*These notes refer to the Financial Services Act 2010 (c.28) which received Royal Assent on 8 April 2010*

# FINANCIAL SERVICES ACT 2010

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## EXPLANATORY NOTES

### SUMMARY AND OVERVIEW OF THE STRUCTURE OF THE ACT

#### *Financial Services Compensation Scheme (FSCS)*

17. The FSCS is the scheme established by the FSA under Part 15 of FSMA to compensate customers of authorised financial services firms when those firms are in default, that is, unable or likely to be unable to pay claims.

18. Under section 214B of FSMA, which was inserted by the Banking Act 2009, the Treasury may require the FSCS to contribute to the costs incurred in applying the stabilisation powers of the special resolution regime (established in Part 1 of the Banking Act) to a bank that is failing. The Act replaces section 214B and inserts two new sections into FSMA to provide that the "expenses" to which the FSCS may be required to contribute include interest, and that the limit up to which the FSCS may be required to contribute (which reflects the amount the FSCS would have had to pay out had no stabilisation power been used and the bank been unable to satisfy claims against it) takes into account the costs that the FSCS would have incurred in funding compensation payments if the stabilisation power had not been exercised.

19. The Act inserts a new Part 15A into FSMA to enable the Treasury to require the FSCS manager to make payments on behalf of another compensation scheme (or a government or other authority) that pays compensation in respect of institutions that provide financial services, including institutions that are not authorised financial services firms under FSMA.