



Financial Services and Markets Act 2000

2000 CHAPTER 8

[^{F1}PART 9B

RING-FENCING

[^{F1}Ring-fencing rules

Textual Amendments

- F1** Pt. 9B inserted (1.3.2014 for the insertion of ss. 142A-142F, 142I, 142W-142Z1 for specified purposes) by [Financial Services \(Banking Reform\) Act 2013 \(c. 33\)](#), [ss. 4\(1\), 148\(5\)](#); [S.I. 2014/377](#), [art. 2\(1\)\(b\)](#), [Sch. Pt. 2](#)

142H Ring-fencing rules

- (1) In the exercise of its power to make general rules, the appropriate regulator must in particular make rules—
 - (a) requiring a ring-fenced body to make arrangements to ensure the effective provision to the ring-fenced body of services and facilities that it requires in relation to the carrying on of a core activity, and
 - (b) making provision for the group ring-fencing purposes applying to ring-fenced bodies and to authorised persons who are members of a ring-fenced body's group.
- (2) Section 142E(1)(c) does not affect the power of the appropriate regulator to make general rules imposing restrictions on the extent of the shares or voting power that a ring-fenced body may hold in another company, except where a restriction on the extent of the shares or voting power that the ring-fenced body may hold in the company is imposed by order under section 142E(1)(c).
- (3) General rules that are required by this section or make provision falling within subsection (2) are in this Act referred to as “ring-fencing rules”.

Status: Point in time view as at 01/03/2016.

Changes to legislation: Financial Services and Markets Act 2000, Cross Heading: Ring-fencing rules is up to date with all changes known to be in force on or before 15 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (4) The “group ring-fencing purposes” are—
- (a) ensuring as far as reasonably practicable that the carrying on of core activities by a ring-fenced body is not adversely affected by the acts or omissions of other members of its group;
 - (b) ensuring as far as reasonably practicable that in carrying on its business a ring-fenced body—
 - (i) is able to take decisions independently of other members of its group, and
 - (ii) does not depend on resources which are provided by a member of its group and which would cease to be available to the ring-fenced body in the event of the insolvency of the other member;
 - (c) ensuring as far as reasonably practicable that the ring-fenced body would be able to continue to carry on core activities in the event of the insolvency of one or more other members of its group.
- (5) Ring-fencing rules made for the group ring-fencing purposes must include—
- (a) provision restricting the power of a ring-fenced body to enter into contracts with other members of its group otherwise than on arm's length terms;
 - (b) provision restricting the payments that a ring-fenced body may make (by way of dividend or otherwise) to other members of its group;
 - (c) provision requiring the disclosure to the appropriate regulator of information relating to transactions between a ring-fenced body and other members of its group;
 - (d) provision requiring a ring-fenced body to ensure that its board of directors (or if there is no such board, the equivalent management body) includes to a specified extent—
 - (i) members who are treated by the rules as being independent of other members of the ring-fenced body's group,
 - (ii) members who are treated by the rules as being independent of the ring-fenced body itself, and
 - (iii) non-executive members;
 - (e) provision requiring a ring-fenced body to act in accordance with a remuneration policy meeting specified requirements;
 - (f) provision requiring a ring-fenced body to act in accordance with a human resources policy meeting specified requirements;
 - (g) provision requiring arrangements made by the ring-fenced body for the identification, monitoring and management of risk to meet specified requirements;
 - (h) such other provision as the appropriate regulator considers necessary or expedient for any of the purposes in subsection (4).
- (6) The reference in subsection (5)(e) to a remuneration policy is a reference to a policy about the remuneration of officers, employees and other persons who (in each case) are of a specified description.
- (7) The reference in subsection (5)(f) to a human resources policy is a reference to a policy about the appointment and management of officers, employees and other persons who (in each case) are of a specified description.
- (8) In this section—
- “the appropriate regulator” means—

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- (a) in relation to a PRA-authorised person, the PRA;
 - (b) in relation to any other authorised person, the FCA;
- “shares” has the meaning given in section 422;
“specified” means specified in the rules;
“voting power” has the meaning given in section 422.

142I Powers of Treasury in relation to ring-fencing rules

- (1) The Treasury may by order require the appropriate regulator, as defined in section 142H(8), to include (or not to include) in ring-fencing rules specified provision relating to—
 - (a) any of the matters mentioned in section 142H(5)(a) to (g), or
 - (b) any other specified matter.
- (2) The power to make an order under this section is exercisable only if the Treasury consider it necessary or expedient to do so—
 - (a) for any of the group ring-fencing purposes as defined in section 142H(4), or
 - (b) otherwise for securing the independence of ring-fenced bodies from other members of their groups.
- (3) “Specified” means specified in the order.

142J Review of ring-fencing rules etc

- (1) The PRA must carry out reviews of its ring-fencing rules and of any rules made by it under section 192JA (rules applying to parent undertakings of ring-fenced bodies).
- (2) The first review must be completed before the end of the period of 5 years beginning with the day on which the first ring-fencing rules come into force.
- (3) Subsequent reviews must be completed before the end of the period of 5 years beginning with the day on which the previous review was completed.
- (4) The PRA must give the Treasury a report of each review.
- (5) The Treasury must lay a copy of the report before Parliament.
- (6) The PRA must publish the report in such manner as it thinks fit.
- (7) If (because any ring-fenced body is not a PRA-authorised person) section 142H has the effect of requiring the FCA to make ring-fencing rules, subsections (1) to (6) apply to the FCA as they apply to the PRA.]

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