
EXPLANATORY NOTE

(This note is not part of the Order)

This Order specifies classes of institution which are exempted from the definition of “ring-fenced body in section 142A of the Financial Services and Markets Act 2000 (c.8) (“the Act”). The classes of institution which are exempted are insurance companies, societies registered under s. 1 of the Co-operative and Community Benefit Societies Act 2014 (which include credit unions and industrial and provident societies), Northern Ireland credit unions, Northern Ireland industrial and provident societies, banks which hold less than £25 billion core deposits, and bodies which would only have become ring-fenced bodies as a result of action being taken under the Banking Act 2009 to stabilise a bank in financial difficulty where not more than four years has passed since the date of that action.

Article 2 defines core deposit and provides that if a deposit is not a core deposit, then the activity of accepting it is not a core activity. A deposit is a core deposit if it held in an EEA account unless one or more of account holders is a relevant financial institution; a qualifying organisation; a member of a qualifying group, or an eligible individual.

Article 3 defines a qualifying organisation as an organisation that has confirmed to a UK deposit-taker that it met the qualifying condition in the relevant financial year.

Article 4 specifies the qualifying condition for a body corporate or a partnership. The condition is that in a relevant financial year the organisation meets at least one of three conditions: its turnover is not less than £6.5 million; its balance sheet total is not less than £3.26 million; it employs not less than 50 people.

Article 5 specifies the qualifying condition for a public body, a charity or a charitable incorporated organisation (CIO). The condition is that in a relevant financial year the organisation has a gross income of more than £6.5 million.

Article 6 sets out the requirements for the confirming statement which must be provided with the declaration made by a qualifying organisation.

Article 7 requires an organisation which providing to a UK deposit-taker a qualifying organisation declaration that is supported by annual accounts, to provide those annual accounts in sterling, or accompanied by a set of those annual accounts converted into sterling.

Article 8 defines “qualifying group member” and sets out the requirements for the declaration which must be made by the qualifying group member.

Article 9 defines when an individual is an eligible individual and how they may certify this is the case by providing a declaration of eligibility. An individual is eligible if they have provided a statement that they held not less than £250,000 in assets on average during the period of one year ending with the date of the declaration of eligibility.

Article 10 makes provision about how to determine the assets held by an individual and the value of those assets (which must consist of money or transferable securities) for the purpose of preparing a declaration of eligibility.

Article 11 specifies types of UK deposit-taker which are not ring-fenced bodies.

Article 12 sets out the core deposit level condition which determines whether or not a deposit-taker is a ring-fenced body, and makes provision for calculating the average core deposit total for UK deposit-takers.

Article 13 makes provision for the exclusion of certain deposits from the average core deposit total.

Status: This is the original version (as it was originally made).

Article 14 requires the FCA to make rules applicable to non ring-fenced bodies specifying information they must provide to their account holders in specified circumstances.

An Impact Assessment of the effect of the Financial Services (Banking Reform) Act 2013, and the secondary legislation to be made under it (including this Order) on the costs of business and the voluntary sector has been prepared and is available on HM Treasury's website (www.gov.uk/treasury) or from the HM Treasury, 1 Horse Guards Road, London SW1A 2HQ and is annexed to the Explanatory Memorandum for this Order.