



# House of Commons

Tuesday 16 April 2013

## PUBLIC BILL COMMITTEE

*New Amendments handed in are marked thus ★*

☆ *Amendments which will comply with the required notice period at their next appearance*

### FINANCIAL SERVICES (BANKING REFORM) BILL

#### NOTE

The Amendments have been arranged in accordance with the Order of the Committee [19 March].

#### NEW CLAUSES

*FSCS review of company savings schemes*

Chris Leslie  
Cathy Jamieson

NC2

To move the following Clause:—

- (1) The Chief Executive of the Financial Services Compensation Scheme shall, within six months of Royal Assent of this Act, publish a review of the protections necessary for customers who make payments to any bodies corporate on the understanding that such payments are deposits in a saving scheme.
- (2) The review in subsection (1) shall include consideration of any consequential reform to creditor preference arrangements so that any payments made in advance as part of a contract for the receipt of goods or services (such as gift vouchers, certificates or other forms of pre-payment) in expectation that those sums would be redeemable in a future exchange for such goods or services might be considered as preferential debts in the event of insolvency.’

---

**Financial Services (Banking Reform) Bill, *continued***
*Professional standards*

Chris Leslie  
Cathy Jamieson

NC3

To move the following Clause:—

‘After section 65 of FSMA 2000 insert—

“SECTION 65A

*Professional Standards*

- (1) The regulator will raise standards of professionalism in financial services by mandating a licensing regime based on training and competence. This must—
  - (a) apply to all approved persons exercising controlled functions, regardless of financial sector;
  - (b) specify minimum thresholds of competence including integrity, professional qualifications, continuous professional development and adherence to a recognised code of conduct;
  - (c) make provisions in connection with—
    - (i) the granting of a licence;
    - (ii) the refusal of a licence;
    - (iii) the withdrawal of a licence; and
    - (iv) the revalidation of a licensed person of a prescribed description whenever the appropriate regulator sees fit, either as a condition of the person’s continuing to hold a licence or of the person’s licence being restored.
  - (d) be evidenced by individuals holding an annual validation of competence.
- (2) In the Financial Services and Markets Act 2000, section 59, remove “authorised” and insert “licensed” throughout the section.’

---

*Code of conduct*

Chris Leslie  
Cathy Jamieson

NC4

To move the following Clause:—

‘After section 64(6) of FSMA 2000 insert—

- “(6A) A code issued under subsection (2) shall—
- (a) apply to all approved persons exercising controlled functions in the financial sector;
  - (b) specify a framework of certain permitted and prohibited actions with which approved persons must agree in writing to comply;
  - (c) mandate individual financial penalties, and the terms of temporary and permanent suspension of persons’ licence to

---

**Financial Services (Banking Reform) Bill, *continued***

- operate, which can be issued by the appropriate regulator if it determines that an approved person has broken the code;
- (d) specify the training, including both practical and ethical, which approved persons must undergo before practising controlled functions; and
  - (e) specify the additional training to be provided by institutions for their staff and set out the system by which institutions will monitor and enforce such a code.’’.’.

---

*Duty of care*

Chris Leslie  
Cathy Jamieson

**NC5**

To move the following Clause:—

‘At all times when carrying out core activities a ring-fenced body shall—

- (a) be subject to a fiduciary duty towards its customers in the operation of core services; and
- (b) be subject to a duty of care towards its customers across the financial services sector.’.

---

*Remuneration consultants*

Chris Leslie  
Cathy Jamieson

**NC6**

To move the following Clause:—

‘The Secretary of State will by regulations provide for a requirement that the remuneration consultants advising on remuneration policy shall be appointed by the shareholders of a relevant financial institution.’.

---

---

**Financial Services (Banking Reform) Bill, *continued****Remuneration committee*

Chris Leslie  
Cathy Jamieson

NC7

To move the following Clause:—

‘The Secretary of State will provide for a requirement that an employee representative should be a member of the remuneration committee of a relevant financial institution.’

