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## EXPLANATORY NOTE

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

These Regulations give effect to European Parliament and Council Directive [95/26/EC](#) (OJNo. L168, 18.7.95, p.7) amending Directives [77/780/EEC](#) and [89/646/EEC](#) in the field of credit institutions, Directives [73/239/EEC](#) and [92/49/EEC](#) in the field of non-life insurance, Directives [79/267/EEC](#) and [92/96/EEC](#) in the field of life assurance, Directive [93/22/EEC](#) in the field of investment firms and Directive [85/611/EEC](#) in the field of undertakings for collective investment in transferable securities (UCITS) with a view to reinforcing prudential supervision.

Part I of the Regulations, together with Schedule 1, defines various words and phrases, including “closely linked”, for the purposes of the Regulations.

Part II of the Regulations makes provision for banking institutions. It amends sections 9 and 11 of the Banking Act [1987 \(c. 22\)](#) so that the Bank of England must refuse an application for authorisation (and may revoke authorisation) where a credit institution is closely linked to another person and where those close links would prevent the effective exercise of the Bank’s supervisory functions in relation to the institution. The protection given by section 47 of the Banking Act to certain auditors is extended. Part V of the Banking Act is amended so as to permit the disclosure of information in certain circumstances.

Part III of the Regulations makes provision for building societies. Amendments are made to the Building Societies Act [1986 \(c. 53\)](#) which broadly correspond to those made to the Banking Act.

Part IV of and Schedules 2 and 3 to the Regulations make provision in relation to financial services. Sections 27, 28 and 43 of, and paragraph 2 of Schedule 2 to the Financial Services Act [1986 \(c. 60\)](#) are to have effect in such a way as to reflect the requirements of the Directive in relation to the grant and revocation of authorisation of investment firms and other authorised institutions, and the recognition of self-regulating organisations. The protection given by section 109 of the Act to certain auditors is extended. Provision is made for the disclosure of information in relation to investment firms and UCITS.

Part V of the Regulations makes provision for friendly societies to which section 37(2) or (3) of the Friendly Societies Act [1992 \(c. 40\)](#) applies (“Directive societies”). Amendments are made to the Friendly Societies Act 1992 which broadly correspond to those made to the Banking Act. Directive societies are required to have their principal place of business situated in the United Kingdom or, in the case of those Directive societies registered under the Friendly Societies Act [1974 \(c. 46\)](#), in the British Islands.

Part VI of the Regulations makes provision for insurance companies. Amendments are made to the Insurance Companies Act [1982 \(c. 50\)](#) which broadly correspond to those made to the Banking Act. In addition, Part VI imposes a duty on certain insurance companies to notify the Secretary of State if they become closely linked to another person.

Part VII of the Regulations deals with miscellaneous and supplemental matters, including transitory provisions for States which are parties to the European Economic Area Agreement but which may not have implemented the Directive fully before the coming into force of the Regulations.

Schedule 4 to the Regulations amends statutory instruments made in 1994 dealing with the duties of auditors of banks and other institutions to which the Directive applies.

Schedule 5 to the Regulations makes minor and consequential amendments to the Banking Act 1987, the Building Societies Act 1986, the Friendly Societies Act 1992 and the Insurance Companies Act

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

1982, the [Banking Coordination \(Second Council Directive\) Regulations 1992 \(SI 1992 No. 3218\)](#) and the [Investment Services Regulations 1995 \(SI 1995 No. 3275\)](#).