
STATUTORY INSTRUMENTS

1994 No. 2459

BUILDING SOCIETIES

The Building Societies (Accounts and Related Provisions) (Amendment) Regulations 1994

<i>Made</i>	- - - -	<i>23rd September</i> <i>1994</i>
<i>Laid before Parliament</i>		<i>3rd October 1994</i>
<i>Coming into force</i>	- -	<i>1st January 1995</i>

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by sections 73(6), (7) and (8), 74(3), (4) and (6) and 75(1)(b) of the Building Societies Act 1986(1), hereby makes the following Regulations:

Citation and Commencement

1. These Regulations may be cited as the Building Societies (Accounts and Related Provisions) (Amendment) Regulations 1994 and shall come into force on 1st January 1995.

Amendment of principal Regulations

2. The Building Societies (Accounts and Related Provisions) Regulations 1992(2) shall be amended as follows—

- (a) in regulation 9(3) there shall be inserted after the words “in the notes to the annual accounts or” the words “, except for the material required by virtue of paragraph 3A of Schedule 9,”;
- (b) in Schedule 5—
 - (i) in paragraph 5(3)(e) the words “, except that it does not include contributions paid in respect of a person under a pension scheme” shall be omitted;
 - (ii) after paragraph 12 there shall be inserted the following paragraph—

“12A. There shall be a note in the accounts specifying whether the amounts to be shown under paragraph 5 include contributions paid under any pension scheme in respect of any person who is not an executive director of the society and, if so, the names of such persons.”;
 - (iii) in paragraph 13 “12A” shall be substituted for “12”;

(1) 1986 c. 53.
(2) S.I.1992/359.

- (iv) the following shall be substituted for paragraph 15(4)—
- “(4) There shall be shown in respect of the auditors—
- (a) the amount of remuneration received or receivable by them in their capacity as such; and
 - (b) the aggregate amount of remuneration, if any, received or receivable by the auditors or any associate of the auditors in respect of services other than those of the auditors in their capacity as such supplied—
 - (i) to the society; or
 - (ii) to any associated undertaking of the society of which the society’s auditors or any associate of the society’s auditors are the auditors.
- (4A) In sub-paragraph (4)—
- (a) “associate”, in relation to the auditors, shall be construed in accordance with paragraph 15A;
 - (b) “remuneration” includes sums paid in respect of expenses and the estimated money value of any other benefits received or receivable otherwise than in cash; and
 - (c) notwithstanding regulation 2(1), “associated undertaking”, in relation to the society, means any undertaking which, in accordance with section 258 of the Companies Act 1985(3), is a subsidiary undertaking of the society other than a subsidiary undertaking formed under the law of a country or territory outside the United Kingdom.”; and
- (v) after paragraph 15 there shall be inserted the following paragraph—

“Persons who are to be regarded as associates of a society’s auditors

15A.—(1) This paragraph applies in order to determine whether a person is to be regarded as an associate of a society’s auditors in any financial year of a society in relation to which disclosure must be made by virtue of paragraph 15(4)(b).

(2) Where a society’s auditors are a body corporate, each of the following shall be regarded as an associate of theirs in a relevant financial year—

- (a) any partnership in which the auditors were, at any time in the financial year, a partner;
- (b) any partnership in which a director of the auditors was, at any time in the financial year, a partner;
- (c) any body corporate which was, at any time in the financial year, in the same group as the auditors;
- (d) any body corporate which was an associated undertaking of the auditors or of a body corporate in the same group as the auditors at any time in the financial year;
- (e) any body corporate in which any director of the auditors either alone or with any associate of the auditors was, at any time in the financial year, entitled to exercise, or control the exercise of, 20 per cent. or more of the voting rights at any general meeting and any body

(3) 1985 c. 6; section 258 was inserted by section 21(1) of the Companies Act 1989 (c. 40).

corporate which was, at any time in the financial year, in the same group as any such body corporate; and

(f) any director of the auditors.

(3) Where a society's auditors are a partnership, each of the following shall be regarded as an associate of theirs in a relevant financial year—

(a) any other partnership which had, at any time in the financial year, a partner in common with the auditors;

(b) any body corporate which was, at any time in the financial year, a partner in the auditors;

(c) any body corporate in which, whether alone or with any associate of the auditors, the auditors or any partner in the auditors was, at any time in the financial year, entitled to exercise, or control the exercise of, 20 per cent. or more of the voting rights at any general meeting;

(d) any body corporate which was, at any time in the financial year, in the same group as any such body corporate as is mentioned in paragraph (b) or (c) above; and

(e) any partner in the auditors.

(4) Where a society's auditor is an individual, each of the following shall be regarded as an associate of his in a relevant financial year—

(a) any partnership in which the auditor was, at any time in the financial year, a partner; and

(b) any body corporate in which the auditor or any associate of his was, at any time in the financial year, entitled to exercise, or control the exercise of, 20 per cent. or more of the voting rights at any general meeting and any body corporate which was, at any time in that year, in the same group as any such body corporate.

(5) Each of the following shall be regarded as an associate of a society's auditors in a relevant financial year whether the auditors are a body corporate, a partnership or an individual, that is to say, any person who was, at any time in that financial year, entitled to receive 20 per cent. or more of the auditors' profits and any person of whose profits the auditors were, in that financial year, entitled to receive 20 per cent. or more.

