STATUTORY INSTRUMENTS

1977 No. 2052

BUILDING SOCIETIES

The Building Societies (Authorised Investments) (No. 2) Order 1977

Made - - - -	*7th December* 1977
Laid before Parliament	*19th December* 1977
Coming into Operation	*10th January* 1978

The Chief Registrar of Friendly Societies, with the consent of the Treasury, in exercise of the powers conferred upon him by section 58 of the Building Societies Act 1962(**a**), and of all other powers enabling him in that behalf, hereby makes the following Order:—

Citation, commencement and interpretation

1.—(1) This Order may be cited as the Building Societies (Authorised Investments) (No. 2) Order 1977 and shall come into operation on 10th January 1978.

(2) In this Order—

"the Act" means the Building Societies Act 1962;

"building society" means a society incorporated under the Act, or under the enactments repealed by the Act;

"financial year" in relation to a building society has the meaning assigned to it by section 128 of the Act;

"surplus funds" in relation to a building society has the meaning assigned to it by section 58 of the Act;

"value" in relation to the assets or the investments of a building society means the value at which the assets or the investments, as the case may be, are taken into account in the books of the building society.

(3) Reference in this Order to investing funds or the making of an investment shall include investing funds or the making of an investment by way of reinvestment.

(4) The Interpretation Act 1889(**b**) shall apply to the interpretation of this Order as it applies to the interpretation of an Act of Parliament.

Manner in which a building society may invest any part of its surplus funds

2.—(1) The manner in which a building society may invest any part of its surplus funds is specified in Parts I, II and III of the Schedule to this Order, subject however so far as the making of any investment in any manner specified in Parts II and III of that Schedule is concerned to articles 3 and 4 of this Order.

(2) Part IV of the Schedule to this Order shall have effect for the purposes of Parts I, II and III thereof and for the interpretation of those Parts.

(**a**) 1962 c. 37. (**b**) 1889 c. 63.

3. A building society shall not—

(a) make an investment in any manner specified in Part II of the Schedule to this Order unless at the time of the making of such investment it holds investments of any kinds specified in Part I of that Schedule amounting in value to not less than seven and one half per cent. of the value of the assets of the building society at the end of its last financial year before that time;

(b) make an investment in any manner specified in Part III of that Schedule unless at the time of the making of such investment—

(i) it holds investments of any kinds specified in Parts I and II of that Schedule amounting in value to not less than fifteen per cent. of the value of the assets of the building society at the end of its last financial year before that time, and

(ii) the value of the investments specified in Part I of that Schedule held by it amounts to not less than seven and one half per cent. of the value of the said assets.

4.—(1) Funds kept in cash or on current account with or on temporary loan to a bank (being a bank authorised under section 59 of the Act to hold funds of building societies) shall, for the purposes of determining whether an investment in a manner specified in Part II or Part III of the Schedule to this Order may be made, be deemed to be investments of a kind specified in Part I of the said Schedule.

(2) The expression "temporary loan" in the preceding subparagraph means a loan which is repayable—

(a) in not more than six months after the date on which the investment referred to in the preceding subparagraph is to be made, or

(b) by notice to the bank requiring it to repay the loan, such notice being a notice which will expire in not more than six months from the giving thereof and which may be given at any time after the said date.

Revocations

5. The Building Societies (Authorised Investments) Order 1977(**a**) is hereby revoked.

K. Brading,
Chief Registrar of Friendly Societies.

Dated: 6th December 1977.

We consent to this Order.

T. E. Graham,
T. M. Cox,
Two of the Lords Commissioners of Her Majesty's Treasury.

Dated: 7th December 1977.

(**a**) S.I. 1977/851 (1977 II, p. 2359).

SCHEDULE

MANNER OF INVESTMENT

PART I

1. In Certificates of Tax Deposit issued by the Treasury, Defence Bonds, National Development Bonds, Ulster Development Bonds, British Savings Bonds, Treasury Bills, and Local Authority Bills.

2. In marketable securities issued by Her Majesty's Government in the United Kingdom or the Government of Northern Ireland, being securities which will mature for repayment in not more than five years from the relevant date.

