

SCHEDULE 1

PART 3

DEMATERIALIZED LOAN INSTRUMENTS

Modification of the Local Authorities (Borrowing) Regulations 1990

- 24.** In regulation 2–
- (a) in the definition of “loan instrument”–
 - (i) for “instruments which are transferable by delivery”, substitute “eligible debt securities within paragraph (a) of the definition of “eligible debt security” in regulation 3(1) of the 2001 Regulations”;
 - (ii) omit “and (6)”;
 - (b) after the definition of “The Stock Exchange”, insert–
 - ““eligible debt security”, “issue”, “Operator”, “relevant system”, “security”, “uncertificated” and “unit” have the same meanings as in the 2001 Regulations;
 - “the 2001 Regulations” means the Uncertificated Securities Regulations 2001(1);”.
- 25.** In regulation 3–
- (a) in paragraph (2)–
 - (i) for “under” (where first occurring), substitute “in respect of particular units of”;
 - (ii) for “instrument is” (wherever occurring), substitute “units are”;
 - (iii) for “under the instrument” (where second and third occurring), substitute “in respect of those units”;
 - (b) in paragraph (3)–
 - (i) for “under”, substitute “in respect of particular units of”;
 - (ii) after “specified in the”, insert “terms of the”;
 - (c) in paragraph (4), for “under”, substitute “in respect of particular units of”;
 - (d) in paragraph (5)–
 - (i) for “under”, substitute “in respect of particular units of”;
 - (ii) after “specified in” insert, “, or determined in accordance with the terms of,”;
 - (iii) in subparagraph (b), for “the instrument”, substitute “those units”;
 - (e) after paragraph (8), add–
 - “(9) Paragraphs (6) to (8) do not apply in respect of uncertificated units of loan instruments.”.
- 26.** In regulation 4–
- (a) in paragraph (1)–
 - (i) for “loan instrument”, substitute “uncertificated units of a loan instrument (other than a loan instrument which is an eligible debt security within paragraph (a) of the definition of “eligible debt security” in regulation 3(1) of the 2001 Regulations)”;
 - (ii) in subparagraph (a), for “the instrument is”, substitute “those units are”;

- (iii) in subparagraph (c)–
 - (aa) for “under the instrument”, substitute “in respect of those units”;
 - (bb) for “issue of the instrument”, substitute “issue of those units”;
 - (b) in paragraph (2), for “a loan instrument”, substitute “uncertificated units of a loan instrument”.
- 27.** In regulation 5–
- (a) in paragraph (1), for “The”, substitute “Subject to paragraph (3), the”;
 - (b) after paragraph (2), add–
 - “(3) Uncertificated units of a loan instrument shall only be transferable by means of a relevant system in accordance with the 2001 Regulations.”.
- 28.** In regulation 6–
- (a) for “a” (where second occurring), substitute “uncertificated units of a”;
 - (b) for “a further loan instrument”, substitute “further such units”;
 - (c) in paragraph (a), for “instrument”, substitute “units”;
 - (d) in paragraph (b)–
 - (i) for “instrument” (wherever occurring), substitute “units”;
 - (ii) for “was”, substitute “were”.
- 29.** In regulation 7–
- (a) for paragraphs (1) and (2), substitute–
 - “(1) Subject to paragraphs (4) and (7) below, a local authority may not issue units of a loan instrument which is an eligible debt security within paragraph (a) of the definition of “eligible debt security” in regulation 3(1) of the 2001 Regulations unless the issue of the units amounts to the issue of a bill, sterling commercial paper or a sterling medium term note in accordance with paragraph (2).
 - (2) For the purposes of these Regulations, the issue of units of a loan instrument amounts to–
 - (a) the issue of a bill if–
 - (i) the terms upon which the units are issued require that all payments to be made by the authority in respect of the units fall to be made not later than 187 days after the date of issue of the units; and
 - (ii) the issue of the units does not amount to the issue of sterling commercial paper or of a sterling medium term note in accordance with sub-paragraphs (b) or (c) below;
 - (b) the issue of sterling commercial paper if–
 - (i) the terms upon which the units are issued require that all payments which fall to be made by the authority in respect of the units are to be in sterling and to be made not earlier than seven days and not later than one year after the date of issue of the units; and
 - (ii) the requirements of paragraph (2A) below are satisfied;
 - (c) the issue of a sterling medium term note if–
 - (i) the terms upon which the units are issued require that all payments which fall to be made by the authority in respect of the units are to be in sterling and all such payments other than payments in respect of interest are to be

made later than one year but not later than five years after the date of issue of the units; and

