
STATUTORY INSTRUMENTS

1991 No. 2580

BUILDING SOCIETIES

The Building Societies (Liquid Asset) Regulations 1991

Made - - - - *11th November 1991*
Laid before Parliament *14th November 1991*
Coming into force - - *16th December 1991*

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred upon it by section 21(7) of the Building Societies Act 1986⁽¹⁾, and of all other powers enabling it in that behalf, hereby makes the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Building Societies (Liquid Asset) Regulations 1991 and shall come into force on 16th December 1991.

Interpretation

2. In these Regulations—

“the Act” means the Building Societies Act 1986;

“liquid asset” means an asset of a character which societies may hold under section 21 (liquid assets) of the Act for the purpose of meeting their liabilities as they arise;

“predecessor” means, in relation to an existing society—

(a) a society which has transferred its engagements to that existing society, or

(b) a society which—

(i) has amalgamated with one or more societies under section 93 (amalgamations) of the Act so as to establish that existing society as their successor, or

(ii) has united with one or more societies under section 18 (unions) of the Building Societies Act 1962⁽²⁾ or of the Building Societies Act (Northern Ireland) 1967⁽³⁾ so as to become that existing society; and

“society” means a building society.

(1) 1986 c. 53.

(2) 1962 c. 37, repealed by the Building Societies Act 1986.

(3) 1967 c. 31 (N.I.), repealed by the Building Societies Act 1986.

Prescription of liquid assets

3.—(1) Each description of assets which—

- (a) comes within a provision of Part I of the Schedule hereto, and
- (b) where a provision of Part 11 of the Schedule hereto applies to it, conforms with the requirements of that provision,

is prescribed as a description of liquid assets.

(2) The definitions in Part III of the Schedule hereto have effect in respect of the interpretation of that Schedule.

Revocation

4. The Building Societies (Liquid Asset) Regulations 1987(4), The Building Societies (Liquid Asset) (Amendment) Regulations 1989(5), and The Building Societies (Liquid Asset) (Amendment) Regulations 1991(6) are hereby revoked.

Transitional provision

5.—(1) This regulation applies to assets of a society which are not liquid assets under these Regulations but are assets which—

- (a) (i) were previously liquid assets and have ceased to be so, and
(ii) have been held by the society continuously since a date before the date on which they ceased to be liquid assets, or
- (b) (i) were treated, by virtue of article 7 (liquid assets) of the Building Societies Act 1986 (Rules and Miscellaneous Transitional Provisions) Order 1986(7), as if they were prescribed in liquid asset Regulations, and
(ii) have been held by the society continuously since a date before the date on which The Building Societies (Liquid Asset) Regulations 1987 came into force.

(2) A society which so holds assets to which this regulation applies shall not lose its power to continue to hold those assets.

(3) In this regulation a society is treated as including any predecessor of the society.

In witness whereof the common seal of the Building Societies Commission is hereunto fixed, and is authenticated by me, a person authorised under paragraph 14 of Schedule 1 to the Building Societies Act 1986, on

L.S.

1st November 1991.

Norman Dignance
Secretary to the Commission

(4) S.I.1987/1499.
(5) S.I. 1989/1701.
(6) S.I. 1991/1785.
(7) S.I. 1986/2168.

We consent to this Order

11th November 1991

Gregory Knight
Irvine Patnick
Two of the Lords Commissioners of Her
Majesty's Treasury

