



# Re-shaping the ring-fence

A global comparison of structural banking regimes

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# 1 Introduction

In the more than 15 years since the global financial crisis, we have seen the creation and introduction of the UK ring-fencing regime in 2019, its amendment in 2025, with further reform now promised in 2026. In a world with increasing concerns about private credit, geopolitical risk and volatility, ring-fencing provides a strong defence for the UK financial system. Yet, at the same time, the UK government has set an ambition to be the leading global financial centre for investment by 2035, and policymakers will be looking to reconcile any reforms to the regulatory framework with this stated ambition.

This article sets out the origins of ring-fencing, an overview of the UK requirements as they stand, and a comparative analysis of approaches to structural separation across international jurisdictions to set the scene for the reforms expected in 2026.

While the UK is not the only country in the world that pursued the separation of banking activities in the wake of the global financial crisis, the UK ring-fencing regime is unique in that, unlike many jurisdictions including the US, it mandates strict structural ring-fencing. As this article explores, some jurisdictions do have versions of structural separation requirements, while other jurisdictions, which do not require structural separation, have requirements in place designed to achieve the objectives of the UK ring-fencing regime. One example is the Swiss Too Big To Fail (TBTf) regime, which requires systemically important banks to have an emergency plan in place to demonstrate how their Swiss systemically important functions, such as domestic deposit-taking, lending and payment services, would continue uninterrupted in the event of a risk of insolvency.

The UK government has committed to a wide program of reforms aimed at improving competitiveness and increasing growth. In line with this, the government has committed to further reforming the UK's ring-fencing regime, as part of the Leeds reforms set out in the Financial Services Growth and Competitiveness Strategy 2025, and as announced by the Chancellor in her July Mansion House speech.<sup>1</sup> This reform takes place against this backdrop of the government pursuing its growth agenda, and sits alongside other changes recently implemented by financial services regulators, for example, reform to Minimum Requirement for Own Funds and Eligible Liabilities (MREL), delayed implementation to Basel 3.1, and the recent assessment of overall capital requirements by the Financial Policy Committee in December 2025.<sup>2</sup>

It is likely that the proposal will reflect the ongoing public concerns of many banks that the UK regime imposes stricter requirements on domestic banks than overseas regimes. Inevitably concerns that the UK takes a more restrictive approach than competitors leads to pressure on the need for more significant reforms than previously implemented.



# Origins of the UK ring-fencing regime

Global debate about banking structural separation and the UK ring-fencing regime and equivalent regimes in other jurisdictions originated from post-2008 global financial crisis reforms. At this time, some UK banks did offer both retail services and global wholesale and investment banking operations. The events of the global financial crisis prompted governments and regulators globally to re-consider the status quo.

The 2011 *Independent Commission on Banking: final report*<sup>3</sup> (the Vickers Report) recommended retail ring-fencing of UK banks that would require legal, economic and operational separation of UK retail subsidiaries from their banking group. The ring-fencing regime was put in place in 2019, to ensure that the largest UK banks separate core retail banking from investment banking, reducing risks to the UK economy.

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The [ring-fencing reforms] aim to create a more stable and competitive basis for UK banking in the longer term. That means much more than greater resilience against future financial crises and removing risks from banks to the public finances. It also means a banking system that is effective and efficient at providing the basic banking services [...], efficiently channelling savings to productive investments, and managing financial risk.

Independent Commission on Banking: final report<sup>4</sup>

An independent panel subsequently undertook a review of the ring-fencing regime, as required by the enacting legislation, with the *Ring-fencing and Proprietary Trading Independent Review* (the Skeoch Review) published in March 2022.<sup>5</sup> At that point in time, the panel assessed that the ring-fencing regime should be retained with minor amendments recommended. The panel further assessed that the benefits of the ring-fencing regime could be expected to reduce over time, particularly with the continuing maturity of the resolution regime. It is worth noting that since the design and implementation of the ring-fencing regime, the landscape has evolved. For banks, this has included changes like Brexit, impacting bank location and legal entity strategies.