(ii) the requirements of paragraph (2A) below are satisfied.

(2A) The requirements of this paragraph are satisfied in relation to units of a loan instrument if the terms upon which the units are issued require that—

(a) the aggregate redemption value of the units at the date of issue is not less than £100,000; and

(b) the units are transferable only if their aggregate redemption value at the date of transfer is not less than £100,000.”;

(b) in paragraph (3)—

(i) for “paragraph (2)”, substitute “paragraph (2A)”;

(ii) for “loan instrument” substitute “units”;

(c) in paragraph (5), for “loan instrument is” (wherever occurring), substitute, “units are”;

(d) in paragraph (8)—

(i) a reference to paper includes a reference to units of a loan instrument where the issue of the units amounts to the issue of sterling commercial paper for the purposes of the 1990 Regulations; and

(ii) a reference to a note includes a reference to units of a loan instrument where the issue of the units amounts to the issue of a sterling medium term note for the purposes of the 1990 Regulations;

(e) in paragraph (9)—

(i) for the words from “Any” to “local authority shall”, substitute “The terms of a loan instrument, the issue of whose units amounts to the issue of sterling commercial paper or a sterling medium term note for the purposes of these Regulations shall”;

(ii) in subparagraph (b), for “under the instrument”, substitute “in respect of the units”;

(iii) in subparagraph (c), for “it is”, substitute “the issue of its units is equivalent to the issue of”;

(iv) omit subparagraph (d);

(v) in subparagraph (e), for “the instrument is”, substitute “units of the instrument are”;

(vi) after subparagraph (e), add—

“(f) include a term to the effect that the authority must, at the request of a person who holds units of the instrument, provide that person with a record (whether or not in the form of a document) containing the information referred to in subparagraphs (a) to (c) and (e) of this paragraph as applicable at the time the units were issued.”;

(f) after paragraph (10), insert—

“(10A) References in paragraphs (4) and (7) to (9) to, or to the issue of, a bill, sterling commercial paper or a sterling medium term note include references to, or to the issue of, units of a loan instrument in circumstances where the issue of those units amounts to the issue of a bill, sterling commercial paper or a sterling medium term note (as the case may be) in accordance with paragraph (2).”.

30. After regulation 8(5), add—

“(6) This regulation does not apply to payments which fall to be made in respect of uncertificated units of loan instruments.”.

31. After regulation 9(12), add–

“(13) This regulation does not apply in respect of uncertificated units of loan instruments, loans in respect of which such units are issued, or any transfer of rights and obligations in respect of such loans.”.

32. In Schedule 1–

(a) in paragraph 1–

(i) in subparagraphs (a) and (e), for “under the instrument”, substitute “in respect of the units”;

(ii) in subparagraph (c), for “to the instrument”, substitute “in respect of the units”;

(iii) in subparagraph (f), for “instrument”, substitute “units”;

(iv) in subparagraphs (g) and (h), for “instrument is”, substitute “units are”;

(b) in paragraph 5–

(i) in subparagraph (a), for “loan instrument is”, substitute “units are”;

(ii) in subparagraph (b), for “under the loan instrument”, substitute “in respect of the units.”.

33. In Schedule 2–

(a) in paragraph 1, for the definition of “relevant security”, substitute–

““relevant security” means units of a loan instrument, the issue of which amounts to the issue of sterling commercial paper or a sterling medium term note in accordance with regulation 7 in a case to which this Schedule applies.”;

(b) omit paragraph 2(o).