3. In marketable fixed-interest or variable-interest securities of the following descriptions, and being securities which will mature for repayment in not more than five years from the relevant date:—

(a) securities issued in the United Kingdom by the Government of any overseas territory (as defined by the Overseas Service Act 1958(**a**)) within the Commonwealth, being securities registered in the United Kingdom;

(b) securities issued in the United Kingdom the repayment of the principal of which and the payment of interest on which is guaranteed by the Government of any overseas territory (as defined by the Overseas Service Act 1958) within the Commonwealth, being securities registered in the United Kingdom;

(c) securities issued in the United Kingdom by any relevant authority;

(d) securities issued in the United Kingdom by the International Bank for Reconstruction and Development, being securities registered in the United Kingdom;

(e) securities issued in the United Kingdom by the Inter-American Development Bank;

(f) securities issued in the United Kingdom by the European Coal and Steel Community or the European Investment Bank, being securities registered in the United Kingdom.

4. In marketable fixed-interest securities of the following descriptions, and being securities which will mature for repayment in not more than five years from the relevant date:—

(a) securities the repayment of the principal of which and the payment of interest on which is guaranteed by Her Majesty's Government in the United Kingdom or the Government of Northern Ireland;

(b) securities issued in the United Kingdom by a public authority or nationalised industry or undertaking in the United Kingdom;

(c) loan stock of the Bank of Ireland.

(**a**) 1958 c. 14.

5.—(1) In loans of the descriptions contained in the next following subparagraph, which are repayable—

(a) in not more than six months after the relevant date, or

(b) by notice to the borrower requiring it to repay the loan, such notice being a notice which will expire in not more than six months from the giving thereof and which may be given at any time after the relevant date.

(2) The loans referred to in the preceding subparagraph are:—

(a) loans to any relevant authority in the United Kingdom which are charged on all or any of the revenues of the authority, or on a fund into which all or any of its revenues are payable;

(b) loans to the Department of Finance for Northern Ireland the principal of and interest on which are charged on the Consolidated Fund of Northern Ireland.

6. In deposits with any relevant authority in the United Kingdom (not being money borrowed by a local authority to which paragraph 11(1) of Schedule 13 to the Local Government Act 1972(**a**), or paragraph 8(1) of Schedule 3 to the Local Government (Scotland) Act 1975(**b**), or section 63(1) of the Local Government Act (Northern Ireland) 1972(**c**) applies), by way of temporary loan—

(a) which is made on the giving of—

(i) a receipt for the loan by the Treasurer or other similar officer of the authority, and

(ii) an undertaking by the authority that, if requested to charge the loan on all or any of the revenues of the authority or on a fund into which all or any of its revenues are payable, it will either comply with the request or repay the loan, and

(b) which is repayable by notice to the authority requiring it to repay the loan, such notice being a notice which will expire in not more than seven days from the giving thereof and which may be given at any time—

(i) after the making of the loan or

(ii) after a period which does not exceed three months from the relevant date.

PART II

7. In marketable securities issued by Her Majesty's Government in the United Kingdom or the Government of Northern Ireland, being securities which will mature for repayment in more than five years but in not more than fifteen years from the relevant date.

8. In marketable fixed-interest or variable-interest securities of the descriptions contained in subparagraphs (a) to (f) of paragraph 3 and marketable fixed-interest securities of the descriptions contained in subparagraphs (a) to (c) of paragraph 4 of Part I of this Schedule which will mature for repayment in more than five years but not more than fifteen years from the relevant date.

9. In loans of the descriptions contained in subparagraph (2) of paragraph 5 of Part I of this Schedule which are repayable in more than six months but in not more than two years from the relevant date.

(**a**) 1972 c. 70. (**b**) 1975 c. 30. (**c**) 1972 c. 9 (N.I.).

10. In deposits with any relevant authority in the United Kingdom (not being money borrowed by a local authority to which paragraph 11(1) of Schedule 13 to the Local Government Act 1972, or paragraph 8(1) of Schedule 3 to the Local Government (Scotland) Act 1975, or section 63(1) of the Local Government Act (Northern Ireland) 1972 applies) by way of temporary loan—

(a) which is made as is provided for in subparagraph (a) of paragraph 6 of Part I of this Schedule, and

(b) which is repayable by notice to the authority requiring it to repay the loan, such notice being a notice which will expire in not more than seven days from the giving thereof and which may be given at any time after a period which exceeds three months but does not exceed one year from the relevant date.

