 63 This clause amends section 7 of the 1998 Act to require the Bank to prepare a statement of accounts on its income and expenditure (and related assets and liabilities) as Prudential Regulation Authority. This will include details of the levy determined by the PRC and imposed on financial institutions to meet the Bank's costs as PRA. The Treasury is given power to issue directions on the information in the statement of accounts and methods and principles that must be used in its preparation. The Bank's external auditor is required to report on whether the Bank has properly complied with the requirements applying to its power, in its capacity as the PRA, to impose penalties and raise the levy from industry.

#### Clause 15: Transfer of property etc. to Bank

- 64 This clause transfers the property, rights and liabilities of the company currently known as the Prudential Regulation Authority to the Bank of England.

#### Clause 16: Amendments relating to Part 1

- 65 This clause introduces Schedule 2.
- 66 Schedule 2 makes consequential amendments to the Bank of England Act 1998, the Financial

Services and Markets Act 2000, the Banking Act 2009 and other legislation arising as a result of the amendments to the governance framework of the Bank of England made by Part 1 of this Bill.

- 67 Paragraphs 1 to 22 amend the Bank of England Act 1998 ("the 1998 Act").
- 68 *Paragraph 2* excludes determining the objectives and strategy of the PRA from the functions which the court is responsible for managing under section 2.
- 69 *Paragraph 3* removes the requirement for the Bank to work with the PRA in pursuing its Financial Stability Objective. It is no longer necessary to make express provision for this, as the Bank exercises the functions of the PRA itself.
- 70 *Paragraph 4* changes the description of the Bank's objectives and strategy for the purposes of the courts' oversight functions to include the PRA's objectives and strategy, so that the court is required to review the Bank's performance in relation to them. It also removes some items from the list of oversight functions, as a consequence of the transfer of the oversight functions from the Oversight Committee to the court (for example, because the items relate to matters which are determined by the court in any event, such as the terms and conditions of certain members of the Bank's statutory committees), or because it would not be appropriate for the court to have oversight of them (for example the remuneration of the Governor and Deputy Governors).
- 71 *Paragraphs 5 to 8, 11, 16, 20, and 21* replace references in the 1998 Act to the Oversight Committee with references to the court of directors. *Paragraph 5* also removes the requirement for the Governor to consent to the appointment of a Bank officer or employee to conduct a performance review (this is no longer necessary now the court collectively determines who should perform such reviews). *Paragraph 8* also ensures that those carrying out the court's oversight functions will have access to meetings of the PRC and documents considered by the PRC as well as to the meetings and documents of the other committees of the Bank. However, no member of the court who has an interest in a matter to be considered by the PRC will have access to information or meetings relating to that matter.
- 72 *Paragraph 9* requires the court of directors to report on the performance of their oversight functions as part of the annual report of the Bank made under section 4.
- 73 *Paragraphs 10, 13, 14, and 22* remove some references to the PRA from the 1998 Act.
- 74 *Paragraph 12* amends section 9O to ensure that recommendations by the FPC to the Bank in its capacity as PRA continue to be made under section 9Q (which provides for recommendations by the FPC to the PRA and the FCA) and not under section 9O.
- 75 *Paragraph 15* amends the requirement in section 14 for the Bank to publish statements about its decisions whether to take action to meet its monetary policy objectives, and what action the Bank has decided to take, as soon as practicable after the meeting (or, if the MPC decided that the Bank should intervene in the financial markets, after the MPC has decided that the Bank's intervention would not be adversely affected by publication of the decision) so that they need only be published as soon as reasonably practicable. *Paragraph 17* makes an equivalent amendment to section 18, so that the Bank needs only publish its quarterly inflation report as soon as reasonably practicable after the period to which it relates.
- 76 *Paragraph 18* amends section 40 to provide for the parliamentary procedure applicable to orders made under section 1A(1).
- 77 *Paragraph 19* ensures that the court may delegate its functions to any committee of the Bank (including the statutory committees, but not only to those committees). It also amends the title

of the chief executive of the PRA to reflect his new title.