---

*Financial Crime Unit*

Chris Leslie  
Cathy Jamieson

NC8

To move the following Clause:—

- ‘(1) The Secretary of State shall by order create a new Financial Crime Unit as part of the Serious Fraud Office for the purpose of tackling financial crime, using resources from the proceeds of penalties paid to the FCA.
  - (2) The Treasury shall conduct a review into the creation of the Financial Crime Unit and consult on its proposals for the Financial Crime Unit’s powers and responsibilities.
  - (3) The Treasury shall lay its proposals before both Houses of Parliament no later than six months after this Act comes into force.
  - (4) The orders under subsection (1) may make such amendments to legislation as appear to the Treasury to be necessary or expedient for the purpose of creating the Financial Crime Unit.
  - (5) The orders under subsection (1) may only be made if they have been laid before and approved by a resolution of each House of Parliament.’
- 

*Protection for whistleblowers*

Chris Leslie  
Cathy Jamieson

NC9

To move the following Clause:—

‘After Part IVA (43B)(f) of the Employment Rights Act 1996 there is inserted—  
“(g) that a breach of regulated activities under FSMA 2000 or the Financial Services Act 2012 has been committed, is being committed, or is likely to be committed.”’

---

---

**Financial Services (Banking Reform) Bill, *continued***
*Remuneration reform*

Chris Leslie  
Cathy Jamieson

NC10

To move the following Clause:—

‘Within six months of Royal Assent of this Act the Chancellor of the Exchequer shall lay before Parliament proposals on reform of remuneration at UK financial institutions which shall include incentives to take account of the performance and stability of a UK financial institution over a five- to 10-year period.’.

---

*Review into competitiveness*

Chris Leslie  
Cathy Jamieson

NC11

To move the following Clause:—

- 5
- (1) The Treasury shall arrange for a review of the obstacles to increasing competition for UK institutions involved in the provision of core services.
- (2) The review must be completed during the period of six months beginning with the date on which this Act comes into force.
- 10
- (3) The review must consider, in particular—
- (a) the major obstacle to new UK institutions emerging as competitors in the provision of core services, and
- (b) possible actions that could be taken to facilitate new UK institutions being competitive in the provision of core services.
- (4) The review must result in a report to the Treasury.
- (5) The Treasury shall lay a copy of the report before Parliament.’.

As an Amendment to Chris Leslie’s proposed New Clause (*Review into competitiveness*) (NC11):—

Mark Durkan

(a)

Line 9, at end insert—

‘(c) any evidence of impaired access to competitive core services in identifiable regions of the UK or for particular classes of consumers.’.

---

---

**Financial Services (Banking Reform) Bill, *continued****Bank account portability*

Chris Leslie  
Cathy Jamieson

**NC12**

To move the following Clause:—

- ‘(1) Within six months of Royal Assent of this Act the Chancellor of the Exchequer shall lay before Parliament a report considering—
- (a) the adequacy of the current account redirection service,
  - (b) legislative options for mandating the provision of a current account redirection service by UK ring-fenced bodies.’.

---

*Financial inclusion*

Chris Leslie  
Cathy Jamieson

**NC13**

To move the following Clause:—

- ‘(1) In the Financial Services Act 2012 section 6 which inserts section 1B into FSMA 2000 after subsection (5)(b) insert—
- “(c) the ease with which consumers can have access to financial services and products which are affordable and appropriate to their needs.”.’.

---

*Publication of trends in bank lending*

Chris Leslie  
Cathy Jamieson

**NC14**

To move the following Clause:—

- ‘(1) After section 1E(2) of chapter 1 of Part 1A of FSMA 2000 insert—
- “(3) The FCA shall collate and publish anonymised consumer and business lending data disaggregated by UK financial institution and presented on a postcode-level basis.”.’.

---

---

**Financial Services (Banking Reform) Bill, *continued****Basic bank account guarantee*

Chris Leslie  
Cathy Jamieson

NC15

To move the following Clause:—

- (1) All UK institutions providing the regulated activity of accepting deposits must—
    - (a) make a “basic bank account” available to all who request it, and
    - (b) offer a “basic bank account” to people denied access to a current account due to a poor credit score.
  - (2) The requirements in subsection (1) do not apply to people with a record of fraud.
  - (3) In this section “basic bank account” means a current account which—
    - (a) provides customers with a debit or ATM card,
    - (b) does not have an overdraft function,
    - (c) does not pay interest on deposits, and
    - (d) does not incur periodic fees.’.
- 

*Review into extending the Financial Services Compensation Scheme to cover Small and Medium enterprises*

