

FINANCIAL SERVICES ACT 2012

EXPLANATORY NOTES

COMMENTARY

Part 8 – Amendments of Banking Act 2009

Special resolution regime and bank administration

Section 99: Reports following exercise of a stabilisation power

561. Where the Bank effects a transfer of property, rights and liabilities from a bank to a bridge bank under section 12 of the Banking Act 2009, it is required to report to the Chancellor about the activities of the bridge bank as soon as is reasonably practicable after: (a) the end of one year beginning with the date of the first transfer to the bridge bank, and (b) the end of each subsequent year (section 80(1) to (3)). The Chancellor must lay a copy of each report before Parliament (subsection (4)). The Bank must also comply with any request from the Treasury for a report on any matters in relation to a bridge bank (subsection (5)).
562. Similarly, where the Treasury makes a share transfer order under section 13(2) to transfer the shares of a bank into temporary public ownership the Treasury are required to lay reports before Parliament on the activities of the bank (section 81(1) to (3)). This reporting requirement is also applied under section 83(2)(g) in the case of a transfer of the parent undertaking of a bank (a holding company) into temporary public ownership in reliance on section 82.
563. At present, no provision is made in the Banking Act 2009 as regards the information that must be included in such reports. Therefore, potentially, reports could be produced on the operation of a bridge bank or a bank in temporary public ownership without reference to the institution's financial position. In addition, at present under the Act, the Bank is not required to prepare a report where it has exercised its transfer power under section 11(2) to transfer the business or shares in a bank to a private sector purchaser.
564. *Section 99* inserts *new sections 79A and 81A* into the Banking Act 2009 which, respectively, require the Bank to report to the Chancellor about an exercise of the transfer power under section 11(2) and for reports produced under section 80 and 81 to include accounting information about the bank in temporary public ownership of bridge bank that is the subject of the report.