EXPLANATORY MEMORANDUM TO

THE FINANCIAL SERVICES ACT 2012 (CONSEQUENTIAL AMENDMENTS AND TRANSITIONAL PROVISIONS) (NO.2) ORDER 2013

2013 No. 642

1. This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 This instrument provides for various consequential and transitional arrangements in connection with the Financial Services Act 2012 ("the 2012 Act").

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 This instrument is being made by the Treasury in exercise of the powers conferred by sections 115(2), 118 and 119(3) and (5) of the 2012 Act, which received Royal Assent on 19 December 2012. This order will support the transition to the new regulatory system for financial services in the UK provided for in the 2012 Act and amend related legislation to reflect the new system.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As this instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The 2012 Act provides for the reform of financial regulation in the UK. In the place of the Financial Services Authority (FSA), it establishes a new system of financial services regulators comprising:

- An expert macro-prudential authority, the Financial Policy Committee (FPC) within the Bank of England to monitor and respond to systemic risks in the financial sector;
- A focused micro-prudential regulator, the Prudential Regulation Authority (PRA), to regulate firms that manage complex risks on their

balance sheets - specifically, all deposit takers, insurers and some large investment firms; and

- A focused conduct of business regulator, the Financial Conduct Authority (FCA), to ensure that business across financial services and markets is conducted in a way that advances the interests of all users and participants.

7.2 This instrument makes consequential amendments to subordinate legislation in connection with the introduction of the new regulatory regime provided for in the 2012 Act, and related transitional provision.

8. Consultation outcome

8.1 HM Treasury has consulted the FSA and the Bank of England in the preparation of this instrument. Due to the minor and technical nature of this instrument, and in line with common practice for secondary legislation that makes consequential and transitional provisions, there has been no formal public consultation. The Government's approach to transitional provisions was briefly outlined in the consultation document *A new approach to financial regulation: draft secondary legislation* that was published in October 2012. The Government did not receive any substantial comments on this approach.

9. Guidance

9.1 None.

10. Impact

10.1 The instrument, in itself, does not impose any additional regulatory burdens on business, charities or voluntary bodies. The impact of the overall change to the regulatory system on business, charities or voluntary bodies, in so far as they are regulated financial services firms, is set out in the overarching impact assessment for the 2012 Act.

10.2 The impact on the public sector is set out in the overarching impact assessment for the 2012 Act.

10.3 An Impact Assessment has not been prepared for this instrument. Instead the overarching Impact Assessment that covers the changes to the regulatory system provided for by the 2012 Act is available on the Treasury website as Annex H to the following publication: http://www.hm-treasury.gov.uk./d/condoc_fin_regulation_draft_secondary_leg.pdf.

11. Regulating small business

11.1 This instrument will not impose additional burdens on small businesses.

12. Monitoring & review

12.1 HM Treasury will monitor the practical effects of this instrument to ensure it continues to meet its policy aims.

13. Contact

Daniel Poxon at HM Treasury Tel: 0207 270 6534 or email: daniel.poxon@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.