# 1959 No. 1010

## The Building Societies (Designation for Trustee Investment) Regulations, 1959

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| *Made* - - - - | *9th June*, 1959 |
| *Laid before Parliament* | *12th June*, 1959 |
| *Coming into Operation* | *14th June*, 1959 |

The Lords Commissioners of Her Majesty's Treasury, in exercise of the powers conferred upon them by subsection (1) of section 1 of the House Purchase and Housing Act, 1959(a), and of all other powers enabling them in that behalf, hereby make the following Regulations:—

**1.** The requirements to be fulfilled by a building society for the purposes of designation under section 1 of the Act shall be as follows:—

(*a*) the society's last annual account and statement under section 40 of the Building Societies Act, 1874(b), shall show that at the end of the financial year to which it relates the society fulfilled all the requirements set out in the Schedule to these Regulations; and

(*b*) all moneys owing by the society in respect of deposits, loans and overdrafts shall be wholly unsecured.

**2.**—(1) In these Regulations, the following expressions have the meanings hereby respectively assigned to them, that is to say:—

"the Act" means the House Purchase and Housing Act, 1959;

"the appropriate percentage" means—

(*a*) in relation to the annual account and statement for any financial year ending not later than the thirty-first day of December, nineteen hundred and fifty-eight, one and one half per cent.;

(*b*) in relation to the annual account and statement for any financial year ending not earlier than the first day of January, nineteen hundred and fifty-nine, nor later than the thirty-first day of December, nineteen hundred and fifty-nine, two per cent.; and

(*c*) in relation to the annual account and statement for any financial year ending not earlier than the first day of January, nineteen hundred and sixty, two and one half per cent.;

"free reserves", in relation to a building society, means its reserves other than those which have been set aside for a particular purpose;

"liquid funds", in relation to a building society, means the amount by which the aggregate of—

(*a*) its cash at the bank and in hand;

(*b*) the total book value or the total market value of its investments, whichever is the lesser; and

(*c*) interest accrued on its investments;

exceeds the aggregate of—

(i) the amount of its liabilities in respect of loans from, and overdrafts with, its bankers; and

(ii) the total amount shown as "other liabilities" in its balance sheet.

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(a) 7 & 8 Eliz. 2. c. 33. (b) 37 & 38 Vict. c. 42.

(2) The Interpretation Act, 1889(a), shall apply to the interpretation of these Regulations as it applies to the interpretation of an Act of Parliament.

**3.** These Regulations may be cited as the Building Societies (Designation for Trustee Investment) Regulations, 1959, and shall come into operation on the fourteenth day of June, nineteen hundred and fifty-nine.

Dated this ninth day of June, nineteen hundred and fifty-nine.

*P. E. O. Bryan,*
*Michael Hughes-Young,*
Two of the Lords Commissioners of
Her Majesty's Treasury.

## SCHEDULE

REQUIREMENTS WHICH ARE TO BE SHOWN BY THE BUILDING SOCIETY'S LAST ANNUAL ACCOUNT AND STATEMENT TO BE FULFILLED

1. The total assets of the society amount to not less than five hundred thousand pounds.

2. The total liabilities of the society reduced by the total amount due to the holders of all the society's shares—

(*a*) do not exceed two-thirds of the total amount (not including prospective interest) due or owing to the society on mortgages, other than mortgages particulars of which are set out in Parts I, II and III of the Schedule to its balance sheet; and

(*b*) do not exceed the total amount due to the holders of all the society's shares.

3. The liquid funds of the society—

(*a*) are not less than seven and one half per cent. of the total amount of the assets of the society reduced by the aggregate of:—

(i) the total amount owing by the society in respect of any loans made to it under the Act,

(ii) any amount by which the total book value of the society's investments exceeds their total market value, and

(iii) any amount included in those assets in respect of post-war credits; and

(*b*) are not less than one-third of the total amount of the liabilities of the society in respect of deposits, loans (other than any loans made to the society under the Act) and overdrafts.

4. The free reserves of the society, when added to any provision against depreciation of or losses on investments, and reduced by the aggregate of—

(*a*) any amount by which the total book value of the society's investments exceeds their total market value,

(*b*) any amount included in the society's assets in respect of post-war credits, being an amount for which the society has not set aside a separate reserve, and

(a) 52 & 53 Vict. c. 63.

(*c*) any amount recommended by the society's directors for distribution as interest, dividend or bonus, and not provided for in the society's annual account and statement,

are not less than the appropriate percentage of the total amount of the assets of the society reduced by the aggregate of:—

(i) the total amount owing by the society in respect of any loans made to it under the Act,

(ii) any amount by which the total book value of the society's investments exceeds their total market value,

(iii) any amount included in those assets in respect of post-war credits, and

(iv) the total amount of any reserves set aside by the society for a particular purpose, other than any reserve against depreciation of or losses on investments.

5. Where the society's last annual account and statement relates to a financial year ending not later than the thirty-first day of December, nineteen hundred and fifty-nine, the free reserves of the society, when added to any provision against depreciation of or losses on investments, and reduced by the aggregate of the amounts specified in sub-paragraphs (*b*) and (*c*) of the last preceding paragraph, are not less than two and one half per cent. of the total amount of the assets of the society reduced by the aggregate of the amounts specified in sub-paragraphs (i), (iii) and (iv) of that paragraph.

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## EXPLANATORY NOTE

*(This Note is not part of the Regulations, but is intended to indicate their general purport.)*

These Regulations prescribe the requirements which must be fulfilled to the satisfaction of the Chief Registrar of Friendly Societies before he may designate a building society for the purposes of Section 1 (1) of the House Purchase and Housing Act, 1959. Under that Section, when a building society is so designated, its deposits rank as investments in which a trustee is authorised to invest trust funds, not exceeding £5,000 for any one trust, and the Minister of Housing and Local Government may make advances to the society in accordance with Section 2 of the Act.

The Regulations prescribe minimum standards for:—

(i) the total of a society's assets;

(ii) the relationship of total liabilities other than to shareholders to

(*a*) amounts owing to a society on mortgages, and

(*b*) the liabilities to shareholders;

(iii) the relationship of liquid funds to (*a*) assets and (*b*) deposits, etc.;

(iv) the relationship of free reserves to assets.

The Regulations also ensure that all creditors of a society must rank equally.