
EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Building Societies (Prescribed Contracts) Order 1986, which prescribes types of contract which a building society may enter into under section 23 of the Building Societies Act 1986 for the purpose of reducing the risk of loss. The requirement formerly in article 3 of the 1986 Order that a prescribed contract may only be effected where the other party (referred to in the Order as a “participant”) is a bank authorised to hold building society funds is replaced by a new requirement. This is that the other party (besides any guarantor) must be a person who is, or whose obligations are guaranteed by, a person whose liabilities may be held as assets by building societies for the purposes of the liquidity requirements imposed on societies by the Building Societies Act 1986. The validity of prescribed contracts previously entered into under the 1986 Order is preserved by article 4 of this Order.