STATUTORY INSTRUMENTS

1986 No. 769

BANKS AND BANKING

The Banking Act 1979 (Exempt Transactions) (Amendment) Regulations 1986

Made - - -	*28th April* 1986
Laid before Parliament	*29th April* 1986
Coming into Operation	*20th May* 1986

The Treasury, in exercise of the powers conferred upon them by section 2(1) and (5) of the Banking Act 1979(**a**) and of all other powers enabling them in that behalf, hereby make the following regulations:—

Citation and commencement

1. These regulations may be cited as the Banking Act 1979 (Exempt Transactions) (Amendment) Regulations 1986, and shall come into operation on 20th May 1986.

Interpretation

2. In these regulations the expression "the principal regulations" means the Banking Act 1979 (Exempt Transactions) Regulations 1983(**b**).

Addition to the principal regulations of regulation 16

3. The principal regulations shall be amended by the addition, after regulation 15, of the following new regulation:—

"Sterling commercial paper

16.—(1) The acceptance by a company of a deposit on terms involving the issue of any sterling commercial paper is an exempt transaction if—

(*a*) either

(i) the company has issued shares which have been admitted to official listing (and are not the subject of a Council notice cancelling or suspending the listing or suspending dealings),

or

(ii) the company is a wholly-owned subsidiary of a company which, at the time of acceptance of the deposit, satisfies the condition set out in sub-paragraph (*a*)(i) of this paragraph and the latter

(**a**) 1979 c.37.
(**b**) S.I. 1983/1865, amended by S.I. 1984/396, 1985/564, 572 and 1845.

company has guaranteed to the holder of the sterling commercial paper the repayment of the principal and the payment of any interest in connection with that sterling commercial paper ;

(*b*) the net assets of the company accepting the deposit or, if sub-paragraph (*a*)(ii) of this paragraph applies, of the guarantor company were shown in its last audited individual or group accounts (as the case may be) to be not less than £50 million;

(*c*) the deposit is of an amount of not less than £500,000 and in consideration of the deposit a single debt security is issued, in the form of sterling commercial paper, the whole or part of which may be transferred only if the aggregate redemption value of sterling commercial paper being transferred is not less than £500,000;

(*d*) except as provided in sub-paragraph (*a*)(ii) of this paragraph, repayment of the principal and payment of any interest in connection with the sterling commercial paper is not guaranteed other than by a recognised bank or licensed institution; and

(*e*) the sterling commercial paper —

(i) bears the rubric

"sterling commercial paper issued in compliance with Regulation 16 of the Banking Act 1979 (Exempt Transactions) Regulations 1983",

(ii) either states that repayment of the principal and the payment of any interest in connection with the sterling commercial paper have not been guaranteed by a recognised bank or licensed institution, or, if they have been so guaranteed, states that this is the case and the name of the guarantor, and

(iii) unless the sterling commercial paper is offered by a prospectus to which section 56 or 72 of the Companies Act 1985(**a**) or the corresponding Northern Ireland legislation applies, states that the company accepting the deposit, or, if sub-paragraph (*a*)(ii) of this paragraph applies, the guarantor company is in compliance with its obligations under the Listing Regulations in respect of its listed shares and states that, since the last publication in compliance with the Listing Regulations of information about the relevant company, the relevant company, having made all reasonable enquiries, has not become aware of any change in the circumstances of the company which could reasonably be regarded as significantly and adversely affecting that company's ability to meet its obligations in respect of the sterling commercial paper as they fall due.

(2) In this regulation words and phrases have the same meaning as in regulation 15 and

"net assets" has the same meaning ascribed to it in section 264(2) of the Companies Act 1985;

(**a**) 1985 c.6.

"sterling commercial paper" means a sterling debt security which may not be redeemed in whole or in part until after seven days beginning with the date of issue but which must be redeemed within one year beginning with the date of issue.".

T. Garel-Jones,
A. G. Hamilton,
Two of the Lords Commissioners
of Her Majesty's Treasury.

28th April 1986.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

The Banking Act 1979 (Exempt Transactions) Regulations 1983 prescribe certain transactions to which the prohibition on deposit-taking imposed by section 1 of the Banking Act 1979 does not apply. Regulation 15 provides that one category of exempt transaction is the taking of deposits by companies, subject to certain conditions, on terms involving the issue of sterling debt securities which may not be redeemed for one year.

These regulations add, subject to certain specified conditions, a further category of exempt transaction, namely the acceptance by companies of deposits on terms involving the issue of "sterling commercial paper": this is defined as a sterling debt security which may not be redeemed within 7 days but must be redeemed within one year beginning with the date of issue. The specified conditions are that the shares of the company issuing the sterling commercial paper are listed on The Stock Exchange (subject to listing or dealings not having been cancelled or suspended), or alternatively that the company is a wholly-owned subsidiary of such a company and the latter company has guaranteed the repayment of principal and payment of any interest in connection with the sterling commercial paper; that the net assets of the company issuing the commercial paper (or its guarantor parent) are not less than £50 million; that the minimum deposit accepted is £500,000, and that in consideration of the deposit a single debt security is issued, in the form of sterling commercial paper, the whole or part of which may be transferred only if the aggregate redemption value of sterling commercial paper being transferred is not less than £500,000; that (except in the case of guarantees permitted to be given by parent companies) the sterling commercial paper is not guaranteed other than by a recognised bank or licensed institution; that the sterling commercial paper bears a specified rubric and carries either a statement that it has not been guaranteed by a recognised bank or licensed institution or, if it has been so guaranteed, a statement to that effect together with the name of the guarantor; and, unless a Companies Act prospectus is issued, that the sterling commercial paper carries a statement to the effect that the

company accepting the deposit or its guarantor parent (as the case may be) is in compliance with its obligations under the Listing Regulations and that, since the last publication in compliance with the Listing Regulations of information about the relevant company, the relevant company, having made all reasonable enquiries, has not become aware of any material change in the circumstances of the company.

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