STATUTORY INSTRUMENTS

1964 No. 1354

BUILDING SOCIETIES

The Building Societies (Designation for Trustee Investment) Regulations 1964

Made - - - -	*25th August* 1964
Laid before Parliament	*1st September* 1964
Coming into Operation	*15th September* 1964

The Treasury, in exercise of the powers conferred upon them by section 1(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 House Purchase and Housing Act 1959 shall be as follows:—

(*a*) the society's last annual return under section 88 of the Building Societies Act 1962(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;

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

(*c*) the proportion (hereinafter referred to as "the ascertained proportion") ascertained in relation to the society at the end of the financial year to which its last annual return relates in accordance with section 22(2)(*b*) of the Building Societies Act 1962 (which specifies a proportion which determines the amount of the special advances which a building society may make) shall not exceed ten per cent.: Provided that, where the ascertained proportion exceeds ten per cent., the ascertained proportion shall be recalculated without taking into account any advances by reference to which permission has been granted under section 23 of the said Act (which relates to permission to exceed the limit on special advances for advances on property for letting as houses or flats), and, if the proportion so recalculated does not exceed ten per cent., the society shall be treated as fulfilling the requirement of this paragraph.

2.—(1) Where two or more building societies have united, the provisions of this Regulation shall apply until the united society has made its first annual return.

(2) Where each of the societies which have united was, immediately before the union, a society designated under section 1 of the House Purchase and Housing Act 1959, the united society shall be treated as fulfilling the requirements specified in Regulation 1(*a*) and (*c*) of these Regulations.

(3) In any other case—

(*a*) the united society shall be treated as fulfilling the requirement specified in Regulation 1(*a*) of these Regulations if the last annual returns of all the societies which have united, if read together as if they were the

(a) 7 & 8 Eliz. 2. c. 33. (b) 10 & 11 Eliz. 2. c. 37.

annual return of one society, show that such one society would have fulfilled all the requirements set out in the Schedule to these Regulations; and

(*b*) for the purpose of ascertaining whether the united society fulfils or shall be treated as fulfilling the requirement specified in Regulation 1(*c*) of these Regulations, the combined advances and arrears of interest of the societies which have united as at the end of the financial years to which their last annual returns relate shall be treated as if they were the advances and arrears of interest respectively of the united society.

3. The Interpretation Act 1889(**a**) shall apply for the interpretation of these Regulations as it applies for the interpretation of an Act of Parliament.

4. The Building Societies (Designation for Trustee Investment) Regulations 1959(**b**) are hereby revoked.

5. These Regulations may be cited as the Building Societies (Designation for Trustee Investment) Regulations 1964, and shall come into operation on 15th September 1964.

25th August 1964.

M. A. Hamilton,
Martin McLaren,
Two of the Lords Commissioners of Her Majesty's Treasury.

SCHEDULE

REQUIREMENTS WHICH ARE TO BE SHOWN BY THE BUILDING SOCIETY'S LAST ANNUAL RETURN 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 do not exceed twice the total amount due to the holders of all the society's shares.

3. The aggregate of:—

(*a*) the society's cash at the bank and in hand,

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

(*c*) interest accrued on its investments,

reduced by 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,

is not less than seven and one half per cent. of the total amount of the assets of the society reduced by the aggregate of—

(A) the total amount owing by the society in respect of any loans made to it under the House Purchase and Housing Act 1959, and

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

(**a**) 52 & 53 Vict. c. 63. (**b**) S.I. 1959/1010 (1959 I, p. 322).

4. The reserves of the society (not being reserves which have been set aside for a particular purpose), 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, and

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

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—

(i) the total amount owing by the society in respect of any loans made to it under the House Purchase and Housing Act 1959,

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

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

Provided that, where the total amount of the said assets so reduced as aforesaid exceeds one hundred million pounds, the society shall be treated as fulfilling the requirement of this paragraph if the said reserves so added to and reduced as aforesaid are not less than the aggregate of two and one half per cent. of one hundred million pounds and two per cent. of the amount by which the total amount of the said assets so reduced as aforesaid exceeds one hundred million pounds.

EXPLANATORY NOTE

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

These Regulations prescribe the requirements which a building society must fulfil to the satisfaction of the Chief Registrar of Friendly Societies before he may designate it under section 1(1) of the House Purchase and Housing Act 1959. When a society has been so designated its shares and deposits become authorised investments for trustees subject to the provisions of the Trustee Investments Act 1961.

These Regulations replace the Building Societies (Designation for Trustee Investment) Regulations 1959. The main changes are:—

(i) a ½ per cent. reduction in the proportion of reserves which a society needs to maintain in relation to assets in excess of £100 million;

(ii) a requirement that not more than 10 per cent. of the amount outstanding on a society's advances shall be owed by bodies corporate or persons indebted to the society for more than the prescribed sum (at present £7,000);

(iii) provisions governing the designation of recently united societies which have not yet produced a joint annual return.