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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

1. These Regulations implement Council Directive [86/635/EEC](#) Official Journal N.O. L372 of 31.12.1986, pages 1–17 on the Annual Accounts and Consolidated Accounts of Banks and Other Financial Institutions, in so far as that Directive is applicable to bodies corporate to which Part VII of the Companies Act 1985 (“the 1985 Act”) applies.

2. The Regulations firstly amend Schedule 9 to the 1985 Act, which makes special provision for the accounts of banking and insurance companies and groups. The existing Parts I and II of that Schedule are formed by the Regulations into a new Schedule 9A (Regulation 5(1)) and confined in their operation to insurance companies and groups. The existing Part III of Schedule 9 is repealed (Regulation 5(2)). New Parts I to III are inserted into Schedule 9 by Regulation 5(4) and are set out in Parts I to III of Schedule 1 to the Regulations. The new Part I lays down rules governing the content of the individual accounts of banking companies, including prescribed formats to be followed, the valuation rules to be applied and the disclosures to be made in the notes to the accounts. The new Part II adapts the general rules of Part VII of the 1985 Act with respect to the consolidated accounts of a company to the special circumstances of banking groups. The new Part III makes special provision with respect to the disclosures required of banking companies and the parent companies of banking groups in respect of undertakings in which they, or members of their group of companies, have invested.

3. Regulation 3 substitutes new sections 255 to 255B for the existing sections of those numbers in Part VII of the 1985 Act. These sections introduce the new provisions of Schedule 9 and the new Schedule 9A. Inter alia, they define which companies are to prepare group accounts under the special provisions with respect to banking groups.

4. Regulation 4 also amends section 255C of the 1985 Act, which sets out special rules on the content of the directors' report and presently applies to banking and insurance companies and groups, so that for the future it will only apply to insurance companies and groups.

5. Regulations 6 to 8 make further and consequential amendments.

6. Regulation 9 sets out a transitional provision whereby a company may prepare accounts in accordance with the unamended Part VII, as that Part applies to banking companies and groups, rather than under the amended provisions for a financial year commencing prior to 23rd December 1992.