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## EXPLANATORY NOTE

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

This Order is made under section 104 of the Building Societies Act 1986 for the purposes of assimilating in respect of directors and auditors the law relating to building societies to that relating to companies in Great Britain and Northern Ireland.

Section 310 of the Companies Act 1985 made void provisions for exempting officers and auditors of a company from liability in respect of their duties as such, subject to certain exceptions. That section is modified by section 137(1) of the Companies Act 1989 by enabling a company to purchase and maintain for such persons insurance against such liability. Section 211 of the Companies Act added section 110 of the Building Societies Act 1986 (which corresponds to section 310 of the Companies Act 1985) to the provisions mentioned in section 104 of the 1986 Act which may be modified so as to assimilate it to company law. This order modifies section 110 so as to bring it into line and permit societies to obtain insurance for their officers and auditors against their respective liabilities.

It is proposed that, consequentially, the Building Societies Commission, with the consent of the Treasury shall make regulations pursuant to section 75(1) of the 1986 Act requiring such insurance to be disclosed in the directors' annual report, replicating the effect of section 137(2) of the 1989 Act.