
Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

SCHEDULES

SCHEDULE 2

Section 3(3).

MINIMUM CRITERIA FOR DEPOSIT-TAKING INSTITUTIONS

PART I

RECOGNISED BANKS

- 1 (1) Subject to sub-paragraph (2) below, the institution enjoys, and has for a reasonable period of time enjoyed, a high reputation and standing in the financial community.
- (2) In the case of—
 - (a) an institution which is not yet carrying on a deposit-taking business, or
 - (b) an institution which has not carried on such a business long enough to have earned the reputation and standing referred to in sub-paragraph (1) above,the criteria in sub-paragraph (1) above may be taken to be fulfilled if control of the institution lies with one or more bodies of appropriate standing.
- (3) In sub-paragraph (2) above the expression "body of appropriate standing" means a recognised bank or an institution which enjoys, and has for a reasonable period of time enjoyed, a high reputation and standing in the financial community.
- (4) Section 534 of the Income and Corporation Taxes Act 1970 (meaning of "control" in certain contexts) shall apply for the purposes of sub-paragraph (2) above as it applies for purposes of provisions of the Taxes Acts which apply that section.
- 2 (1) The institution provides in the United Kingdom or, in the case of an institution which is not yet carrying on a deposit-taking business in the United Kingdom, will provide there either a wide range of banking services or a highly specialised banking service.
- (2) For the purposes of this Part of this Schedule, an institution shall not be regarded as providing a wide range of banking services at any time unless, subject to sub-paragraph (3) below, it provides at that time all of the following services, namely,—
 - (a) current or deposit account facilities in sterling or foreign currency for members of the public or for bodies corporate or the acceptance of funds in sterling or foreign currency in the wholesale money markets ;
 - (b) finance in the form of overdraft or loan facilities in sterling or foreign currency for members of the public or for bodies corporate or the lending of funds in sterling or foreign currency in the wholesale money markets ;
 - (c) foreign exchange services for domestic and foreign customers;
 - (d) finance through the medium of bills of exchange and promissory notes together with finance for foreign trade and documentation in connection with foreign trade; and
 - (e) financial advice for members of the public and for bodies corporate or investment management services and facilities for arranging the purchase and sale of securities in sterling or foreign currency.

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

- (3) Any question whether an institution is to be regarded for the purposes of this Schedule as providing at any time either a wide range of banking services or a highly specialised banking service shall be determined by the Bank and, for the purpose of that determination, the Bank may—
- (a) with regard to the provision of a wide range of banking services, disregard the fact that the institution does not or will not provide one or two of the services specified in paragraphs (c) to (e) of sub-paragraph (2) above; and
 - (b) have regard to the nature and scope of a particular service provided or to be provided by an institution in determining whether the institution is to be regarded as providing or as going to provide that service for the purposes of this paragraph.
- 3 The business of the institution is or, in the case of an institution which is not yet carrying on a deposit-taking business, will be carried on with integrity and prudence and with those professional skills which are consistent with the range and scale of the institution's activities.
- 4 At least two individuals effectively direct the business of the institution.
- 5 (1) Without prejudice to paragraph 6 below but subject to sub-paragraph (2) below, the institution will at the time recognition is granted to it have net assets which amount to not less than—
- (a) £5 million, if it is an institution which provides or will provide a wide range of banking services ; and
 - (b) £250,000, if it provides or will provide a highly specialised banking service.
- (2) Sub-paragraph (1) above does not apply to an institution which, on the day appointed for the purposes of subsection (4) of section 2 of this Act, was carrying on a deposit-taking business in the United Kingdom if—
- (a) the grant of recognition referred to in that sub-paragraph is made pursuant to an application made at any time during the period referred to in paragraph (a) of that subsection ; and
 - (b) the institution has carried on such a business continuously throughout the period beginning on 9th November 1978 and ending on the date of its application for recognition.
- (3) In sub-paragraph (1) above " net assets ", in relation to a body corporate, means paid-up capital and reserves.
- (4) After consultation with the Bank, the Treasury may by order vary either or both of the sums specified in sub-paragraph (1) above.
- (5) The power to make an order under sub-paragraph (4) above shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- 6 (1) The institution maintains or, in the case of an institution which is not yet carrying on a deposit-taking business, will maintain net assets which, together with other financial resources available to the institution of such a nature and amount as are considered appropriate by the Bank, are of an amount which is commensurate with the scale of the institution's operations.
- (2) In sub-paragraph (1) above " net assets ". in relation to a body corporate, means paid-up capital and reserves.

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

PART II

LICENSED INSTITUTIONS

- 7 Every person who is a director, controller or manager of the institution is a fit and proper person to hold that position.
- 8 At least two individuals effectively direct the business of the institution.
- 9 (1) Without prejudice to paragraph 10(1)(a) below but subject to sub-paragraph (2) below, the institution will at the time the licence is granted to it have net assets which amount to not less than £250,000 or such larger sum as the Treasury, after consultation with the Bank, may by order specify.
- (2) This paragraph does not apply to an institution which on 9th November 1978 was carrying on a deposit-taking business in the United Kingdom.
- (3) In sub-paragraph (1) above " net assets ". in relation to a body corporate, means paid-up capital and reserves.
- (4) The power to make an order under sub-paragraph (1) above shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- 10 (1) The institution conducts or, in the case of an institution which is not yet carrying on a deposit-taking business, will conduct its business in a prudent manner and, in particular.—
- (a) maintains or, as the case may require, will maintain net assets of such amount as, together with other financial resources available to it of such a nature and amount as are considered appropriate by the Bank, is sufficient to safeguard the interests of its depositors, having regard to the factors specified in sub-paragraph (2) below; and
- (b) maintains or, as the case may require, will maintain adequate liquidity having regard to the relationship between its liquid assets and its liabilities and also to the times at which its liabilities fall due and its assets mature ; and
- (c) makes or, as the case may require, will make adequate provision for bad and doubtful debts and obligations of a contingent nature.
- (2) The factors referred to in sub-paragraph (1)(a) above are—
- (a) the scale and nature of the liabilities of the institution and the sources and amounts of deposits accepted by it; and
- (b) the nature of its assets and the degree of risk attached to them.
- (3) In sub-paragraph (1)(a) above "net assets" in relation to a body corporate, means paid-up capital and reserves.