

SCHEDULES

SCHEDULE 3

MINIMUM CRITERIA FOR AUTHORISATION

Business to be conducted in prudent manner

- 4 (1) The institution conducts, or, in the case of an institution which is not yet carrying on a deposit-taking business, will conduct its business in a prudent manner.
- (2) An institution shall not be regarded as conducting its business in a prudent manner unless it maintains or, as the case may be, will maintain net assets which, together with other financial resources available to the institution of such nature and amount as are considered appropriate by the Bank, are—
- (a) of an amount which is commensurate with the nature and scale of the institution's operations; and
 - (b) of an amount and nature sufficient to safeguard the interests of its depositors and potential depositors, having regard to the particular factors mentioned in sub-paragraph (3) below and any other factors appearing to the Bank to be relevant.
- (3) The particular factors referred to above are—
- (a) the nature and scale of the institution's operations; and
 - (b) the risks inherent in those operations and, if the institution is a body corporate, in the operations of any other body corporate in the same group so far as capable of affecting the institution.
- (4) An institution shall not be regarded as conducting its business in a prudent manner unless it maintains or, as the case may be, will maintain adequate liquidity, having regard to the relationship between its liquid assets and its actual and contingent liabilities, to the times at which those liabilities will or may fall due and its assets mature, to the factors mentioned in sub-paragraph (3) above and to any other factors appearing to the Bank to be relevant.
- (5) For the purposes of sub-paragraph (4) above the Bank may, to such extent as it thinks appropriate, take into account as liquid assets, assets of the institution and facilities available to it which are capable of providing liquidity within a reasonable period.
- (6) An institution shall not be regarded as conducting its business in a prudent manner unless it makes or, as the case may be, will make adequate provision for depreciation or diminution in the value of its assets (including provision for bad or doubtful debts), for liabilities which will or may fall to be discharged by it and for losses which it will or may incur.
- (7) An institution shall not be regarded as conducting its business in a prudent manner unless it maintains or, as the case may be, will maintain adequate accounting and other records of its business and adequate systems of control of its business and records.

Status: This is the original version (as it was originally enacted).

- (8) Those records and systems shall not be regarded as adequate unless they are such as to enable the business of the institution to be prudently managed and the institution to comply with the duties imposed on it by or under this Act and in determining whether those systems are adequate the Bank shall have regard to the functions and responsibilities in respect of them of any such directors of the institution as are mentioned in paragraph 3 above.
- (9) Sub-paragraphs (2) to (7) above are without prejudice to the generality of sub-paragraph (1) above.
- (10) For the purposes of this paragraph "net assets", in relation to a body corporate, means paid-up capital and reserves.