



# Financial Services and Markets Act 2000

## 2000 CHAPTER 8

### [<sup>F1</sup>PART 9B

#### RING-FENCING

#### [<sup>F1</sup>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, 21.4.2016 for the insertion of s. 142H, 1.1.2019 in so far as not already in force) 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; S.I. 2016/512, art. 2\(a\); S.I. 2018/1306, art. 2\(d\)](#)

#### 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”.

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*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 24 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) View outstanding changes*

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- (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.]

**Changes to legislation:**

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

- Act applied (with modifications) by [S.I. 2023/1347 reg. 8](#)
- Act power to apply conferred (temp. until 15.5.2039) by [2014 c. 21 s. 79\(4\)](#)
- Act power to apply conferred (temp. until 15.5.2039) by [2014 c. 21 s. 81\(10\)](#)

**Whole provisions yet to be inserted into this Act (including any effects on those provisions):**

- Pt. 17 Ch. 3B inserted by [2023 c. 29 s. 64\(3\)](#)
- Pt. 20C inserted by [2016 c. 14 s. 30\(3\)](#)
- s. 31(1)(aa) inserted by [2021 c. 22 s. 22\(2\)](#)
- s. 32A inserted by [2021 c. 22 s. 22\(3\)](#)
- s. 32A power to apply (with modifications) conferred by [2021 c. 22 s. 23\(10\)](#)
- s. 36A and cross-heading inserted by [2021 c. 22 s. 22\(4\)](#)
- s. 71J and cross-heading inserted by [2021 c. 22 Sch. 8 para. 4](#)
- s. 86(9A) inserted by [S.I. 2019/707 reg. 8\(9\)](#) (This amendment not applied to legislation.gov.uk. Reg. 8(6)-(10) omitted (6.9.2019) by virtue of S.I. 2019/1234, regs. 1(2), 13(c))
- s. 87A(11) inserted by [S.I. 2019/707 reg. 10\(5\)](#) (This amendment not applied to legislation.gov.uk. Reg. 10(4)(5) omitted (6.9.2019) by virtue of S.I. 2019/1234, regs. 1(2), 15(b))
- s. 124(10)(c)(i) word omitted by [S.I. 2019/310 reg. 5\(11\)\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 5(11)(b) omitted immediately before IP completion day by virtue of S.I. 2020/1385, regs. 1(4), 51(2)(e))
- s. 129(7)(a) word inserted by [S.I. 2019/310 reg. 5\(12\)\(a\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 5(12)(a)(b) omitted immediately before IP completion day by virtue of S.I. 2020/1385, regs. 1(4), 51(2)(f))
- s. 129(7)(c) omitted and word by [S.I. 2019/310 reg. 5\(12\)\(a\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. Reg. 5(12)(a)(b) omitted immediately before IP completion day by virtue of S.I. 2020/1385, regs. 1(4), 51(2)(f))
- s. 214(5A) inserted by [2021 c. 22 Sch. 8 para. 8](#)
- s. 261E(A1) inserted by [2023 c. 29 s. 64\(2\)\(a\)](#)
- s. 367A inserted by [2021 c. 22 Sch. 8 para. 10](#)
- s. 395(13)(h)(i) inserted by [2021 c. 22 Sch. 8 para. 12\(2\)\(c\)](#)
- s. 395(13)(bc)-(be) word inserted by [2021 c. 22 Sch. 8 para. 12\(2\)\(b\)](#)
- s. 395(14) inserted by [2021 c. 22 Sch. 8 para. 12\(3\)](#)
- s. 427A(3) words substituted by [2002 c. 40 Sch. 17 para. 59](#) (This amendment not applied to legislation.gov.uk. The Financial Services and Markets Act 2000 does not contain a section 427A.)
- Sch. 1ZA para. 32(c) and word inserted by [2021 c. 22 Sch. 8 para. 18](#)
- Sch. 2A para. 19(2)(b)(iia) inserted by [2023 c. 29 Sch. 10 para. 19\(a\)](#)
- Sch. 2A2B power to apply (with modifications) conferred by [2021 c. 22 s. 23\(10\)](#)
- Sch. 2A power to apply (with modifications) conferred by [2021 c. 22 s. 23\(10\)](#)
- Sch. 2B inserted by [2021 c. 22 Sch. 7](#)
- Sch. 2B power to apply (with modifications) conferred by [2021 c. 22 s. 23\(10\)](#)
- Sch. 11A para. 5(3) inserted by [S.I. 2019/707 reg. 38\(5\)\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 38(2)-(5)(7)(8) omitted (6.9.2019) by virtue of S.I. 2019/1234, regs. 1(2), 20)

- Sch. 17A para. 12 words substituted by [S.I. 2019/662 reg. 13\(1\)](#) (This amendment not applied to [legislation.gov.uk](#). Reg. 13(1) substituted (25.6.2020) by S.I. 2020/646, regs. 1(2)(c), 11(3))