PART III

11. In marketable securities issued by Her Majesty's Government in the United Kingdom or the Government of Northern Ireland, being securities which will mature for repayment in more than fifteen years but in not more than twenty-five years from the relevant date.

12. In marketable fixed-interest or variable-interest securities of the descriptions contained in subparagraphs (a) to (f) of paragraph 3 and marketable fixed-interest securities of the descriptions contained in subparagraphs (a) to (c) of paragraph 4 of Part I of this Schedule which will mature for repayment in more than fifteen years but not more than twenty-five years from the relevant date.

13. In loans of the descriptions contained in subparagraph (2) of paragraph 5 of Part I of this Schedule which are repayable in more than two years but in not more than five years from the relevant date.

PART IV

Interpretation

14. In this Schedule—

"fixed-interest securities" means securities on which the rate of interest is fixed by the terms of their issue;

"local authority" means any of the following authorities—

(a) in England and Wales, a county council, the Greater London Council, a district council, a London borough council, a parish or community council, the Common Council of the City of London, and the Council of the Isles of Scilly;

(b) in Scotland, a local authority within the meaning of section 235 of the Local Government (Scotland) Act 1973(**a**);

(c) in Northern Ireland, a district council within the meaning of section 1 of the Local Government Act (Northern Ireland) 1972;

"Local Authority Bills" means bills issued in the United Kingdom by a local authority under powers conferred on it by any Act of Parliament;

(**a**) 1973 c. 65.

"marketable" in relation to securities means securities the price of which is quoted on The Stock Exchange or bonds issued in the United Kingdom by a local authority in whole or in part to a bank, discount house, issuing house, or broker in the City of London;

"relevant authority" means any of the following authorities—

(a) any local authority in the United Kingdom;

(b) any authority all the members of which are appointed or elected by one or more local authorities in the United Kingdom;

(c) any authority the majority of the members of which are appointed or elected by one or more local authorities in the United Kingdom, being an authority which by virtue of any enactment has power to issue a precept to a local authority in England and Wales, or a requisition to a local authority in Scotland, or to the expenses of which, by virtue of any enactment, a local authority in the United Kingdom is or can be required to contribute;

(d) the Receiver for the Metropolitan Police District or a combined police authority (within the meaning of the Police Act 1964(**a**));

(e) a water authority within the meaning of section 2(3) of the Water Act 1973(**b**);

"relevant date" in relation to any security or loan in which an investment is at any time to be made, means the date on which that investment is to be made, and in relation to any security or loan held for the time being as an investment whose value is to be taken into account for the purposes of determining whether an investment specified in Parts II or III of this Schedule may be made, the date on which that investment is to be made;

"securities" includes stock, debentures, debenture stock and bonds, but does not include any securities where the holder is not entitled to require the repayment of the principal, and the payment of interest, in sterling;

"Treasury Bills" includes Bills issued by Her Majesty's Government in the United Kingdom and Northern Ireland Treasury Bills;

"variable-interest securities" means securities on which the rate of interest is variable by reference to one or more of the following:—

(i) the Bank of England's minimum lending rate;

(ii) the average rate of discount on allotment on 91-day Treasury Bills;

(iii) a yield on 91-day Treasury Bills;

(iv) a London sterling inter-bank offered rate;

(v) a London sterling certificate of deposit rate.

15. For the purposes of this Schedule—

(a) the date on which any security will mature for repayment shall be the last or only date on which that security shall be repayable by or under its terms of issue;

(b) the date on which a loan will be repayable shall be the last or only date on which that loan shall be repayable by or under the terms of the making of the loan, except that if under the terms of any loan the lender may require its repayment at any date, the date shall be the earliest date on which repayment may be so required.

(**a**) 1964 c. 48. (**b**) 1973 c. 37.

EXPLANATORY NOTE

(*This Note is not part of the Order.*)

This Order prescribes the manner in which building societies incorporated under the Building Societies Act 1962 or enactments repealed by that Act may invest funds not immediately required for their purposes.

The manner of investment prescribed is the same as that prescribed by the Building Societies (Authorised Investments) Order 1977 which is revoked by this Order but provision has also been made for investment in certain variable-interest securities.

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