

EXPLANATORY NOTE

(This note is not part of the Order)

Schedule 2 to the Bank of England Act 1998 (c. 11) makes provision concerning the maintenance by certain institutions of cash ratio deposits with the Bank of England (“the Bank”). The institutions covered by these arrangements are those defined as “deposit-takers” by section 17 of, and subparagraphs (1A) to (1C) of paragraph 1 of Schedule 2 to, that Act. The Bank is empowered by paragraph 3 of that Schedule to give such an institution a call notice specifying an amount it is expected to have on deposit with the Bank during a specified period. Under paragraph 6(3), the amount the Bank may require an institution to pay when eligible institutions are late in making deposits is an amount equal to interest for the period covered by the notice, at 4% over the benchmark rate.

This Order replaces paragraph 7 of Schedule 2 which currently specifies the benchmark rate for this purpose. This Order specifies that the Bank rate (as defined in new paragraph 7(2)) is the benchmark rate.

A full impact assessment of the effect that this Order will have on the costs of business and the voluntary sector is available from Her Majesty’s Treasury, 1 Horse Guards Road, London SW1A 2HQ or on www.hm-treasury.gov.uk and is published alongside the Order on www.legislation.gov.uk.