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It is plausible that more significant negative impacts of ring-fencing could materialise over time as economic conditions change, or as technological advances continue to evolve practices in retail banking, potentially making it challenging for structurally separated banking groups in the UK to adapt.

Ring-fencing and Proprietary Trading Independent Review<sup>6</sup>

The UK rules were amended in early 2025, increasing the threshold for mandating ring-fencing from £25b to £35b of core (retail and SME) deposits.<sup>7</sup> Despite this increase, the threshold naturally incentivises some firms to limit their core deposits under £35b, to enable them to continue operating their business in the UK without being limited by structural separation. The 2025 amendments also amended both core activities and excluded activities, including expanding the scope of products and services RFB's can offer (for example, introducing an exception allowing exposure to SME financial institutions) and the removal of the restriction on RFB's operating non-UK and non-EEA branches or subsidiaries.



# The requirements of the UK ring-fencing regime

The aim of ring-fencing is to protect UK retail banking from shocks originating elsewhere in the group and in global financial markets.

In the UK currently, in line with this objective, retail banking services, taking deposits, making payments and providing overdrafts are financially, operationally separate and in different entities from investment banking activities.<sup>8</sup>

Under the regime, proprietary trading, the provision of risk management solutions, underwriting, market making and exposure to and investment in non-SME financial institutions are restricted or prohibited for the ring-fenced bank (RFB).

Figure 1: Requirements of the ring-fencing regime on RFBs



# 4 Comparative approaches across international jurisdictions

International jurisdictions have considered implementing structural separation. Jurisdictions such as Australia and the EU ultimately did not proceed with structural separation reforms, although some EU Member States implemented limited regimes, and the US implemented a narrower regime.

**Table 1: Summary of implementation of structural separation regimes or regimes with a similar objective and effect across international jurisdictions**

Jurisdiction	Status of banking structural separation regime	Name of regime and legislative reference	Year regime recently implemented or considered
<b>Australia</b>	Publicly considered but not pursued. Government and regulators took the view that the 'Unquestionably strong' capital regime and enhanced resolution regimes mean more viable, less costly options to achieve orderly resolution are available.	N/a	2019
<b>Belgium</b>	Regime in place.	<i>Belgian Banking Act</i> <sup>9</sup>	2014
<b>Canada</b>	Not pursued. Office of the Superintendent of Financial Institutions (OSFI) relies on integrated supervision, robust capital and liquidity requirements, strong risk-governance expectations, and a credible bail-in resolution framework to achieve the same goal, i.e., financial stability objectives without structural separation.	N/a	N/a
<b>EU</b>	Publicly considered and proposed but not pursued or implemented.	N/a	2017
<b>France</b>	Regime in place.	<i>Séparation et de Régulation des Activités Bancaire (SRAB) (2013-672 of 26 July 2013)</i> <sup>10</sup>	2013
<b>Germany</b>	Regime in place.	<i>Gesetz zur Abschirmung von Risiken und zur Planung der Sanierung und Abwicklung von Kreditinstituten und Finanzgruppen (Abschirmungsgesetz; Bank Separation Act), Kreditwesengesetz (KWG; German Banking Act), BaFin Auslegungshilfe (interpretative guidance)</i> <sup>11</sup>	2013

Jurisdiction	Status of banking structural separation regime	Name of regime and legislative reference	Year regime recently implemented or considered
Japan	Regime in place	<i>Banking Act, Financial Instruments and Exchange Act</i> <sup>12</sup>	2006
Switzerland	Publicly considered but not pursued with policymakers focusing on the TBTF regime to achieve similar objectives.	<i>Too Big To Fail regime</i> <sup>13</sup>	2025
US	Regime in place.	<i>Dodd-Frank Wall Street Reform and Consumer Protection Act 2010</i> <sup>14</sup> <i>12 Code of Federal Regulations Chapter III</i> <sup>15</sup>	2020

