

A number of unanswered questions recurred throughout the debates on the Bill. These centred on the role and future impact of Granite, the Special Purpose Vehicle (SPV) used to securitise part of Northern Rock's mortgage book, the strategic business plan of Northern Rock and its impact on other competitor banks and the justification for the haste with which the legislation was being rushed through. The House of Lords inflicted three defeats on the Government which, initially, removed provisions in the Bill excluding the nationalised bank from the ambit of the Freedom of Information Act, inserted a requirement for an audit to be undertaken of the bank and added an obligation for the OFT to report annually on the competitive impact of the bank. The Lords, however, did not insist on pressing their amendments to the Bill when the Commons rejected them, having extracted undertakings from the Government that the OFT would annually review Northern Rock and would publish the framework agreement setting out the relationship between it and the board of the bank. Opposition Spokesman Lord De Mauley remarked "the fact that we have managed to make what improvements and extract what concessions we have has been nothing short of a small miracle given the pressure of time that we, and particularly another place [the Commons], have been put under";

1. The Banking (Special Provisions) Act received Royal Assent after a challenging three days at Westminster. Members were taken aback at the unexpected breadth of the legislation which, far from being Northern Rock specific, would enable the Government to take similar action in respect of any other bank or building society that it considered threatened the stability of the banking system. In fact, the reason for the generally owed more to the Government's desire to avoid a technically and procedurally difficult hybrid Bill than a desire to legislate more broadly. The time limit on the powers conferred by the legislation reflects the Government's intention that the new regulatory framework, intended to deal with situations such as Northern Rock, should be in place within the year.

Northern Rock

This summary deals with points of interest arising from reports circulating in the Parliamentary Lobby in the past week and some matters that arose whilst the House was in recess.

PARLIAMENTARY BRIEF - CITY FINANCIAL AND EU AFFAIRS

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To Members of the EU Regulatory Working Group

From The UK Parliamentary Team

Office of the City Remembrancer PO Box 270
 Guildhall, London, EC2P 2EJ

Telephone 020 7332 1200

Email paul.double@cityoflondon.gov.uk

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