(6) Notwithstanding regulation 2(1), in this paragraph 15A—

(a) “associated undertaking”, in relation to a body corporate, means any undertaking which, in accordance with section 258 of the Companies Act 1985, is a subsidiary undertaking of the body other than a subsidiary undertaking formed under the law of a country or territory outside the United Kingdom; and

(b) “director” and “group” have the respective meanings given in section 53(1) of the Companies Act 1989(4).”;

(c) in Schedule 8 the following additional paragraph shall be added after paragraph 8—

“9. Where in the financial year the society has purchased or maintained any such insurance as is mentioned in section 110(3)(a) of the Building Societies Act 1986(5)

(4) 1989 c. 40.

(5) A new section 110(3) was substituted by article 2 of the Building Societies Act 1986 (Modifications) (No. 2) Order 1991 (S.I. 1991/2738).

(insurance of directors, other officers or auditors against liabilities in relation to the society), that fact shall be stated in the directors' report.”; and

(d) in Schedule 9—

(i) paragraph 3(2) shall be omitted; and

(ii) there shall be inserted after paragraph 3 the following paragraph—

“**3A.**—(1) The annual business statement of a society shall state, in relation to each person who was, at the end of the financial year with which it deals, a director or the chief executive of the society, particulars of his service contract (if any) with the society including in particular—

(a) the date on which the contract was entered into;

(b) whether the contract is for a fixed term and, if so, what the term is and whether the contract is automatically renewable in any circumstances (specifying them); and

(c) whether the contract provides for termination by notice (otherwise than for breach of its terms) and, if so, what period of notice must be given by each of the parties.

(2) The annual business statement of a society shall state, in relation to each person who was, at the end of the financial year with which it deals, a director or other officer of the society, whether he or any member of his immediate family was at the end of that year entitled to any right to subscribe for shares in, or debentures of, any associated body of the society and whether any such right was granted to, or exercised by, him or a member of his immediate family during that year.

(3) If any right of the kind mentioned in sub-paragraph (2) granted to a director or other officer of the society or a member of his immediate family was outstanding at the end of that year, or was granted during that year but was not outstanding at the end of it, there shall be stated in respect of each such right—

(a) the name of the body in respect of which the right was granted;

(b) the date on which the right was granted;

(c) the period during which, or the time at which, it is exercisable;

(d) the consideration for the grant (or, if there is no consideration, that fact); and

(e) a description of the shares or debentures involved and the number or amount of them, and the price to be paid for them (or the consideration, if otherwise than in money).

(4) If any right of the kind mentioned in sub-paragraph (2) was exercised by a director or other officer of the society or a member of his immediate family during that year, there shall be stated in respect of each such right—

(a) the name of the body in respect of which the right was exercised (identifying the right, if more than one was exercisable in respect of that body);

(b) a description of the shares or debentures involved and the number or amount of them; and

(c) if they were registered in his name, that fact, and, if not, the name or names of the person or persons in whose name or names they were registered, together (if they were registered in the names of two

persons or more) with the number or amount registered in the name of each of them.

(5) In sub-paragraphs (2), (3) and (4) a director's or other officer's "immediate family" means his spouse and infant children but does not include a person who is himself a director or other officer of the society; and for this purpose "children" includes step-children, and "infant" means, in relation to Scotland, under the age of 18 years."

Transitional provisions

3.—(1) Where any provision of these Regulations requires—

- (a) the recording of a particular item in respect of an entire financial year, and—
 - (i) that financial year began before the coming into force of these Regulations, and
 - (ii) the legislation in force during the period beginning with the start of the financial year and ending immediately before the coming into force of these Regulations did not require the recording of that particular item, or
- (b) the recording of a particular item as at the end of a previous financial year, and—
 - (i) that previous financial year ended before the coming into force of these Regulations, and
 - (ii) the legislation in force as at the end of that previous financial year did not require the recording of that particular item,

then if the records of the society are so kept as to enable that particular item to be identified, it shall be identified and so recorded, but if the records of the society are not so kept, it shall be included on the basis of an estimate.

(2) Where under paragraph (1) an estimate is used in respect of any item, that fact shall be disclosed in a note to the accounts.

(3) A society may, with respect to a financial year which commenced before the coming into force of these Regulations, prepare such annual accounts as it would have been required to prepare had these Regulations not been made.

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.

8th September 1994.

J. Dennis
Secretary to the Commission

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

We consent to these Regulations.

23rd September 1994

Kenneth Clarke
Tim Wood
Two of the Lords Commissioners of Her
Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Building Societies (Accounts and Related Provisions) Regulations 1992. The details of chairman's and directors' emoluments disclosed in the notes to the accounts now include pension contributions; and additional information is required in respect of non-executive directors. The Regulations also require the disclosure in the notes of remuneration paid to a society's auditors and their associates for non-audit work.

The Regulations extend the information that a building society must provide in its annual business statement about directors and other officers. Information is required in relation to service contracts of directors and the chief executive (including duration and termination provisions); and rights of a director or other officer to subscribe for shares or debentures (including rights granted to a member of the director's or other officer's immediate family).

The Building Societies Act 1986 (Modifications) (No. 2) Order 1991 modified section 110(3) of the Building Societies Act 1986 so as to permit building societies to purchase and maintain, for their directors, other officers and auditors, insurance against liability in respect of negligence, default, breach of duty or breach of trust. This assimilated the law relating to building societies to that relating to companies in Great Britain and Northern Ireland. Where a society has in the financial year purchased or maintained any such insurance, these Regulations require that this shall be disclosed in the directors' report. This brings the disclosure requirements for societies in relation to such insurance into line with the disclosure requirements for companies.

The Regulations contain transitional provisions in respect of the disclosure of items relating to financial years beginning before they come into force.

A review of the cost of compliance with these Regulations has been undertaken and the resulting compliance cost assessment may be purchased from the Secretary, Building Societies Commission, 15 Great Marlborough Street, London W1V 2AX.