## Australia

Australia considered the adoption of structural reform and ultimately did not adopt ring-fencing or an equivalent industry-wide separation regime. The Financial System Inquiry (2014) looked at whether Australia should adopt a ring-fencing regime.<sup>16</sup> The Australian Prudential Regulation Authority (APRA)<sup>17</sup> and the central bank did not support the introduction of ring-fencing at that time on the basis that:

- The Australian banking industry has relatively low exposure to riskier investment banking business and proprietary trading activities, with retail and corporate lending-focused commercial banking being the dominant business model.
- Basel reforms on capital requirement for market risk is likely to curb excessive growth in proprietary trading.
- APRA's existing standards require investments in commercial and non-bank financial institutions to be equity funded,<sup>18</sup> and dealings with related entities<sup>19</sup> to be prudently managed.

Ultimately, the cost of ring-fencing was assessed to be too high, and the Inquiry did not recommend the reform. Instead, the 'unquestionably strong' capital regime to reduce the probability of failure and enhanced resolution toolkits – including sufficient loss absorption and recapitalisation capacity – were introduced. The major Australian banks for instance are subject to a blanket minimum 10.5% Common Equity Tier 1 (CET1) capital requirement from 1 January 2027.<sup>20</sup> APRA's regulatory framework applies to authorised deposit-taking institutions (ADIs) and non-operating holding companies (NOHCs), with NOHCs authorised by APRA with specific conditions imposed.

A Bill on Separation of Banks was subsequently introduced in 2019 following the Hayne Royal Commission into banking misconduct. However, current legislation and regulatory structure was deemed adequate, and the Bill was not passed.<sup>21</sup>

APRA's current resolution standard *CPS 900 Resolution Planning* is focussed on identifying and agreeing on the 'resolvable entity' or 'resolvable group' where the Group's beneficiaries and critical functions reside.<sup>22</sup> This is to ensure beneficiaries are protected and critical functions can be transferred and maintained in an event of resolution, at minimal cost to taxpayers.

## Belgium

Belgium's prohibition in relation to proprietary trading contains a range of exceptions (e.g., market-making, risk management solutions, liquidity management and long-term trading). Where a bank engages in these activities, they are subject to additional capital requirements.<sup>23</sup>

## Canada

Canada's bail-in and resolution framework serves as an alternative to retail-investment ring-fencing. Unlike the UK, Canada does not rely on ex-ante structural ring-fencing to protect retail banking from investment banking risks. Instead, Canada has built a robust resolution and bail-in framework designed to ensure that, if a large bank fails, critical retail banking services continue uninterrupted while losses are borne by shareholders and certain creditors – not taxpayers or depositors.

Canada's resolution regime applies primarily to domestic systemically important banks (D-SIBs) and is jointly administered by OSFI and the Canada Deposit Insurance Corporation (CDIC).

OSFI supervises banks on an ongoing basis and determines when a bank has become, or is about to become, non-viable. This assessment triggers resolution planning and, if necessary, formal resolution actions. CDIC acts as the resolution authority.

Once a non-viability determination is made, CDIC has broad statutory powers to:

- Take control of the failing bank.
- Recapitalise it using bail-in tools.
- Ensure continuity of critical functions such as deposit-taking, payments, and lending.

Under Canada's bail-in regime:

- Losses are absorbed by shareholders and eligible unsecured creditors, typically through the conversion of certain long-term debt into common equity.
- Retail deposits are excluded from bail-in and continue to be protected by CDIC deposit insurance.
- The bank is recapitalised quickly so it can remain open and operating as a going concern.

This structure ensures that retail customers experience minimal disruption, even in a severe stress scenario.

#### **Key implications:**

- Retail banking is safeguarded without permanently separating business lines.
- Capital markets activities can coexist within a universal bank, provided the institution is well-capitalised, liquid, and resolvable.
- The focus shifts from structural separation to loss-absorbing capacity, governance, and credible resolution planning.

In the Canadian context, this reflects a policy judgment that strong resolution tools can achieve the same financial-stability objectives as ring-fencing, with fewer efficiency and competitiveness costs.