SCHEDULE

Regulation 3

Part I

LIQUID ASSETS

1. Banknotes or coinage of any country or territory.
2. Deposits with—
 - (a) the central bank of any member State of the European Community and of Canada, Japan, Sweden, Switzerland and the United States of America,
 - (b) the National Savings Bank,
 - (c) any credit institution authorised by the competent authorities of a member State of the European Community,
 - (d) any gilt-edged market maker, or
 - (e) any Stock Exchange money broker.
3. Securities—
 - (a) (1) (a) issued or guaranteed by the government of a state mentioned in paragraph 2(a),
 - (b) issued, guaranteed or, in the case of bills of exchange, accepted by credit institutions authorised by the competent authorities of any member State of the European Community,
 - (c) issued by international organisations the capital of which is subscribed in whole or part by any member State of the European Community,
 - (d) issued by any relevant authority, or
 - (2) in the form of commercial paper issued or guaranteed by
 - (a) companies of the types to which Directive 78/660/EEC(8) as amended by the Acts of Accession of Greece(9) and of Spain and Portugal(10) applies, or
 - (b) by public companies incorporated in Canada, Japan, Sweden, Switzerland and the United States of America,

provided that any guarantee is unconditional in respect of the payment of both principal of and interest on these securities.
4. Mortgage backed securities.
5. Certificates of Tax Deposit issued by the Treasury.
6. National Savings Bonds.
7. Loans to—
 - (a) the Department of Finance and Personnel (Northern Ireland), or
 - (b) any relevant authority.
8. Stock lending rights against any Stock Exchange money broker.

(8) O.J. L. 222 of 14.8.78.

(9) O.J. L. 291 (Article 21, Annex I, Part II(c), point 4) of 19.11.79.

(10) O.J. L. 302 (Article 26, Annex I, Part II, Point 4) of 15.11.85.

PART II

PROVISIONS APPLICABLE TO CERTAIN DESCRIPTIONS OF ASSETS

1. A deposit which comes within paragraph 2(d) or (e) or a stock lending right which comes within paragraph 8 of Part I is a liquid asset only where it is secured by the transfer to the society of liquid assets which come within paragraphs 2(a) or (c), 3(1)(a) of that Part.
2. A loan which comes within paragraph 7(a) of Part I is a liquid asset only where it is secured by a charge on the Consolidated Fund of Northern Ireland.
3. A loan which comes within paragraph 7(b) of Part I is a liquid asset only where—
 - (a) it is secured by a charge on revenues of the relevant authority or on a fund into which such revenues are payable, or
 - (b) it is made on the giving of—
 - (i) a receipt for the loan by the Treasurer or other similar officer of the relevant authority, and
 - (ii) an undertaking by the relevant authority that, if requested to charge the loan on revenues of the authority or on a fund into which such revenues are payable, it will either comply with the request or repay the loan.
4. For the purpose of paragraphs 2(c) and 3(1)(b) of Part 1, a credit institution is authorised by the competent authorities of any member State of the European Community only if such authorisation is within the ambit of Directive [77/780/EEC\(11\)](#).

PART III

INTERPRETATION

In this Schedule—

“accepted” means, in relation to a security in the form of a bill of exchange, signed by the acceptor as a bill of exchange addressed to the signatory;

“commercial paper” means a promissory note which may not be redeemed in whole or in part until after seven days beginning with the date of issue but which must be redeemed within one year beginning with the date of issue;

“competent authorities” means the national authorities which are empowered by law to supervise credit institutions;

“deposit” means a sum of money paid on terms—

- (a) under which it will be repaid, with or without interest or a premium, and either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it; and
- (b) which are not referable to the provision of property or services or the giving of security; and,

for the purposes of this definition, money is paid on terms which are referable to the provision of property or services or to the giving of security if, and only if—

- (i) it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is not or are not in fact sold, hired or otherwise provided;

(11) O.J. L. 322 of 17.12.77.

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- (ii) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of a contract; or
- (iii) without prejudice to paragraph (ii) above, it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise.

