



HM Treasury

Financial Services (Banking Reform) Bill

Government Amendments: Clause 6 – PRA Annual Report

Briefing for Peers

October 2013

Amendments to Clause 6: PRA Annual Report

In order to ensure that the strength and operation of the ring-fence can be monitored effectively over time, the PRA will be required to report annually to Government and Parliament about how it has enforced the its rules relating to ring-fencing, as well as what steps it has had to take to ensure compliance.

During House of Commons Committee stage, the Government agreed with the PCBS to introduce an amendment for the PRA to report on the sale of simple derivatives by ring-fenced banks. The amendments introduced at House of Lords Committee stage go further than this, asking the PRA to report on the extent to which ring-fenced banks use *any* exemptions to undertake activities that a ring-fenced bank would otherwise not be permitted to carry out. This will allow the Parliament to make an informed judgement on how well the exemptions work and how appropriate they remain over time.

Current exemptions the PRA would have to report on include

- the sale of simple derivatives,
- own balance sheet risk management;
- trading of commodities with a central bank, or a subsidiary of a central bank;
- exposures to financial institutions incurred for
 - risk management
 - transactions resulting in payments or settlements exposures
 - transactions related to letters of credit and guarantees.

The amendment also requires the PRA to report on any exemptions created in the future.

Further Enquiries

1. For further information, please contact the Bill Manager Tom Wipperman (020 7270 6180, tom.wipperman@hmtreasury.gsi.gov.uk) or the Bill Team Leader Ian Ginsberg (020 7270 5967, ian.ginsberg@hmtreasury.gsi.gov.uk)
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