

EXPLANATORY NOTE

(This note is not part of the Order)

Schedule 2 to the Bank of England Act 1998 makes provision concerning the maintenance by certain institutions of cash ratio deposits with the Bank of England (“the Bank”). Institutions which are covered by these arrangements are those authorised under the Banking Act 1987, certain European authorised institutions which have lawfully established branches in the United Kingdom for the purpose of accepting deposits, and building societies authorised under the Building Societies Act 1986. The Bank is enabled to give an institution a written call notice specifying the amount of cash ratio deposit it is expected to have on deposit with the Bank during a specified period. This depositable amount is to be calculated by applying the appropriate ratio (or ratios) to an institution’s liability base. An institution’s liability base comprises those sterling and foreign currency liabilities of the institution which are eligible liabilities.

This Order defines eligible liabilities. Article 3 provides that eligible liabilities means the aggregate of the amounts referred to in paragraphs 1 to 7 of the Schedule to the Order, less the aggregate of the amounts referred to in paragraphs 8 to 13 of the Schedule. The Order also makes provision for the calculation of certain amounts referred to in the Schedule.

A regulatory appraisal of the cash ratio deposit regime established by the Bank of England Act 1998 and orders made under it, including a compliance cost assessment of the effect of the regime on costs to business, is available from the Public Enquiry Unit, Room 89/2, HM Treasury, Parliament Street, London SW1P 3AG.

Changes to legislation:

There are currently no known outstanding effects for the The Cash Ratio Deposits (Eligible Liabilities) Order 1998.