DRAFT STATUTORY INSTRUMENTS

2014 No.

The Bank Recovery and Resolution Order 2014

Replacement of provisional valuation

61. After section 48W insert—

"Replacement of provisional valuation

Replacement of Bank's provisional valuation

48X.—(1) Where the Bank of England has carried out a provisional valuation under section 6E(3) before making a mandatory reduction instrument or exercising a stabilisation power, the Bank must arrange for the appointment of an independent valuer in accordance with section 62A to carry out a full valuation in accordance with this section as soon as reasonably practicable.

(2) The purpose of the valuation carried out under subsection (1) is to—

(a) ensure the full extent of any losses on the assets of the bank is recognised in the accounting records of the bank, and

(b) inform a decision by the Bank as to whether—

(i) additional consideration should be paid by a bridge bank or asset management vehicle for any property, rights or liabilities transferred by a property transfer instrument, or securities transferred by a share transfer instrument, or

(ii) the Bank should exercise the power under section 48Y(1) to increase or reinstate any liability which has been reduced or cancelled by a resolution instrument.

(3) A valuation carried out under subsection (1) must comply with subsections (5) and (6) of section 6E, and be accompanied by the information required in subsection (7) of that section.

Consequences of a replacement valuation

48Y.—(1) Where the independent valuation carried out under section 48X(1) produces a higher valuation of the net asset value of the bank than a provisional valuation carried out under section 6E(3), the Bank of England may—

(a) modify any liability of the bank which has been reduced, deferred or cancelled by a mandatory reduction instrument or a resolution instrument so as to increase or reinstate that liability; or

(b) instruct a resolution company to pay additional consideration—

(i) to the bank for any property, rights or liabilities transferred to the resolution company by a property transfer instrument, or

(ii) to the previous holders of securities issued by the bank for any securities transferred to the resolution company by a share transfer instrument.

(2) The power in subsection (1)(a)—

(a) may not be exercised so as to increase the value of the liability beyond the value it would have had if the resolution instrument which reduced, cancelled or deferred it had not been made, and

(b) must be exercised by a mandatory reduction instrument or supplemental resolution instrument (whether or not that instrument contains any other provision authorised by this Part)."