“gilt-edged market maker” means—

- (a) at any time when any list is being maintained by the Bank of England for the purposes of section 43 (listed money market institutions) of the Financial Services Act 1986⁽¹²⁾, a person then included in any such list whose business includes the sale, directly to the Bank of England, of securities issued in the United Kingdom by Her Majesty’s Government, and
- (b) at any other time, a person whose business includes the sale, directly to the Bank of England, of securities issued in the United Kingdom by Her Majesty’s Government;

“local authority” means any of the following authorities:

- (a) in England and Wales, a county council, a district council, a London borough council, a parish or community council, the common Council of the City of London, and the Council of the Isle of Scilly;
- (b) in Scotland, a local authority within the meaning of section 235 of the Local Government (Scotland) Act 1973⁽¹³⁾;
- (c) in Northern Ireland, a district council within the meaning of section 1 of the Local Government Act (Northern Ireland) 1972⁽¹⁴⁾;

“mortgage backed securities” means either

- (i) securities for which the collateral consists principally of interests in loans advanced on the security of land in any member State of the European Community, or
- (ii) securities which are guaranteed by the Government National Mortgage Association of the United States of America;

“relevant authority” means any of the following:

- (a) a local authority;
- (b) any authority all the members of which are appointed or elected by one or more local authorities,
- (c) any authority the majority of the members of which are appointed or elected by one or more local authorities in the United Kingdom, being an authority which by virtue of any enactment has power to issue a precept to a local authority in England and Wales, or a requisition to a local authority in Scotland, or to the expenses of which, by virtue of any enactment, a local authority in the United Kingdom is or can be required to contribute;
- (d) the Receiver for the Metropolitan Police District or a combined police authority (within the meaning of the Police Act 1964⁽¹⁵⁾);
- (e) a passenger transport executive within the meaning of section 9(1) of the Transport Act 1968⁽¹⁶⁾;
- (f) a residuary body within the meaning of section 105(1) of the Local Government Act 1985⁽¹⁷⁾;

(12) 1986 c. 60.
(13) 1973 c. 65.
(14) 1972 c. 9 (N.I.).
(15) 1964 c. 48.
(16) 1968 c. 73.
(17) 1985 c. 51..

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“securities” means any debt evidenced by any bill of exchange, bond, certificate of deposit, commercial paper, debenture, debenture stock, note or stock which is either listed on a stock exchange, or traded on a money market supervised by a central bank or a government agency of one of the states mentioned in paragraph 2(a) of Part I;

“stock exchange” means any stock exchange in any of the states mentioned in paragraph 2(a) of Part I;

“Stock Exchange money broker” means—

- (a) at any time when any list is being maintained by the Bank of England for the purposes of section 43 of the Financial Services Act 1986, a person then included in any such list whose business includes the receipt of securities and an obligation to transfer those securities to, or to the order of, a gilt-edged market maker, and
- (b) at any other time, a person whose business includes the receipt of securities and an obligation to transfer those securities to, or to the order of, a gilt-edged market maker.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations set out (in Parts I and II of the Schedule) the liquid assets which a building society may hold under section 21 of the Building Societies Act 1986 for the purposes of meeting its liabilities as they arise. They replace The Building Societies (Liquid Asset) Regulations 1987, The Building Societies (Liquid Asset) (Amendment) Regulations 1989 and The Building Societies (Liquid Asset) (Amendment) Regulations 1991.

The Regulations widen the scope of the assets which may be held by a building society as liquid assets. The new Schedule permits deposits of money to be made with the central banks of member States of the European Community and of the other G10 states (Canada, Japan, Sweden, Switzerland and the United States of America) and with any credit institutions authorised by member States.

Securities issued or guaranteed by the governments of the above states and held by societies will rank as liquid assets as will those issued or guaranteed by credit institutions authorised by member States, those issued by certain international organisations, and commercial paper issued or guaranteed by United Kingdom public limited companies and analogous entities in other member States and the other G10 states.

The status of liquid assets is also extended to mortgage backed securities as defined in Part 111 of the Schedule.

The opportunity has been taken also to simplify the structure of the Schedule to the Regulations.

Regulation 5 empowers societies to continue to hold previously acquired assets which fall outside Parts I and 11 of the Schedule but are validly held by virtue of previous Regulations, and assets which following acquisition have for any reason ceased to be liquid assets.