Chris Leslie  
Cathy Jamieson

NC16

To move the following Clause:—

- (1) The Treasury shall arrange for a review of the impact of extending the Financial Services Compensation Scheme to cover deposits of private non-financial corporations with an annual revenue of less than £20 million.
  - (2) The review must consider in particular—
    - (a) the impact on the Financial Services Compensation Scheme in the event of a bank’s insolvency,
    - (b) the impact on the British economy of extending the scheme,
    - (c) the impact of protecting different percentages of private non-financial corporations’ deposits.
  - (3) The review must be completed during the period of six months beginning with the date on which this Act comes into force.
  - (4) The review must result in a report to the Treasury.
  - (5) The Treasury shall lay a copy of the report before Parliament.
  - (6) If the review recommends further reviews the Treasury may arrange for the further reviews.’.
-

---

**Financial Services (Banking Reform) Bill, *continued****Bank of England scheme to boost lending*

Chris Leslie  
Cathy Jamieson

**NC17**

To move the following Clause:—

- ‘(1) The Chancellor of the Exchequer shall bring forward proposals within one month of Royal Assent of this Act to reform the Bank of England Funding for Lending Scheme so that—
- (a) the period under which drawdown requests may be made by UK financial institutions shall be extended until 31 January 2015,
  - (b) the determination of fees for the facility shall be based not only on total net lending during the reference period, but also determined according to the level of net lending to private non-financial corporations over that reference period.’.

---

*Mutual societies*

Chris Leslie  
Cathy Jamieson

**NC18**

To move the following Clause:—

‘After section 50(3)(f) of the Financial Services Act 2012, insert—

- “(g) making provision for the increased diversity of the financial services sector and promotion of mutual societies, including arrangements to measure the number of members of mutual societies, and the market share for mutual societies as a proportion of the UK financial services sector.”.’.

---

*Bank bail-in regime*

Chris Leslie  
Cathy Jamieson

**NC19**

To move the following Clause:—

- ‘(1) The Bank of England must, at least once in every year, prepare an assessment of any progress which has been made towards the introduction of a bank bail-in regime in the United Kingdom or, once a bank bail-in regime has been introduced, of its operation.
- (2) If a bank bail-in regime is not in force in the United Kingdom by the end of 2015, the Treasury must by regulations make provision for such a regime.
- (3) an assessment under subsection (1) must include—



**Financial Services (Banking Reform) Bill, *continued***

- (a) an assessment of how much of the issued debt of banks would be covered by any proposed bank bail-in regime or is covered by the provisions of the bank bail-in regime in force;
  - (b) (if a bank bail-in regime is in force) an account of the sorts of companies within groups which have creditors who are covered by the bank bail-in regime and of the sorts of persons who are creditors who are so covered;
  - (c) a review of the descriptions of creditors who would be covered by any proposed bail-in regime or are covered by the provisions of the bank bail-in regime in force, and
  - (d) an account of progress towards international co-operation in relation to bail-in regimes.
- (4) The Bank of England must send the assessment to the Treasury.
  - (5) The Treasury must lay the assessment before Parliament.
  - (6) The Bank of England must publish the assessment in such manner as they think fit.
  - (7) In this section “bank bail-in regime” means provisions under which losses incurred by a bank are to be met by certain descriptions of creditors of the bank should the bank encounter financial difficulties which might otherwise lead to the taking of action which would be likely to have implications for public funds.
  - (8) For the purposes of subsection (7) “action having implications for public funds” has the same meaning as in section 78(1) of the Banking Act 2009.
  - (9) In this section “bank” means a UK institution which has permission under Part 4A of FSMA 2000 to carry on the regulated activity of accepting deposits, other than a building society (within the meaning of the Building Societies Act 1986) or any description of institution excluded by virtue of subsection (2)(b) of section 142A of that Act from being a ring-fenced body as defined in subsection (1) of that section.’