- 78 *Paragraph 20* amends Schedule 2A to the 1998 Act, which deals with the FPC. Apart from changing references in that Schedule to the oversight committee to references to the court of directors, it also ensures that members of the PRC may not be appointed as members of the FPC as well, requires the Bank to have a code of practice on the way in which conflicts of interest are dealt with by the FPC and gives the Committee power to take decisions outside meeting by writing.
- 79 *Paragraph 21* amends Schedule 3 to the 1998 Act, which deals with the MPC. In addition to changing references in that Schedule to the oversight committee to references to the court of directors, it provides that members of the PRC may not also be appointed as members of the MPC, and amends the ground on which the member of the MPC appointed by the Governor may be removed to reflect the revised qualification for that member (set out in clause 7(3) of the Bill).
- 80 *Paragraph 22* ensures that the Bank is able to disclose information to discharge its functions as PRA.
- 81 *Paragraph 23* amends the Bank of England Act 1946 to ensure that the Treasury's power to direct the Bank does not apply when the Bank is acting in its capacity as PRA.
- 82 *Paragraphs 24 and 25* amend the House of Commons Disqualification Act 1975 and the Northern Ireland Assembly Disqualification Act 1975 so that members of the PRC are not qualified for election either to the House of Commons or to the Northern Ireland Assembly. This disqualification takes the place of the previous disqualification which applied to members of the PRA Board.
- 83 *Paragraphs 26 to 51* make consequential amendments to FSMA. In particular provisions requiring the PRA to consult or to co-operate with the Bank are removed. Once the Bank itself is responsible for exercising the functions of the PRA, the way in which the sections of the Bank which are responsible for its different functions interact with each other will be determined internally by the Bank.
- 84 *Paragraphs 27 and 28* remove sections 2O and 2P (these provisions are now made in sections 7F and 7G of the 1998 Act, inserted by clause 11 of the Bill).
- 85 *Paragraph 29* ensures that the duty to follow principles of good corporate governance only applies in relation to the FCA.
- 86 *Paragraph 30* amends requirements in section 3Q for the regulators - that is for the PRA and the FCA - to co-operate with the Bank in relation to its financial stability objective and duties in relation to public funds - so that they only apply to the FCA.
- 87 *Paragraph 31* amends section 3R so that the permission for either regulator to enter into arrangements with the Bank for service provision only applies to the FCA.
- 88 *Paragraph 32* inserts section 3T into FSMA, defining what is meant by enactment.
- 89 *Paragraphs 33 and 34* amend requirements for the regulators to consult with the Bank in relation to rules regarding recovery plans and resolution plans respectively so that the requirements only fall on the FCA.
- 90 *Paragraph 35* amends the requirement for the regulators to give the Bank notice when they make, alter or revoke any rule so that it only applies to the FCA.
- 91 *Paragraphs 36 and 37* extend the PRA's power to obtain information under section 165 and 165A respectively of FSMA so that the Bank, acting in its capacity as PRA, is also able to