## **The European Union**

In the wake of the global financial crisis, and on the back of the 2012 presentation of the Liikanen report and its



recommendations as well as a European Parliament Own Initiative report, the European Commission proposed its 'Regulation of the European Parliament and of the Council on structural measures improving the resilience of EU credit institutions' in 2014.<sup>24</sup> The proposed measures would have introduced:

- A ban on proprietary trading with own capital or borrowed money.
- Acquiring or retaining units or shares of Alternative Investment Funds (AIFs).
- Investing in derivatives or other instruments linked to AIF performance.
- Holding units or shares in entities that perform the above.

Article 13 of the proposal would also have empowered supervisors, where core credit institutions conduct trading activities and the core credit institutions belong to a group entity, to oblige legal, economic, and operational separation.

The proposed regulation encountered stiff resistance and stalled in the legislative process in 2015. The Commission withdrew it in 2017, by removing the proposal from the European Commission's 2018 Work Programme.<sup>25</sup>

The EU has opted for a system-wide approach to financial regulation prioritising comprehensive oversight that targets both banks and their activities. Within this framework, other legislative measures, such as the Bank Recovery and Resolution Directive (BRRD), were seen as accomplishing financial stability objectives. Resolution authorities, for example, are empowered to oblige banks to make structural changes pre-emptively to ensure resolvability. However, this has not prevented individual Member States from maintaining different regimes, like the examples in this piece.

## **France**

In France, the *SRAB law* (2013-672 of 26 July 2013)<sup>26</sup> ring-fences proprietary trading from core deposit-taking and lending activities to enhance financial stability. It requires certain trading activities to be conducted only via separately capitalised, dedicated subsidiaries subject to prudential supervision. The law strengthens the powers of the banking supervisor, *Autorité de contrôle prudentiel et de résolution* (ACPR) to restrict or suspend risky activities and to manage bank resolution in stress scenarios. It increases transparency through country-by-country public reporting of key financial metrics by banking groups. Overall, the framework aims to protect depositors, limit taxpayer exposure, and ensure banks continue to finance the real economy under robust risk-management standards.

**Table 2: Requirement, scope and implication of SRAB**

Area	Key requirement	Scope	Practical implication
<b>Separation of trading</b>	Proprietary trading and certain leveraged fund exposures must be carried out only through dedicated subsidiaries once activity exceeds regulatory thresholds.	Credit institutions and financial holding companies with significant trading activities.	Core bank balance sheet is insulated from high-risk trading, reducing contagion to deposit and lending business.
<b>Restrictions on activities</b>	Dedicated subsidiaries cannot trade agricultural commodities or conduct high-frequency trading; parent banks may only retain exempt activities such as client services, clearing, and hedging.	Trading subsidiaries and their controlling banking groups.	Speculative or socially sensitive activities are structurally constrained, while market-making for clients remains permitted under strict conditions.
<b>Supervisory powers (ACPR)</b>	ACPR can limit or suspend certain operations, impose corrective measures, and implement preventive and resolution tools to preserve financial stability.	Institutions under ACPR prudential supervision.	Supervisor can intervene early in case of emerging risk, including reorganisation or transfer of activities and use of resolution mechanisms
<b>Resolution framework</b>	Establishes a dedicated bank recovery and resolution regime, with tools to ensure continuity of critical functions and minimise public financial support.	Systemically important and other supervised banks.	Facilitates orderly handling of failing banks, protecting depositors and critical services while limiting taxpayer bailouts.
<b>Country-by-country reporting</b>	Banks must publish, for each country where they operate, the name and nature of activities, revenue, headcount, profit or loss, and corporate income taxes paid.	Banking groups subject to French supervision and falling within scope of the reporting provisions.	Enhances transparency on geographic footprint, profit allocation, and tax contributions, supporting market discipline and regulatory scrutiny.

