



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Lord Bridges of Headley MBE
Lords Economics Affairs Committee
House of Lords
London
SW1A 0AA

27 April 2023

Dear Chair,

On the 13 March 2023, I laid in Parliament the Amendments of the Law (Resolution of Silicon Valley Bank UK Limited) Order 2023. This Order, which has now been approved by both Houses, was made under section 75 of the Banking Act 2009. It provided HSBC with an exemption to the ring-fencing regime to allow HSBC's ring-fenced bank, HSBC UK Bank plc ("HSBC UK"), to provide intra-group lending on non-arm's length terms to Silicon Valley Bank UK Limited ("SVB UK"). This exemption was needed to facilitate the sale of SVB UK and to ensure that HSBC UK could provide liquidity support to its new subsidiary.

Further to that, today, I have laid in both Houses of Parliament the Amendments of the Law (Resolution of Silicon Valley Bank UK Limited) (No. 2) Order 2023, under section 75 of the Banking Act 2009. This draft affirmative Order amends the Financial Services and Markets Act 2000 (Ring-fenced Bodies and Core Activities) Order 2014 to allow SVB UK to remain exempt from the ring-fencing regime on an ongoing basis. Under the existing legislation, SVB UK already benefits from a four year transition before it becomes subject to ring-fencing requirements.

The second ring-fencing exemption introduced in Parliament today was a necessary condition of the sale, and crucial to protecting the taxpayer, depositors and financial stability. It ensures that SVB UK can be a commercially viable and stand-alone business as part of the HSBC group. The exemption is subject to conditions, specified in the Order, relating to the size of SVB UK's core deposits and to the type of business it can undertake. The wider HSBC group remains subject to the ring-fencing regime.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Andrew Griffith'.

ANDREW GRIFFITH MP