

**Bank (Recovery and Resolution) Bill 2020 –
Third Reading approved**

Mr Shimmins to move:

That the Bank (Recovery and Resolution) Bill 2020 be read the third time.

The Speaker: Mr Shimmins to move Third Reading.

Mr Shimmins: Thank you, Mr Speaker.

As described in the clauses readings the Bank (Recovery and Resolution) Bill 2020 establishes a framework for the recovery and resolution of banks and for connected purposes.

In moving the Third Reading, I would like to take this opportunity to thank all Hon. Members for their support in taking this legislation forward. I would also like to thank the Member for Ramsey, Mr Hooper, for moving the amendment to correct an omission from the list of parties that may seek a bank winding-up order. I would like to thank my seconder, Mr Peake; and all the officers for their hard work and support on this complex but important Bill.

The primary aim of the Bill is to enable a failing bank to be either resolved or wound up in an orderly fashion without losses falling upon the taxpayer, and in line with relevant international standards. Members have acknowledged the importance of such legislation, but some clarification has been sought as to how various matters will be addressed.

The resolution authority for the Isle of Man will be the Isle of Man Financial Services Authority, whose role as a resolution authority will need to be kept operationally separate from its functions as a regulatory supervisor. Some Members asked how this would be achieved effectively and I can confirm that regulations are currently being drafted to this end. This reflects the process in various other jurisdictions.

The resolution authority will be funded by the banks. Public financial support is not envisaged, other than temporarily to aid cash flow. Funding to resolve any bank that fails would be expected to come from that bank, with any shortfall coming from other banks. Any levy on banks must be prescribed by order, which would enable Tynwald to comment on such proposals.

The resolution objectives include ensuring continuity of banking services, protecting financial stability and protecting public funds. In the pursuit of these objectives the Authority may require banks to maintain appropriate recovery plans, and the Authority must draw up suitable resolution plans for each bank that is incorporated in the Island.

If any material impediments to a bank's resolvability, stability or winding-up are apparent, the Authority may require that bank to take specified measures to address these. The Authority is provided with various resolution tools, including the ability to establish a 'bridge bank'. However, the Authority must usually consider winding-up a bank before applying tools such as bail-in proposals or establishing a bridge bank.

There is a limited provision for extraordinary public financial support to be provided to a failed or failing bank, but this is a last resort and is subject to restrictive conditions.

The Bill also addresses actions in the event of a foreign resolution action, the stages of liquidation and consequential changes to depositor preference priorities in the Preferential Payments Act 1908.

Mr Speaker, I beg to move that the Bank (Recovery and Resolution) Bill 2020 be now read the third time.

The Speaker: Mr Peake.

Mr Peake: Thank you, Mr Speaker. I beg to second.

The Speaker: I put the question that the Bill be read for a third time and I presume the motion will be carried unless any Member indicates dissent, which they should do now.

No dissent being indicated. The ayes have it. The ayes have it.