## Germany

In Germany, a regime containing prohibitions on proprietary trading, lending and guarantee business with certain hedge funds and high-frequency trading applies only where a banks' trading assets exceed a prescribed materiality threshold, specifically when trading assets exceed €100b or €90b of the group where this exceeds 20% of balance sheet. For institutions above this threshold, Par 3(2) KWG prohibits certain activities such as proprietary trading, lending or guarantees to hedge funds and AIFs, and high-frequency trading, unless exemptions apply.<sup>27</sup> If such prohibited activities are identified, they must be discontinued or transferred into a financial trading institution that is legally, organisationally, and economically separate from the deposit-taking bank. Exceptions include hedging activities to manage interest rate,

currency, FX and liquidity risks, to hedge transactions with clients, market-making and for long-term equity investment. Historically, banks have been able to avoid crossing this threshold or have ceased the relevant activities.



## Japan

In Japan the *Banking Act (Act No. 59 of 1981)* regulates the scope of business activities that a bank is permitted to conduct. Under the Act, 'banking' is defined as engaging in the acceptance of deposits and the lending of funds, and the provision of fund transfer services. Business activities that do not fall within the statutorily prescribed categories are prohibited. Furthermore, the *Financial Instruments and Exchange Act (Act No. 25 of 1948)* provides that banks may engage in securities-related services within the scope permitted by law.<sup>28</sup>

Banks are allowed to conduct certain limited securities business and securities-related business under the *Banking Act and the Financial Instruments and Exchange Act*. However, they are not permitted to engage directly in specific categories of securities business, including the underwriting of corporate bonds and equities, which must instead be undertaken through a registered securities subsidiary.

## Switzerland

Switzerland has considered related legislative proposals for the introduction of a segregated banking system on several occasions, including in the aftermath of the global financial crisis in 2008 and, most recently, in 2023. These proposals were ultimately not pursued, with policymakers concluding that the adoption of a formal ring-fencing regime was not appropriate. However, Switzerland operates a TBTF framework.

In the current reassessment of the TBTF regime following the Credit Suisse crisis, legislative changes under consideration do not envisage a segregated banking system, but instead focus on areas such as the prevention regime, RRP, capital and liquidity requirements. For the protection of systemically important functions, Switzerland relies on existing regulatory measures and its TBTF regime. Through the TBTF regime, banks that have been designated systemically important by the Swiss National Bank (SNB), are required to hold higher capital and liquidity buffers, and maintain recovery and emergency plans, as well as conduct appropriate preparatory measures for resolution.

The emergency plan is required under Article 9 *Banking Act* (respectively Article 60 *Banking Ordinance*)<sup>29</sup> for systemically important banks. This plan must demonstrate how their Swiss systemically important functions, such as domestic deposit-taking, lending and payment services, would continue uninterrupted in the event of a risk of insolvency. This leads to a de facto ringfencing of systemically important functions.

The emergency plan is submitted on an annual basis to the Swiss Financial Market Authority (FINMA) for assessment. While FINMA deems the emergency plan of several SIBs as sufficient, some still are in the process of closing shortcomings, such as insufficient levels of capital or building out alternative strategies.

## US

In the US, 12 Code of Federal Regulations Chapter I, Part 7 sets out the criteria that the Office of the Comptroller of the Currency (OCC) uses to determine whether an activity is authorised as part of or incidental to the business of banking, setting out allowable products and services for national banks and federal savings associations.<sup>30</sup>

The Volcker rule generally prohibits entities from conducting proprietary trading and investing in or sponsoring certain hedge funds and private equity funds ('covered funds').<sup>31</sup> However, under the Volcker rules, retail deposits can be used by those banks to a limited extent to support wider economically productive activities. For example, US retail deposit taking banks are permitted to provide more comprehensive risk management solutions than their UK counterparts, underwrite corporate lending, engage in market making to increase capital market liquidity, and have exposures to financial institutions.

Other requirements in US legislation do impact the structure of the banking group and affect how a bank can use its retail deposits. *Regulation W* (or Section 23 A/B) limits the risk transfer between an insured depository institution and other parts of the bank holding company.<sup>32</sup> Insured Depository Institutions (IDI) are subject to some limitations on credit exposures (including through the use of retail deposits) to the wider banking entity. This limits the use of retail deposits though 'covered transactions' with affiliates to transactions with individual affiliates less than 10% of the banks' capital stock and surplus or less than 20% for all affiliates combined.

