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STATUTORY INSTRUMENTS

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**1991 No. 2582**

**BUILDING SOCIETIES**

**The Building Societies (Prescribed  
Contracts) (Amendment) Order 1991**

*Made - - - - 11th November 1991*  
*Laid before Parliament 14th November 1991*  
*Coming into force - - 16th December 1991*

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by section 23(2) of the Building Societies Act 1986<sup>(1)</sup>, and of all other powers enabling it in that behalf, hereby makes the following Order:

**Citation and commencement**

1. This Order may be cited as the Building Societies (Prescribed Contracts) (Amendment) Order 1991 and shall come into force on 16th December 1991.

**Amendment of the previous Order**

2. The Building Societies (Prescribed Contracts) Order 1988<sup>(2)</sup> shall be amended as follows:
- (1) by the omission in article 2(1)—
    - (a) (i) from (b) in the definition of “prescribed contract” of the words “sterling interest rate”, and
    - (ii) from (d) in that definition of the word “sterling”; and
  - (b) from the definition of “security” of the words “or societies of particular descriptions” and “sterling”;
- (2) by the omission in article 3(1) of the words “subject to paragraph (2) below”;
- (3) by the omission of article 3(2);
- (4) by the repeal in the Schedule of Part I and its replacement by the following:—

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(1) 1986 c. 53.

(2) S.I. 1988/1344.

## “PART I

### TERMS FOR SWAP CONTRACTS

A society agrees with a participant (whether in a single agreement with him or by a series of agreements to at least one of which he is a party) that each will pay money to or to the order of the other on terms which are calculated to substitute for a cash flow of the society a different cash flow, whether the difference lies in the number or frequency of the payments or receipts (or combination of payments and receipts) comprising the cash flows, in the interest rates by which such payments or receipts are calculated, in the currency in which such payments are made or receipts are taken, or in any combination of those factors.”;

(5) by the deletion from Part II of the Schedule of the words “STERLING INTEREST RATE”, and wherever they occur, of the words “in sterling”;

(6) by the deletion in the Schedule of Part IV and its replacement by the following—

## “PART IV

### TERMS FOR INTEREST RATE FORWARD AND FUTURES CONTRACTS

1. A society agrees with a participant (whether by a single agreement with him or by a series of agreements to at least one of which he is a party) that one party to the agreement will at specified times:

- (a) pay to or receive from the other a sum or sums of money where the amount (if any) to be paid is to be determined by reference to the extent to which specified rates of interest or specified prices differ as between the beginning and the end of specified periods or at a specified time or times, or at specified times fall outside a specified range of interest rates or prices; and, or alternatively,
- (b) transfer to the other a holding or holdings of securities in return for a sum or sums of money where the amount, if any, to be paid is to be determined by reference to the extent to which specified rates of interest or specified prices differ as between the beginning and the end of specified periods or at a specified time or times, or at specified times fall outside a specified range of interest rates or prices.

2. In this Part of this Schedule, “securities” means securities issued by the government of any member State of the European Community or of Canada, Japan, Sweden, Switzerland and the United States of America.”.

### **Transitional provisions**

3. Nothing in this Order shall be taken to invalidate any contract effected by a society as a prescribed contract in accordance with any Order in force under section 23(2) of the Act at the time when the contract was effected.

In witness whereof the common seal of the Building Societies Commission is hereto fixed, and is authenticated by me, a person authorised under paragraph 14 of Schedule 1 to the Building Societies Act 1986, on

L.S.

1st November 1991.

*Norman Digance*  
Secretary to the Commission

We consent to this Order

11th November 1991

*Gregory Knight*  
*Irvine Patrick*  
Two of the Lords Commissioners of Her Majesty's Treasury

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

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order amends the Building Societies (Prescribed Contracts) Order 1988 which prescribes certain contracts as types of contract which a building society with a qualifying asset may enter into under section 23 of the Building Societies Act 1986 for the purpose of reducing the risk of loss arising from changes in interest rates, currency rates or other factors of a prescribed description which affect its business.

The Order opens up certain of the contracts to currencies other than sterling, in relation to swap contracts removes the requirement that the cash flow for which a substitute is made must relate to specific assets and liabilities, and widens the permitted scope of and clarifies the nature of permitted interest rate forward and futures contracts.

There is a transitional provision to ensure that the validity of existing contracts is preserved.

The opportunity has been taken to remove from the 1988 Order certain provisions in article 3 which are no longer required following removal of the requirement that certain liquid assets may be held only by societies with a qualified asset holding. (This was effected by S.I.1991/2580).