- obtain information which the Bank requires for the purposes of its financial stability objective.
- 92 *Paragraphs 38, 39 and 40* amend provisions in FSMA dealing with the regulators' consideration of applications for approval of a change of control over a bank, investment firm or banking group company. *Paragraph 38* amends section 187A so that the requirement for the FCA to act as soon as reasonably practicable if it wishes to make representations about, object to or seek more information in relation to such an application, is triggered by notification from the PRA that it is itself required to act in a timely manner. *Paragraph 39* inserts subsection (1ZB) into section 189, imposing this requirement to act in a timely manner on the PRA where the Bank is exercising resolution powers in relation to the bank, investment firm or banking group company concerned. *Paragraph 40* makes a consequential amendment.
- 93 *Paragraph 41 and 42* amend requirements for both regulators to consult the Bank on the directions they propose (or have decided) to give to qualifying parent undertakings, and in relation to their proposed statement of policy in relation to such directions, so that they only apply to the FCA.
- 94 *Paragraph 43* amends the description of the memorandum of understanding (MOU) required by Part 1 of Schedule 17A to FSMA, to reflect that the MOU between the Bank, the PRA and the FCA on their functions in relation to recognised investment exchange and clearing houses will become an MOU between the PRA and the FCA. There will therefore be two MOUs - one between the Bank and the FCA, and one between the FCA and the Bank in its capacity as PRA.
- 95 *Paragraph 44* removes the obligation on the PRA to notify the Bank that it has disqualified a person from acting as auditor of a PRA-authorized person.
- 96 *Paragraph 45* amends section 348 (restrictions on disclosure of confidential information by FCA, PRA etc.) so that it applies to the Bank, both in its capacity as PRA and otherwise.
- 97 *Paragraph 46* amends section 353A (restrictions on disclosing information received from the Bank (including in its capacity as PRA) so that it only applies to information received from the Bank by the FCA.
- 98 *Paragraph 47* amends section 354B (PRA's duty to co-operate with others) to remove a reference to the Bank.
- 99 *Paragraph 48* repeals section 354C (PRA's duty to provide information to Bank of England), which places an obligation on the PRA to provide information relating to the Bank's financial stability objective to the Bank.
- 100 *Paragraph 49* inserts a definition of the Bank into section 417.
- 101 *Paragraph 50* amends Schedule 1ZB to FSMA (the Prudential Regulation Authority). Paragraphs 2 to 16, 18, and 22 to 26 of that Schedule are removed. Paragraph 19, which requires the PRA to make an annual report to the Treasury, is amended to require the report to be made to the Chancellor of the Exchequer instead. Consequential amendments are made to paragraphs 1 and 31.
- 102 *Paragraph 51* amends Schedule 17A (provision in relation to the exercise of Part 18 functions by the Bank). The requirement for an MOU between the FCA, the Bank and the PRA on the exercise of their respective functions in relation to PRA-authorized persons who are also recognised bodies becomes a requirement for an MOU between the FCA and the PRA. A requirement for consultation between the Bank and the PRA and FCA in relation to statements of policy on directions to qualifying parent undertakings is limited to consultation between the Bank and the FCA, and requirements on the Bank to consult the PRA in relation

to notices of such directions, and on proposed directions to insolvency practitioners are removed.

103 *Paragraphs 52 to 63* amend the Banking Act 2009.

104 *Paragraph 53* removes a requirement for the Bank to co-operate with the PRA in imposing regulatory sanctions in relation to the Bank's resolution powers.

105 *Paragraph 54* removes the PRA from the list of persons to whom the Bank may delegate its enforcement functions.

106 *Paragraph 55* removes a modification of section 348 (restrictions on disclosure of confidential information) which made the Bank a primary recipient under that section. This modification is no longer necessary because of the amendment to section 348 made by paragraph 45.

107 *Paragraph 56* amends section 96 (grounds for applying) so that the requirements for an application by the Bank for a bank insolvency order are satisfied as soon as the PRA is satisfied of the relevant condition, without the need for formal notification from the PRA to the Bank. Similarly, the requirements for such an application by the PRA are satisfied once the Bank is satisfied of the relevant condition without such notification.

108 *Paragraph 57* removes the requirements for the Bank and the PRA to consult each other before making an application for the removal of a bank liquidator.

109 *Paragraph 58* removes the requirement for the consent of the Bank to an application by the PRA for a bank insolvency order.

110 *Paragraph 59* amends the modifications made to sections 108 (removal by court) and sections 117 (bank insolvency as alternate order) to ensure that the FCA is required to consult the Bank before making an application to remove a bank liquidator (section 108), and to obtain the consent of the Bank before applying for a bank insolvency order (section 117).

111 *Paragraphs 60 and 61* remove provisions permitting the Bank to disclose to the PRA information it has either obtained from a third party under section 204 or that it thinks relevant to financial stability under section 246.

112 *Paragraph 62* inserts definitions of the PRA and the Bank into the Banking Act 2009, to distinguish between the two different capacities in which the Bank may act, and *paragraph 63* adds these terms to the index of defined provisions in section 261 of that Act.

113 *Paragraphs 64 to 66* amend the Financial Services Act 2012, making a consequential amendment to section 85(8) to refer to the section where the definition of the functions of the PRA is now found (*paragraph 65*), to amend the definition of the PRA and to add a definition of the Bank (*paragraph 66*).

114 *Paragraphs 67 to 68* amend the Financial Services (Banking Reform) Act 2013, amending the definition of "relevant functions" in relation to the PRA in section 98 of that Act to refer to the section of FSMA where those functions are now defined.

