ADDLESHAW GODDARD

# Bank Resolution (Recapitalisation) Bill

10 September 2024

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**On 19 July 2024, the Bank Resolution (Recapitalisation) Bill 2024-25 was published on the UK Parliament website. The Bill, which was announced in the King's Speech, intends to introduce a new mechanism to allow the Bank of England to use funds provided by the banking sector to cover certain costs associated with resolution of failing small banking institutions under the special resolution regime.**

On 19 July 2024, the Bank Resolution (Recapitalisation) Bill 2024-25 was published on the UK Parliament website. The Bill had its second reading in the House of Lords on 30 July 2024, it was announced in the King's Speech.

The Bill intends to introduce a new mechanism to allow the Bank of England to use funds provided by the banking sector to cover certain costs associated with resolution of failing small banking institutions under the special resolution regime (SRR). Specifically, the Bill:

- Expands the statutory functions of the Financial Services Compensation Scheme (FSCS), requiring it to provide funds to the Bank of England upon request which could be used to meet certain costs arising from the use of the resolution regime to manage the failure of a bank, building society or Prudential Regulation Authority (PRA)- authorised investment firm.
- Allows for the FSCS to use its levy-raising powers to recover any funds provided to the Bank of England after a failure event through imposing levies on the banking sector.
- Extends the Bank of England’s ability, through explicit provision, to require the issuance of shares in connection with a resolution, to facilitate the Bank’s use of the funds provided by the FSCS to meet a failing bank’s recapitalisation costs.
- Makes a number of minor and consequential amendments to legislation to support the measures outlined above and ensure FSCS funds can be used effectively in a resolution.

HM Treasury has also published its formal response to its January 2024 consultation on enhancing the SRR, which considered the reforms that will be enacted in the Bill. In the response, HM Treasury confirms that it has largely proceeded with the proposals that were consulted on, with the exception of the removal of credit unions from contributing to the costs of recapitalisation.

The Bill is currently at the Committee stage at the House of Lords.

**Next steps**

If you would like to discuss anything raised in this article, feel free to contact our Financial Regulation team.