

SCHEDULE 1

Regulation 14

PART 1

ELIGIBLE TREASURY BILLS

Modification of the Treasury Bills Act 1877

1. For the purposes of regulation 14, and the definition of “eligible Treasury bill” in the principal regulations, the 1877 Act is modified as set out in paragraphs 2 to 6, and the 1968 Regulations are modified as set out in paragraphs 7 to 13.

2. In section 2–

(a) before the definition of “prescribed”, insert–

“The expression “the 2001 Regulations” means the Uncertificated Securities Regulations 2001(1), as amended from time to time.”;

(b) after the definition of “prescribed”, add–

“The expressions “issue”, “relevant system”, “unit” and “uncertificated” have the same meaning as in the 2001 Regulations, as amended from time to time.”.

3. In section 4, for the words from “in the prescribed form” to “the bill”, substitute, “for the payment of a principal sum to the holder of one or more uncertificated units of the bill at a date not more than twelve months from the date of issue of that unit or those units”.

4. In section 5, for “of and interest on”, substitute “and interest payable in respect of”.

5. For section 8(2), substitute–

“(2) Each Treasury bill (and each uncertificated unit of such bill) shall be for the payment of such a principal sum or sums as may be directed by the Treasury.”.

6. In section 9–

(a) in subsection (1), omit “mode of payment,”;

(b) omit subsections (2) and (4);

(c) in subsection (3), omit the words from “, by the use” to “otherwise,”;

(d) at the end, add–

“No regulation under this Act applies in relation to uncertificated units of a Treasury bill to the extent that it is inconsistent with–

(a) the holding of such units in uncertificated form;

(b) the transfer of title to such units by means of a relevant system; or

(c) the 2001 Regulations.”.

Modification of the Treasury Bills Regulations 1968

7. In regulation 1–

(a) before “Treasury bills”–

(i) in the cross-heading before the regulation; and

(ii) where first occurring,

(1) S.I.2001/3755.

insert “Uncertificated units of”;

(b) in paragraph (a), before “Treasury bills”, insert ““uncertificated units of”.

8. In regulation 2(1)–

(a) before “Treasury bills”, insert “uncertificated units of”;

(b) in subparagraph (c), for “bills”, substitute “units”.

9. For regulation 3, substitute–

“**3.** –

(1) The terms of a Treasury bill shall include a term to the effect that uncertificated units of the bill–

(a) are issued subject to–

(i) the Treasury Bills Act 1877; and

(ii) these Regulations,

as modified by the Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003;

(b) are issued to raise money either for–

(i) the National Loans Fund (“NLF”) under section 12 of the National Loans Act 1968(2); or

(ii) the Debt Management Account (“DMA”) under paragraph 4 of Schedule 5A to the National Loans Act 1968; and

(c) entitle the holder of the units to payment of a defined sum out of the NLF or the DMA (as the case may be) on redemption of the units in accordance with the terms on which they are issued.

(2) Where the value of uncertificated units of a Treasury bill is denominated in a currency other than sterling, the terms of the bill shall include a term indicating the circumstances in which, and the conditions subject to which, such units may be exchanged for units whose value is denominated in sterling.”.

10. In regulation 4–

(a) for paragraph (1), substitute–

“(1) The Treasury may from time to time issue uncertificated units of Treasury bills for the payment of such principal sums as they think fit, and may authorise any other person to issue uncertificated units of such bills for the payment of such principal sums as the Treasury may authorise.”;

(b) omit paragraphs (2) and (3).

11. In regulation 6–

(a) omit paragraphs (1), (1A), (1N) and (2);

(b) in paragraph (1L)–

(i) for “any Treasury bill”, substitute, “any uncertificated unit of a Treasury bill”;

(ii) omit the words from “and in the place” to “is held”;

(iii) for “the bill”, substitute, “the unit”;

(c) for paragraph (1M), substitute–

(2) 1968 c. 13.

“(1M) If, but for this paragraph, the date for payment of a principal sum in respect of uncertificated units of a Treasury bill would be more than twelve months from the date of issue of those units, the said date for the payment of the principal sum shall be the last day on which the Bank of England is open for business in the period of twelve months from the date of issue of those units.”.

12. Omit regulations 7 and 8.
13. In regulation 9, after the definition of ““NLF bill” and “NLF Treasury bill””, insert–
““issue”, “uncertificated” and “units” have the same meaning as in the Uncertificated Securities Regulations 2001(3), as amended from time to time.”.

PART 2

ELIGIBLE NORTHERN IRELAND TREASURY BILLS

14. For the purposes of regulation 14, and the definition of “eligible Northern Ireland Treasury Bill” in the principal regulations, the 1950 Act is modified as set out in paragraphs 15 to 17.