115 *Paragraph 69* makes some consequential repeals.

## Clause 17: Saving and transitional provision relating to Part 1

116 This clause introduces Schedule 3.

117 Schedule 3 makes saving and transitional provision relating to Part 1 of this Bill.

118 *Paragraph 2* provides for the financial stability strategy determined by the court of directors under section 9A of the 1998 Act to continue to have effect.

- 119 *Paragraphs 3 to 13* make provision in relation to prudential regulation. *Paragraph 3* preserves the effect of orders made under section 2A(6)(d) specifying certain EU provisions as conferring functions on the PRA.
- 120 *Paragraph 4* provides for the prudential regulation strategy last determined by the PRA under section 2E of FSMA to continue to have effect.
- 121 *Paragraph 5* provides for the prudential regulation budget last adopted by the PRA under paragraph 18 of Schedule 1ZB to FSMA to continue to have effect.
- 122 *Paragraph 6* makes provision for the time when the Bank, acting in its capacity as the PRA, has to make its first annual report under paragraph 19 of Schedule 1ZB to FSMA.
- 123 *Paragraph 7* allows the subsidiary company originally incorporated as Prudential Regulation Authority Ltd ("PRA Ltd") to disclose confidential information to the Bank in order to prepare for the transfer of its functions to the Bank.
- 124 *Paragraph 8* ensures that the PRA Ltd will not incur liabilities to corporation tax because of the transfer of its intangible assets to the Bank.
- 125 *Paragraph 9* limits the application of the new definition of the PRA so that it does not apply to any enactment to the extent that the enactment only applies to a time before the new definition came into force.
- 126 *Paragraph 10* ensures that references to the PRA in documents will be read as referring to the Bank acting in its capacity as the PRA after the transfer of the PRA's functions to the Bank takes effect.
- 127 *Paragraphs 11 to 13* make general provision to ensure that the transfer of functions and the transfer of property, rights and liabilities from the PRA Ltd to the Bank acting in its capacity as the PRA, does not affect anything the PRA Ltd did, or which was done in relation to it before the transfers took effect.

## Part 2: Financial Services

### Clause 18: Extension of relevant authorised persons regime to all authorised persons

- 128 This clause introduces *Schedule 4*, which makes provision to extend the regime which regulates the conduct of people working in banks and certain investment firms (described in FSMA as "relevant authorised persons") to cover those working in any institution which is authorised to carry out regulated activities under FSMA.
- 129 *Paragraphs 2 and 4 to 20* remove references to "relevant authorised persons" and replace them with references to all authorised persons.
- 130 *Paragraph 3* inserts the definition of "designated senior management function" into a new section.
- 131 *Paragraph 21* makes a consequential amendment to section 429 of FSMA.
- 132 *Paragraph 22* makes consequential amendments to the Financial Services (Banking Reform) Act 2013.

### Clause 19: Rules about controlled functions: power to make transitional provision

- 133 This clause extends the regulators' existing powers to make transitional provisions in their rules, to deal with changes to the rules on controlled functions. It gives examples of the sort of transitional provisions which can be included. It also gives the Treasury power to make transitional or consequential provisions in relation to rules made by the regulators under

section 59, which may, for example, give the regulators an extended power to make rules for the purpose of making transitional arrangements when they are modifying the controlled functions regime.

### Clause 20: Administration of senior managers regime

134 This clause makes a number of amendments to the senior managers regime. *Subsection (2)* amends section 62A of FSMA, which places an obligation on an authorised person to inform the FCA or the PRA about any significant change in the responsibilities of an approved person. The effect of the amendment is to require the authorised person to provide that information to both the PRA and the FCA where the application to approve that person was granted by both those regulators. *Subsection (3)* allows someone who has been granted approval to be a senior manager for a limited period to apply to the regulators for the period to be extended, or for the limitation on their approval to be removed altogether. *Subsection (4)* permits each of the regulators to vary an approval already given to a senior manager, either by varying or removing the limitation on the period for which the approval was given, or by imposing a limited period on an approval which was previously unlimited.