*Annual assessment of developments in respect of risk-weighting*

Chris Leslie  
Cathy Jamieson

**NC20**

To move the following Clause:—

- (1) The Bank of England must, at least once in every year, prepare an assessment of developments in respect of risk-weighting in relation to banks and building societies.
- (2) The Bank must send the assessment to the Treasury.
- (3) The Treasury must lay the assessment before Parliament.
- (4) The Bank of England must publish the assessment in such manner as they think fit.
- (5) In this section “risk weighting” means the process by which the assets of a bank or building society are accorded a risk weight.
- (6) In this section—
  - “bank” means a UK institution which has permission under Part 4A of FSMA 2000 to carry on the regulated activity of accepting deposits, other than any description of institution excluded by virtue of subsection (2)(b) of section 142A of that Act from being a ring-fenced body as defined in subsection (1) of that section (or a building society);

---

**Financial Services (Banking Reform) Bill, *continued***

“building society” has the same meaning as in the Building Societies Act 1986;

“risk weight” means a percentage that is derived from the risk to the value of an asset.’.

---

*Financial services compensation scheme extension*

Chris Leslie  
Cathy Jamieson

**NC21**

To move the following Clause:—

- ‘(1) Section 213 of FSMA 2000 (The compensation scheme) is amended as follows.
- (2) In subsection (1A)—
- (a) omit the “and” following paragraph (a),
  - (b) after paragraph (b) insert—
    - “and
    - (c) that where a relevant person operates under more than one brand, the compensation scheme applies to each brand as if each was a separate authorised person.”.
- (3) In subsection 3—
- (a) omit the “and” following paragraph (a),
  - (b) after that paragraph insert—
    - “(aa) to extend the limit of any compensation payable to persons making a claim in appropriate circumstances where the loss exceeds the limit that would otherwise apply as a result of a temporary high deposit, and”.’.

---

*Limits on excessive market power*

Nigel Mills

**NC22**

To move the following Clause:—

- ‘(1) With effect from 1 January 2020 no ring-fenced body or group of ring-fenced bodies may have excessive market power in respect of a core banking service.
- (2) For the purposes of section (1) above core banking service means—
- (a) the provision of personal current accounts and overdrafts;
  - (b) the provision of liquidity management services for small and medium-sized enterprises;
  - (c) the provision of mortgage services;
  - (d) the provision of savings accounts;
  - (e) the provision of unsecured personal loans.

---

**Financial Services (Banking Reform) Bill, *continued***

- (3) For the purposes of section (1) excessive market power is defined as a market share equal to 20% or higher.
- (4) If any ring-fenced body or group of ring-fenced bodies is deemed by the appropriate regulator to have excessive market power in relation to any core banking service for two successive accounting periods, with effect from six months after the end of the second accounting period, the part 4A permission for the ring fenced body or group of ring-fenced bodies shall be treated as having been cancelled as it relates to that core banking service.’

---

Chris Leslie  
Cathy Jamieson

**31**

Title, line 4, after ‘insolvency;’, insert ‘to make provision in relation to a bank bail-in regime;’.

Chris Leslie  
Cathy Jamieson

**33**

Title, line 4, after ‘insolvency;’, insert ‘to make provision for reports relating to developments in respect of risk-weighting;’.

---

ORDER OF THE HOUSE [11 MARCH 2013]

That the following provisions shall apply to the Financial Services (Banking Reform) Bill:

*Committal*

1. The Bill shall be committed to a Public Bill Committee.

*Proceedings in Public Bill Committee*

2. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Thursday 18 April 2013.
3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

*Consideration and Third Reading*

4. Proceedings on Consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.
5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.
6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on Consideration and Third Reading.

**Financial Services (Banking Reform) Bill, *continued****Other proceedings*

7. Any other proceedings on the Bill (including any proceedings on consideration of Lords Amendments or on any further messages from the Lords) may be programmed.
- 

## ORDER OF THE COMMITTEE [19 MARCH 2013]

That—

- (1) the Committee shall (in addition to its first meeting at 8.55 am on Tuesday 19 March) meet—
    - (a) at 2.00 pm on Tuesday 19 March;
    - (b) at 11.30 am and 2.00 pm on Thursday 21 March;
    - (c) at 9.10 am and 2.00 pm on Tuesday 26 March;
    - (d) at 9.10 am and 2.00 pm on Tuesday 16 April; and
    - (e) at 11.30 am and 2.00 pm on Thursday 18 April;
  - (2) the proceedings shall be taken in the following order: Clauses 1 to 7; the Schedule; Clauses 8 to 20; new Clauses; new Schedules; remaining proceedings on the Bill;
  - (3) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Thursday 18 April.
-