Together, these two elements of the US regulatory regime achieve similar objectives to the UK ring-fencing regime, but not to the same extent.



In recent years, reforms in the US to the Volcker rule mean that US retail-taking deposits face less limitations on their trading activities.<sup>33</sup> While not significantly changing the rules, the 2019 revisions to the Volcker rule tailored regulatory expectations to focus on entities with large trading operations and clarified, streamlined, and simplified some of the regulatory requirements.

Other elements of the regulatory framework also serve to reduce the impact of a GSIB's failure on the broader economy, including retail banking customers. Total Loss-absorbing capacity (TLAC) and long-term debt requirement and the resolution planning regime aim to facilitate an orderly resolution of a GSIB that would allow the GSIB's insured depository institution to keep operating as the bank holding company goes through resolution.

**Table 3: Jurisdictions with structural separation regime in place**

Activity	UK current regime	US regime	France regime	Germany regime
<b>Providing products and services to businesses</b>	<b>Trading</b>			
	<ul style="list-style-type: none"> <li>Proprietary trading prohibited.</li> <li>Trading and risk management solutions prohibited with limited exceptions.</li> </ul>	<ul style="list-style-type: none"> <li>Proprietary trading prohibited (with exceptions).</li> <li>Trading permitted for risk-mitigating activities.</li> <li>Limited for insured depository institutions.</li> </ul>	<ul style="list-style-type: none"> <li>Exception permitting risk management solutions.</li> <li>Exception permitting long-term investments.</li> </ul>	<ul style="list-style-type: none"> <li>Exception permitting risk management solutions.</li> <li>Exception permitting long-term investments.</li> </ul>
	<b>Underwriting</b>			
	<ul style="list-style-type: none"> <li>Prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>Permitted under broker dealer subsidiaries, or where it relates to client demand and is in line with compliance requirements.</li> </ul>		
	<b>Market making</b>			
<ul style="list-style-type: none"> <li>Prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>Permitted where it relates to client demand.</li> </ul>	<ul style="list-style-type: none"> <li>Exception permitting market making.</li> </ul>	<ul style="list-style-type: none"> <li>Exception permitting market making.</li> </ul>	
<b>Structural separation</b>	<b>Exposure to financial institutions</b>			
	<ul style="list-style-type: none"> <li>Prohibited – SME exception and other limited exceptions.</li> </ul>	<ul style="list-style-type: none"> <li>Definition of financial institutions limited to hedge funds and private equity.</li> </ul>		
	<ul style="list-style-type: none"> <li>Full structural separation of RFB and non-RFB required.</li> </ul>	<ul style="list-style-type: none"> <li>Speculative activities to be taken outside of the group.</li> <li>Legislative requirements apply to structure of banking groups and limit how retail deposits are used.</li> </ul>	<ul style="list-style-type: none"> <li>While EU structural reforms were rejected some Member States have legislation in place limiting speculative activities. Effectively, speculative activities (proprietary trading) must be undertaken in a subsidiary (dependent on materiality thresholds).</li> </ul>	<ul style="list-style-type: none"> <li>While EU structural reforms were rejected some Member States have legislation in place limiting speculative activities. Effectively, speculative activities (proprietary trading) must be undertaken in a subsidiary (dependent on materiality thresholds).</li> </ul>
<b>Intragroup resources and services</b>	<ul style="list-style-type: none"> <li>Not permitted.</li> </ul>			

# 5 The UK ring-fencing reforms

The UK government is looking to build a competitive regime that stands up to the external operating environment, maintains resilience and delivers growth at the same time. While in an ideal world, a government could achieve all three outcomes, it is inevitable that some compromises will need to be made. Policymakers will be considering how best to deliver on that balance.