### Clause 21: Rules of conduct

135 This clause amends section 64A of FSMA to extend the power of the PRA and the FCA to make rules of conduct, so that they can make rules of conduct in relation to directors of authorised persons, as well as employees and approved persons. It also amends section 64B to ensure that the duty of the authorised person to ensure that anyone subject to conduct rules is aware of the rules that apply to them also applies in relation to their directors, and, by omitting subsection (5) to remove the duty for firms to report to the regulator when they know or suspect that someone in the firm has failed to comply with conduct rules.

### Clause 22: Misconduct

136 This clause amends sections 66A and 66B of FSMA to ensure that the FCA and the PRA respectively are able to bring disciplinary proceedings against directors of authorised persons who have breached rules of conduct applying to them.

137 It also amends the definition of misconduct applying to senior managers, both in relation to action by the PRA and action by the FCA. Under the existing provisions senior managers of a bank or other relevant authorised person are guilty of misconduct if there has been a breach of any regulatory requirement in an area for which they are responsible unless they can prove that they have taken reasonable steps to avoid the breach happening. This will be amended so that no senior manager will be guilty of misconduct unless the regulators can prove that the senior manager did not take reasonable steps to avoid the breach happening. As amended, this ground of misconduct will also apply to senior managers at all authorised persons, and not just those in banks or other relevant authorised persons.

### Clause 23: Decisions causing a financial institution to fail: meaning of insolvency

138 This clause extends the circumstances when a financial institution can be said to be failing for the purpose of the criminal offence created by section 36 of the Financial Services (Banking Reform) Act 2013 (offence relating to a decision causing a financial institution to fail), so that it includes cases where a building society goes into the building society insolvency or administration procedure, or an investment bank is put into one of the insolvency procedures provided for in the Investment Bank Special Administration Regulations 2011.

### Clause 24: Pensions guidance

139 This clause expands the scope of the Government's pension guidance service, "Pension Wise", so that it can offer guidance to annuity holders considering selling the income from their

annuities to a third party. The Treasury is given power to specify what annuities come within the scope of this provision, and what interest a person must have in an annuity to be entitled to guidance.

### Clause 25: Duty of Bank to provide information to Treasury

140 This clause makes amendments to the Financial Services Act 2012, inserting two new sections: 57A and 57B.

141 New *section 57A* provides the Treasury with a power to require the Bank to provide the Treasury with specific information identified by the Treasury, and held by the Bank - which the Treasury considers material to understanding the implications for public funds as assessed by the Bank of a bank or other financial institution failing.

142 New *section 57B* imposes a duty on the Bank to give the Treasury information about the resolution plans it prepares in relation to certain banks and other financial institutions. The "resolution plan" sets out what action the Bank proposes to take if a particular bank fails, and in particular which of the Bank's powers under Parts 1 to 3 of the Banking Act 2009 it proposes to exercise in relation to that bank. The information the Bank must give the Treasury includes the resolution plan itself; and an assessment of what impact the failure of the relevant bank or institution will have on the financial system, and what costs the Bank's proposals for resolving it will impose on public funds. The Bank must also give the Treasury any analysis it considers to be material to the Bank's assessments of the implications for public funds, and provide the Treasury with updated information of any significant changes to the resolution plan or any other information given to the Treasury. *Subsection (5)* gives the Treasury power to direct the Bank not to provide it with information under this provision in relation to any institution specified in the notice. This enables the Treasury to ensure that it does not receive inside information in relation to any financial institution in which the Treasury holds an interest that it wishes to sell.

## Part 3: Miscellaneous and General

### Clause 26: Banks authorised to issue banknotes in Scotland and Northern Ireland

143 This clause introduces a new *section 214A* into the Banking Act 2009.

144 *Subsection (1)* of that section gives the Treasury a power to make regulations authorising a new bank to issue commercial banknotes in Scotland and Northern Ireland in place of an existing issuer.

145 *Subsection (2)* provides that a new bank may only be authorised if it is in the same group as a bank which already has the right to issue banknotes. It may also only be authorised to issue banknotes in the same part of the United Kingdom as the existing issuer - and the authorisation of the existing issuer must end on the authorisation of the newly authorised bank to issue banknotes. *Subsection (2)* also gives the Treasury power to say what is to happen to relation to banknotes which are in the possession of the existing issuer or in circulation, when the right to issue notes passes to the newly authorised bank.

