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New company to manage Government's shareholding in banks

Arrangements for managing the Government's shareholding in banks subscribing to its recapitalisation fund were announced today by Chancellor of the Exchequer, Alistair Darling.

The Government's investments will be managed on a commercial basis by a new arm's-length company, 'UK Financial Investments Limited' (UKFI), which is wholly owned by the Government. Its overarching objectives will be to protect and create value for the taxpayer as shareholder, with due regard to financial stability and acting in a way that promotes competition.

UKFI will work to ensure management incentives for banks in which it has shareholdings are based on maximising long-term value and restricting the potential for rewarding failure. It will also oversee the conditions of the recapitalisation fund, including maintaining, over the next three years, the availability and active marketing of competitively-priced lending to home owners and small businesses at 2007 levels.

Membership of the UKFI Board will comprise a private sector Chair, three non-executive private sector members, a Chief Executive and two senior Government officials from HM Treasury and the Shareholder Executive. Sir Philip Hampton has agreed to become the UKFI's first Chair and John Kingman will become Chief Executive. Both will take up these positions shortly. The remaining private sector board members will be recruited expeditiously. These roles will be filled by individuals of relevant commercial skill and experience to enable UKFI to best meet the objectives set out above.

In due course, the Government intends that UKFI will manage its investments in Northern Rock plc and part of Bradford & Bingley. These companies will continue to have their own independent Boards and management teams, determining their own strategies.

In addition to the recapitalisation fund and the credit guarantee scheme, the Government will continue work to ensure that all lenders do everything they can to support homeowners and small business during this period of financial market turbulence.

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Notes for Editors

1. The Government will be underwriting capital investments for RBS and, upon successful merger, HBOS and Lloyds TSB, totalling £37 billion.
2. All three institutions subscribing to the Government's bank recapitalisation fund will be seeking shareholder approval for raising their capital levels before the end of the year. The Government will then take shareholdings in these banks on the terms agreed on 13 October, subject to take up by existing or new shareholders of the ordinary shares and, in the case of HBOS and Lloyds TSB, to the merger going ahead.
3. Consistent with the agreements reached with the companies, UKFI will work with the Boards to strengthen their membership through the appointment of suitably qualified, independent non-executives. Final decisions will be taken

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- availability and active marketing of competitively-priced lending to home owners and small businesses at 2007 levels.
5. The Government will not be a permanent investor in UK financial institutions and will over time seek to dispose of the investments in an orderly way, through sale, redemption, buy-back or other means, in accordance with the UKFI's objectives.
 6. Sir Philip Hampton was appointed Chairman of Sainsburys in July 2004. He was Group Finance Director of Lloyds TSB Group plc from 2002 to 2004, Group Finance Director of BT Group plc from 2000 to 2002, and has held a number of other Finance Director positions. In the 2004 Budget Philip Hampton was asked to lead a review of regulatory inspection and enforcement. This review produced the Hampton Report , which informed the subsequent Regulatory Enforcement and Sanctions Act 2008.
 7. John Kingman is Second Permanent Secretary and Managing Director, Public Services & Growth, HM Treasury. Previous roles in the Treasury have included Managing Director, Finance and Industry and Director of the Enterprise & Growth Unit. John has worked on the Lex column of the Financial Times and in the Group Chief Executive's office at BP. He has also been a Board Director of the European Investment Bank, a non-executive director of Framstore CFC Ltd, and a Visiting Fellow at the Institute of Political and Economic Governance at Manchester University.

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