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STATUTORY INSTRUMENTS

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**1996 No. 1605**

**BUILDING SOCIETIES**

**The Building Societies (Prescribed  
Contracts) (Amendment) Order 1996**

<i>Made</i>	- - - -	<i>20th June 1996</i>
<i>Laid before Parliament</i>		<i>21st June 1996</i>
<i>Coming into force</i>	- -	<i>15th July 1996</i>

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by section 23(2) and (4) of the Building Societies Act 1986<sup>(1)</sup>, hereby makes the following Order:

**Citation and commencement**

**1.** This Order may be cited as the Building Societies (Prescribed Contracts) (Amendment) Order 1996 and shall come into force on 15th July 1996.

**Amendment of previous Order**

**2.** In the Schedule to the Building Societies (Prescribed Contracts) Order 1993<sup>(2)</sup> there shall be substituted for Part IV the provisions set out in the Schedule to this Order.

**Transitional provision**

**3.** Nothing in this Order shall be taken to invalidate any contract effected by a building society as a prescribed contract in accordance with any Order in force under section 23(2) of the Building Societies Act 1986 at the time when the contract was effected.

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(1) 1986 c. 53.  
(2) S.I. 1993/984.

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**Status:** This is the original version (as it was originally made).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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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.

10th June 1996.

*J. Dennis*  
Secretary to the Commission

We consent to this Order.

20th June 1996

*D. Conway*  
*Liam Fox*  
Two of the Lords Commissioners of  
HerMajesty's Treasury

## SCHEDULE

Article 2

### NEW PART IV OF THE SCHEDULE TO THE BUILDING SOCIETIES (PRESCRIBED CONTRACTS) ORDER 1993

#### “PART IV

#### TERMS FOR FORWARD AND FUTURES CONTRACTS

1. A society agrees with a participant (whether by a single agreement or by a series of agreements) that the society will at a specified time or specified times:

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

2. A society agrees with a participant (whether by a single agreement or by a series of agreements) that the society will at a specified time or specified times make a payment or payments in one currency in exchange for a payment or payments in another currency where the amounts of currency to be paid and received are determined by reference to a specified price, at a specified time, of currency for delivery at the end of a specified period or periods.

3.—(1) A society agrees with a participant (whether by a single agreement or by a series of agreements) that the society will at a specified time or specified times:

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

(2) In this paragraph, “interest” means any interest payable in respect of money but not interest determined by reference to the fluctuations in the value or price of property of any description or in an index or other factor derived from such value or price.

4. In this Part IV, “securities” means securities issued by the government of any of the following: any member State, Canada, Iceland, Japan, Liechtenstein, Norway, Switzerland and the United States of America.”

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## EXPLANATORY NOTE

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

This Order amends the Building Societies (Prescribed Contracts) Order 1993 (the 1993 Order) which prescribes certain contracts as types of contract which a building society may effect 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 substitutes a new Part IV of the Schedule to the 1993 Order. The new Part IV clarifies the nature of the forward and futures contracts which societies are permitted to effect and widens the scope of the permitted contracts which may be entered into by societies which do not have a qualifying asset holding. A building society has a qualifying asset holding where the aggregate value of its total commercial assets is not less than £100 million.

The Order also brings the list of government securities which may be delivered for the purpose of settling a permitted futures contract into line with the list of governments whose securities are prescribed as liquid assets which may be held by building societies by the Building Societies (Liquid Asset) Regulations 1991 (S.I.1991/2580) (as amended by the Building Societies (Liquid Asset) (Amendment) Regulations 1992 (S.I. 1992/2930)).

A compliance cost assessment of the effect that this instrument would have on the cost of business is available from the Secretary, Building Societies Commission, 15 Great Marlborough Street, London W1V 2LL.