146 *Subsection (3)* ensures that, in the unlikely event that two banks in the same group are authorised in a short period of time to issue banknotes in place of the original issuer, the regulations authorising the second bank to issue banknotes may also make provision in relation any notes issued by the original issuer.

147 *Subsection (4)* allows the Treasury to set the date on which the right to issue banknotes is transferred from one bank to another either in the regulations themselves or by later announcement, published as provided for in the regulations.

148 *Subsection (5)* makes the consent of the Bank necessary before the Treasury is able to make regulations under this power. By *subsection (6)* the Bank is required to publish the matters it will take into account when deciding whether to give consent.

#### Clause 27: Consequential provision

149 This clause allows the Treasury to make consequential provisions by regulations.

#### Clause 28: Extent

150 This clause provides that the Act extends to the whole of the United Kingdom.

#### Clause 29: Commencement

151 This clause specifies that sections 27 to 30 will come into force on the day the Act is passed. All other provisions come into force on such day as the Treasury may appoint by regulations.

#### Clause 30: Short title

152 This clause gives the Act its short title.

## Commencement

153 Clauses 27 to 30 (consequential provision, extent, commencement and short title) will commence on Royal Assent. All other provisions of the Bill will come into force on the day or days that the Treasury may by regulations appoint.

## Financial implications of the Bill

154 Clause 6 adds an additional member to the Financial Policy Committee. The annual fee for an FPC member is currently £92,058 and there may be minimal additional costs to the Bank of England in administrative staffing burden. These costs will to some extent be offset by a non-legislative change to the court: the Government has already announced its intention to reduce the number of non-executive directors in the court from 9 to 7<sup>[4]</sup>, though legislative change is not required to effect this.

155 Clause 11 permits value for money studies of the Bank, which may require additional NAO resource if the Comptroller and Auditor General decides to proceed with a review. The charge for the NAO's programme of value for money studies is funded through resources voted to the NAO directly by Parliament.

156 Clause 18 extends the relevant authorised persons regime to all authorised persons. Financial services firms (other than firms to which the regime already applies) are expected to incur costs of setting up and operating systems required to meet their new obligations. Evidence from cost benefit analysis<sup>[5]</sup> undertaken by the FCA for its main consultation on proposed SM&CR rules for deposit takers indicates that the costs of the SM&CR can vary significantly depending on the size and complexity of the bank or building society concerned. In general, small institutions incur relatively low costs but the costs increase significantly for large banks and building societies. It is assumed that the costs of this extension will follow a similar pattern.

157 Clause 24 extends the remit of the Pension Wise service. There will be additional ongoing costs associated with this expansion since it will need to be adapted to ensure that the content and service delivery are appropriate for annuity holders. It is expected that ongoing costs will be passed on to firms through the FCA levy, subject to consultation. In addition, there may be some transitional set-up costs for the expanded service. Set-up costs for Pension Wise have, in the past, been met from public funds.

## Compatibility with the European Convention on Human Rights

158 Section 19 of the Human Rights Act 1998 requires a Minister in charge of a Bill in either House of Parliament to make a statement about the compatibility of the Bill with the Convention Rights (as defined by section 1 of that Act). The Parliamentary Secretary to the Cabinet Office, Lord Bridges of Headley, has made the following statement: "In my view, the provisions of the Bank of England and Financial Services Bill are compatible with the Convention rights".

159 Article 8 may be engaged by clauses 11 and 25. Clause 11 gives the Comptroller power to

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<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/447140/bank\\_of\\_england\\_bill\\_v3.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/447140/bank_of_england_bill_v3.pdf)

<sup>5</sup> Under section 138I (FCA) and section 138J (PRA) of FSMA, the regulators are required to publish a cost benefit analysis when consulting on rules that they propose to make.

conduct value for money examinations at the Bank and the Treasury power to appoint an independent reviewer to conduct value for money examinations in relation to the Bank's prudential regulation functions. Both involve the reviewer being given full access to information held at the Bank or by the Bank's auditors for the purpose of the review or examination. The rights of the reviewer are limited (they have no right to seize information), and the reviews are intended to see that the Bank is carrying out its functions (and in particular its public functions) effectively and to increase the Bank's public accountability. Clause 25 requires the Bank to provide the Treasury with information in connection with the Bank's resolution plans, which may in some cases involve the disclosure of confidential information relating to a particular firm. This is provided to enable the Treasury to assess the implications for public funds of the possible failure of a financial institution, and engage in advance planning to limit the damage to the financial system, and thus the economy, of such a failure.