Modification of the Exchequer and Financial Provisions Act (Northern Ireland) 1950

15. In section 11(1)(b), after “Northern Ireland Treasury Bills”, insert “(and uncertificated units of such Bills)”.
16. In section 40, after subsection (1), insert–
“(2) In this Act–
“the 2001 Regulations” means the Uncertificated Securities Regulations 2001(4), as amended from time to time;
“issue”, “relevant system”, “unit” and “uncertificated” have the same meaning as in the 2001 Regulations.”.
17. In the First Schedule–
 - (a) in paragraph 2, for the words from “the principal” to the end, substitute, “a principal sum to the holder of one or more uncertificated units of the Bill at a date not more than twelve months from the date of issue of that unit or those units.”;
 - (b) in paragraph 3, for “each Bill”, substitute “each uncertificated unit of a Northern Ireland Treasury Bill”;
 - (c) in paragraph 4–
 - (i) for “Each Bill” substitute, “The record (whether or not in the form of a document) which contains the terms of a Northern Ireland Treasury Bill”;
 - (ii) for “be impressed or affixed by machinery or otherwise”, substitute “appear in the record”;
 - (d) in paragraph 5, for “Bills shall be prepared”, substitute, “Uncertificated units of Northern Ireland Treasury Bills shall be issued”;
 - (e) in paragraph 6–
 - (i) in subparagraph (a), omit “, payment”;
 - (ii) omit subparagraphs (b) and (d);

(3) S.I. 2001/3755.

(4) S.I. 2001/3755.

- (iii) in subparagraph (c), omit the words from “, by the use” to “otherwise,”;
- (f) after paragraph 6, add—
 - “7. No regulation under this Schedule applies in relation to uncertificated units of a Northern Ireland Treasury Bill to the extent that it is inconsistent with—
 - (a) the holding of such units in uncertificated form;
 - (b) the transfer of title to such units by means of a relevant system; or
 - (c) the 2001 Regulations.”.

PART 3

DEMATERIALIZED LOAN INSTRUMENTS

18. For the purposes of regulation 14, and the definition of “dematerialised loan instrument” in the principal regulations, Part IV of the 1989 Act is modified as set out in paragraphs 19 to 23, and the 1990 Regulations are modified as set out in paragraphs 24 to 33.

Modification of Part IV of the Local Government and Housing Act 1989

- 19.** In section 43(4)—
- (a) for “document which, directly or by reference to any other document”, substitute “security which is constituted by a record (whether or not in the form of a document), which”;
 - (b) in subparagraph (d), for “instrument”, substitute “security”;
 - (c) after subparagraph (d), insert—
 - “(da) states that uncertificated units of the security are transferable in no other manner than by means of a relevant system in accordance with the 2001 Regulations; and”;
 - (d) in subparagraph (e), for “an instrument which is transferable by delivery”, substitute “a security which is an eligible debt security within paragraph (a) of the definition of “eligible debt security” in regulation 3(1) of the 2001 Regulations”.
- 20.** In section 43(5), for “any document”, substitute “any security”.
- 21.** After section 43(5), add—
- “(5A) No regulation under subsection (5) applies in relation to uncertificated units of a loan instrument to the extent that it is inconsistent with—
 - (a) the holding of such units in uncertificated form;
 - (b) the transfer of title to such units by means of a relevant system; or
 - (c) the 2001 Regulations.”.
- 22.** In section 46—
- (a) in paragraph (a) of subsection (4), for “an instrument (whether or not being a loan instrument) transferable by delivery”, substitute “uncertificated units of a loan instrument”;
 - (b) for subsection (8), substitute—
 - “(8) A certified copy of the kind referred to in subsection (7) is not evidence of title to an uncertificated unit of a loan instrument.”.
- 23.** In section 66(1)—

- (a) after paragraph (a), insert–
 - “(aa) “relevant system”, “security”, “uncertificated” and “unit” have the same meaning as in the 2001 Regulations;”;
- (b) after paragraph (d), add–
 - “(da) “the 2001 Regulations” means the Uncertificated Securities Regulations 2001(5);”.