His Majesty's Treasury (HMT) will be undertaking a review of the ring-fencing regime (working with the Bank of England), reviewing both legislation and PRA rules.<sup>34</sup> At this stage, the government has not released detailed proposals.

Nonetheless, the government has signaled an intent to:

- Reform the regime to support the growth agenda.
- Maintain the basic shape of the regime and requirements that support financial stability and protect UK consumer deposits.

The review will assess options to:

- Allow ring-fenced banks to provide a wider range of products and services to UK businesses.
- Address inefficiencies in how ring-fencing is applied to banking groups.
- Examine the case for allowing banks to share resources and services across the ring-fence.

The announcement of the reforms marks a further shift, following the most recent amendments effective early 2025. While the government does not appear to be actively contemplating abolition, the reforms could allow greater flexibility for ring-fenced banks to support customers and allow for a reduction in the duplication of functions across the banking group. Reforms along these lines could seek to meet the government's objectives.





# Conclusion

The Chancellor has indicated that the government will legislate ring-fencing reforms when Parliamentary time allows, and there are of course many steps before legislation and implementation.<sup>35</sup> In terms of next steps, HMT will report to the Economic Secretary to the Treasury on ring-fencing in early 2026, so we can expect more detail to be released publicly at that point.

Each of the three proposed areas of investigation allows for a closer alignment of the UK regime with key overseas regimes.<sup>36</sup> Moreover, the proposed reforms reflect the intent of the Skeoch Review that the ring-fencing regime be re-visited in coming years to ensure it remains fit for purpose. International regimes previously proposed and in place represent different models of achieving the outcomes of the ring-fencing regime, including models which do not involve structural separation.

Consideration of these international models and the key elements which form them show what we can expect to see broadly in terms of the effects on how banks are structured in the UK. Reforms to the sharing of resources and services intra-group are aimed at improving efficiency and reducing duplication for firms, while the expansion of permitted activities to be undertaken by RFBs will more substantively meet the government's growth objectives, through facilitating flexibility in RFB's use of retail funds.

## Providing more products and services to UK businesses

- This could include expanding permitted activities to include underwriting services and market-making.
- Amendments to rules preventing RFBs from having exposures to financial institutions, beyond the recent SME exception, could enable banks to invest, for example, in firms undertaking venture capital and to use capital to fund lending to financial institutions.
- Compare this with the regime in the US where banks have more flexibility in their use of retail funds for these activities.

## Addressing inefficiencies in application to banking groups

- Currently the regime requires RFB to be financially, operationally and organisationally separate from other entities in their group.
- Financial separation limits intragroup transactions and liquidity management that if permitted could more effectively deploy deposits held by RFB.
- This option could also look into the minimum threshold for the regime, and could reference broader resolution requirements which are considered highly relevant to the operation of the regime (noting that these areas were considered, and the threshold increased, in the most recent review).

## Examining whether RFB should be able to share resources and services with non-RFB

- Likewise, the operation of structural separation prevents economies of scale of shared intra-group services being realised.
- Reduction in duplication of services and appropriate distribution of expertise and capabilities across the group could unlock efficiencies and reduce duplicative costs for firms, for example, across HR, IT, and third line functions.

Amendments such as these will enable significant change in the way that UK banking groups structure themselves and offer products and services to UK businesses. Firms will move quickly and invest to respond to the opportunities presented by any reform of this nature

The EY Global Regulatory Network will monitor developments and will keep clients informed of relevant updates as they emerge.

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## About the Global Regulatory Network

Our Global Regulatory Network (GRN) is a network of former senior regulators which helps the C-suite and board-level executives respond to constantly changing regulatory and supervisory expectations. We advise financial institutions, as well as governments and regulators, on actions they can take to address the changing risk environment.

Members previously held leadership positions in regulators including:

- Basel Committee
- Financial Stability Board
- IOSCO
- European national central banks
- Federal Reserve Bank of New York, CFTC, OCC
- Hong Kong Securities and Futures Commission
- UK Financial Conduct Authority and Bank of England

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