160 The access to information given to the Comptroller and an independent reviewer under clause 11, and to the Treasury under clause 25 may be considered to engage Article 8. To the extent that it does so, it is given in each case to achieve a legitimate aim, and is a proportionate means of achieving that aim.

161 Clause 14 imposes an obligation on the Bank to prepare a statement of accounts for income and expenditure relating to its prudential regulation functions, in addition to the Bank's own accounts. This requires the Bank to incur additional expense, and could be said to constrain the way in which it carries out its business. However, in the Government's view, these requirements are imposed for a legitimate purpose in the general interest, to ensure transparency in the way in which the bank uses monies received under the levy imposed on financial services firms under FSMA. Given the minimal demands these requirements impose on the Bank's resources, there is a fair balance between the rights of the Bank and the interests of the community.

162 Clauses 18 to 22 extend the senior managers regime and certification regime now applying to banks and investment banks to all firms authorised to provide financial services. One consequence is that the regulators will be able to make conduct rules applying to the employees of all firms (rather than only the employees of banks and investment banks). Breach of those rules will render the person responsible liable to disciplinary proceedings brought by the regulators. The sanctions available in those proceedings include unlimited fines, and they would in many cases be considered to involve the determination of a civil right and so subject to Article 6 of the ECHR. However, the safeguards provided for in those proceedings - which include the right to refer any decision of the regulators to take action against them to the Upper Tribunal - meet the requirements of Article 6.

## Related documents

163 The following documents are relevant to the Bill and can be read at the stated locations:

- Bank of England Bill - Consultation.  
<https://www.gov.uk/government/consultations/bank-of-england-bill-technical-consultation>
- Transparency and the Bank of England's Monetary Policy Committee - Review by Kevin Warsh.  
<http://www.bankofengland.co.uk/publications/Documents/news/2014/warsh.pdf>

- Creating a secondary annuity market - Consultation  
<https://www.gov.uk/government/consultations/creating-a-secondary-annuity-market-call-for-evidence>
- Fair and Effective Markets Review  
<http://www.bankofengland.co.uk/markets/Pages/fmreview.aspx>

## Annex A - Glossary

the 1998 Act	Bank of England Act 1998
the Bank	The Bank of England
C&AG	Comptroller and Auditor General
Court	The court of directors of the Bank of England
FSMA	Financial Services and Markets Act 2000
FPC	Financial Policy Committee
MPC	Monetary Policy Committee
NAO	National Audit Office
PRA	Prudential Regulation Authority
PRC	Prudential Regulation Committee (proposed by this Bill)
SM&CR	Senior Managers and Certification Regime
Warsh Review	"Transparency and the Bank of England's Monetary Policy Committee" (review by Kevin Warsh published 11 December 2014)

## Annex B - Territorial extent and application

Provision	England	Wales		Scotland		Northern Ireland	
	<b>Extends to E &amp; W and applies to England?</b>	<b>Extends to E &amp; W and applies to Wales?</b>	<b>Legislative Consent Motion required?</b>	<b>Extends to Scotland?</b>	<b>Legislative Consent Motion required?</b>	<b>Extends to Northern Ireland?</b>	<b>Legislative Consent Motion required?</b>
Clause 1 to 28	Yes	Yes	No	Yes	No	Yes	No
Schedule 1 to 4	Yes	Yes	No	Yes	No	Yes	No

# **BANK OF ENGLAND AND FINANCIAL SERVICES BILL [HL]**

## **EXPLANATORY NOTES**

These Explanatory Notes relate to the Bank of England and Financial Services Bill [HL] as introduced in the House of Lords on 14 October 2015 (HL Bill 65).

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Ordered by the House of Lords to be printed, 14 October 2015

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PUBLISHED BY AUTHORITY OF THE HOUSE OF LORDS

LONDON - THE STATIONERY OFFICE LIMITED

Printed In the United Kingdom by The Stationery Office Limited

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