
STATUTORY INSTRUMENTS

1996 No. 1606

BUILDING SOCIETIES

**The Building Societies (Supplementary
Capital) (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 45(5) of the Building Societies Act 1986(1) hereby makes the following Order:

Title and Commencement

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

Interpretation

2. In this Order “the Supplementary Capital Order” means the Building Societies (Supplementary Capital) Order 1988(2).

Amendment of the Supplementary Capital Order

3. Part II of the Schedule to the Supplementary Capital Order (disqualifying terms) shall have effect subject to the following amendments:

(a) in paragraph 4(3) for the definition of a market rate there shall be substituted the following definition —

““a market rate” means —

(a) a rate being one of, or an average of, any published rates of interest applicable from time to time for the purpose of calculating interest on debt or other financial obligation arising from transactions between authorised institutions;

(1) 1986 c. 53.

(2) S.I. 1988/777, amended by S.I.s 1992/1612 and 3218.

- (b) a rate being one of, or an average of, any published rates of interest applicable from time to time for the purpose of calculating interest payable on any class of securities issued in the United Kingdom by Her Majesty's Government;
 - (c) a rate being one of, or an average of, any published figures specifying the rate of yield obtainable on any class of securities issued in the United Kingdom by Her Majesty's Government;
 - (d) the rate of interest payable on such interest bearing shares other than deferred shares in the society as have from time to time the lowest rate of interest; or
 - (e) the rate of interest payable on such interest bearing shares other than deferred shares in the society as have from time to time the highest rate of interest.”; and
- (b) the following sub-paragraph shall be added to paragraph 4 —
- “(4) For the purposes of —
- (a) head (a) of the definition of a market rate in sub-paragraph (3) above, a market rate may be taken to be specified notwithstanding that the issue terms contain a provision to the effect that, if a specified rate of interest applying to the issue as a market rate ceases to be published, another published market rate may be substituted therefor, being a rate which is calculated on principles as near as possible to the principles of calculation of the previously applicable rate, and subject thereto, such that immediately after substitution, the market rate shall be as nearly as practicable the same as that applying immediately before the substitution,
 - (b) heads (b) and (c) of that definition, a market rate may be taken to be specified notwithstanding that the issue terms contain a provision that, upon a specified date there shall be substituted for the class or classes of securities on which the market rate had been calculated prior to the date on which such substitution should take effect, some other class or classes of securities issued in the United Kingdom by Her Majesty's Government the latest redemption date of which is as close as possible after the date on which the subordinated debt falls to be repaid or, if there is more than one such date, the latest thereof,
 - (c) any of such heads (a), (b) and (c) of the definition, a rate of interest or of yield may be taken to be published if it is ascertainable at regular intervals by reference to any electronic retrieval system accessible by the borrower and the lender or is notified to the borrower by an authorised institution and as respects head (a), being a rate of interest applicable as between authorised institutions.”.

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

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 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.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Building Societies (Supplementary Capital) Order 1988 which specifies supplementary capital as a capital resource which building societies may aggregate with their reserves to assess the adequacy of their reserves and other designated capital resources under section 45(3) of the Building Societies Act 1986.

The previous amending order (S.I.1992/1612) excluded from such aggregation capital issued upon terms providing that the rate of interest payable might increase by more than a specified percentage. For that purpose that amending order set out modes of calculation by reference to market rates with or without a margin. The present order clarifies and extends the categories of rates which may be used as a market rate and permits the substitution in certain circumstances of one market rate for another.

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.