

Financial Services (Regulation of Derivatives) Bill

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TO

Require certain financial institutions to prepare parallel accounts on the basis of the lower of historic cost and mark to market for their exposure to derivatives; and for connected purposes.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Parallel accounts: prudent accounts of true capital and true profits

(1) After section 397(1) of the Companies Act 2006 insert—

“(2) Where the company making a statement under subsection (1) is any financial services company regulated under the Financial Services and Markets Act 2000 the directors shall also prepare additional individual accounts according to section 396 and these additional individual accounts shall be known as “the prudent accounts of true capital and true profits” and these accounts shall be the relevant accounts for the purposes of Part 18 and Part 23 of this Act.” 5

(2) In the Companies Act 2006— 10

(a) after section 712(2)(b)(ii) insert—

“(iii) “or where the relevant accounts are prudent accounts of true capital and profits under section 397(2), provisions of a kind according to the regulations from the Secretary of State prescribed under section 396;” and 15

(b) after section 836(1)(b)(ii) insert—

“(iii) “or where the relevant accounts are prudent accounts of true capital and profits under section 397(2), provisions of a kind according to the regulations from the Secretary of State prescribed under section 396;”. 20

2 Right to return to preparing Companies Act individual accounts

After section 395(4)(c) of the Companies Act 2006 insert –

- “(d) “and where the company is in any group containing any financial services company regulated under the Financial Services and Markets Act 2000 and its accounts prepared in accordance with Article 4 of the IAS Regulation would not comply with sections 831, 832, 853(4) or Part 18 and Part 23 of this Act.”. 5

3 Cessation of effect

This Act shall cease to have effect in the event that the European Union-IAS Regulation 2002 produces accounts that in the opinion of the Secretary of State comply with and are consistent with: the Regulations from the Secretary of State, sections 831, 832, 853(4) and Part 18 and Part 23 of the Companies Act 2006, in particular the requirement for amounts stated in accounts to be prudent, to include no unrealised profits, to make provisions for likely contingent liabilities and for loans and other financial instruments to be stated at the lower of cost and net realisable value. 10 15

4 Definition of certain financial institutions

For the purpose of section 1 of this Act a financial services company is any company regulated under the Financial Services and Markets Act 2000. 20

5 Short title, commencement and extent

- (1) This Act may be cited as the Financial Services (Regulation of Derivatives) Act 2011.
- (2) This Act comes into force on the day on which it is passed.
- (3) This Act extends to England and Wales, Scotland and Northern Ireland. 25

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To require certain financial institutions to prepare parallel accounts on the basis of the lower of historic cost and mark to market for their exposure to derivatives; and for connected purposes.

*Ordered to be brought in by Steve Baker,
Mr Douglas Carswell, Andrea Leadsom
and Chris Heaton-Harris.*

*Ordered, by The House of Commons,
to be Printed, 15 March 2011.*

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The Stationery Office Limited
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