

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(7) of, and paragraph 1(1A) to (1C) 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 the institution is expected to have on deposit with the Bank during a specified period. Under paragraph 4 of that Schedule, the depositable amount is to be calculated by multiplying so much of an institution’s average liability base as falls into each of the different value bands by the ratio applicable to that band, and adding up these amounts.

This Order specifies the value bands and the ratios applicable to them, and revokes the Order which specified previous value bands and ratios. The Order specifies two value bands. For the value band up to and including £600 million, the ratio, in the form of a percentage, is 0%. For the value band over £600 million, the ratio, in the form of a percentage, is calculated for each call notice period applying the formula contained in the Order.

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.