Modification of the Local Authorities (Borrowing) Regulations 1990

- 24.** In regulation 2–
 - (a) in the definition of “loan instrument”–
 - (i) for “instruments which are transferable by delivery”, substitute “eligible debt securities within paragraph (a) of the definition of “eligible debt security” in regulation 3(1) of the 2001 Regulations”;
 - (ii) omit “and (6)”;
 - (b) after the definition of “The Stock Exchange”, insert–
 - ““eligible debt security”, “issue”, “Operator”, “relevant system”, “security”, “uncertificated” and “unit” have the same meanings as in the 2001 Regulations;
 - “the 2001 Regulations” means the Uncertificated Securities Regulations 2001(6);”.
- 25.** In regulation 3–
 - (a) in paragraph (2)–
 - (i) for “under” (where first occurring), substitute “in respect of particular units of”;
 - (ii) for “instrument is” (wherever occurring), substitute “units are”;
 - (iii) for “under the instrument” (where second and third occurring), substitute “in respect of those units”;
 - (b) in paragraph (3)–
 - (i) for “under”, substitute “in respect of particular units of”;
 - (ii) after “specified in the”, insert “terms of the”;
 - (c) in paragraph (4), for “under”, substitute “in respect of particular units of”;
 - (d) in paragraph (5)–
 - (i) for “under”, substitute “in respect of particular units of”;
 - (ii) after “specified in” insert “, or determined in accordance with the terms of”;
 - (iii) in subparagraph (b), for “the instrument”, substitute “those units”;
 - (e) after paragraph (8), add–
 - “(9) Paragraphs (6) to (8) do not apply in respect of uncertificated units of loan instruments.”.
- 26.** In regulation 4–
 - (a) in paragraph (1)–
 - (i) for “loan instrument”, substitute “uncertificated units of a loan instrument (other than a loan instrument which is an eligible debt security within paragraph (a) of the definition of “eligible debt security” in regulation 3(1) of the 2001 Regulations)”;

(5) S.I. 2001/3755.

(6) S.I. 2001/3755.

- (ii) in subparagraph (a), for “the instrument is”, substitute “those units are”;
 - (iii) in subparagraph (c)–
 - (aa) for “under the instrument”, substitute “in respect of those units”;
 - (bb) for “issue of the instrument”, substitute “issue of those units”;
 - (b) in paragraph (2), for “a loan instrument”, substitute “uncertificated units of a loan instrument”.
- 27.** In regulation 5–
- (a) in paragraph (1), for “The”, substitute “Subject to paragraph (3), the”;
 - (b) after paragraph (2), add–
 - “(3) Uncertificated units of a loan instrument shall only be transferable by means of a relevant system in accordance with the 2001 Regulations.”.
- 28.** In regulation 6–
- (a) for “a” (where second occurring), substitute “uncertificated units of a”;
 - (b) for “a further loan instrument”, substitute “further such units”;
 - (c) in paragraph (a), for “instrument”, substitute “units”;
 - (d) in paragraph (b)–
 - (i) for “instrument” (wherever occurring), substitute “units”;
 - (ii) for “was”, substitute “were”.
- 29.** In regulation 7–
- (a) for paragraphs (1) and (2), substitute–
 - “(1) Subject to paragraphs (4) and (7) below, a local authority may not issue units of a loan instrument which is an eligible debt security within paragraph (a) of the definition of “eligible debt security” in regulation 3(1) of the 2001 Regulations unless the issue of the units amounts to the issue of a bill, sterling commercial paper or a sterling medium term note in accordance with paragraph (2).
 - (2) For the purposes of these Regulations, the issue of units of a loan instrument amounts to–
 - (a) the issue of a bill if–
 - (i) the terms upon which the units are issued require that all payments to be made by the authority in respect of the units fall to be made not later than 187 days after the date of issue of the units; and
 - (ii) the issue of the units does not amount to the issue of sterling commercial paper or of a sterling medium term note in accordance with sub-paragraphs (b) or (c) below;
 - (b) the issue of sterling commercial paper if–
 - (i) the terms upon which the units are issued require that all payments which fall to be made by the authority in respect of the units are to be in sterling and to be made not earlier than seven days and not later than one year after the date of issue of the units; and
 - (ii) the requirements of paragraph (2A) below are satisfied;
 - (c) the issue of a sterling medium term note if–
 - (i) the terms upon which the units are issued require that all payments which fall to be made by the authority in respect of the units are to be in sterling

and all such payments other than payments in respect of interest are to be made later than one year but not later than five years after the date of issue of the units; and

(ii) the requirements of paragraph (2A) below are satisfied.

(2A) The requirements of this paragraph are satisfied in relation to units of a loan instrument if the terms upon which the units are issued require that—

(a) the aggregate redemption value of the units at the date of issue is not less than £100,000; and

(b) the units are transferable only if their aggregate redemption value at the date of transfer is not less than £100,000.”;

(b) in paragraph (3)—

(i) for “paragraph (2)”, substitute “paragraph (2A)”;

(ii) for “loan instrument” substitute “units”;

(c) in paragraph (5), for “loan instrument is” (wherever occurring), substitute, “units are”;

(d) in paragraph (8)—

(i) a reference to paper includes a reference to units of a loan instrument where the issue of the units amounts to the issue of sterling commercial paper for the purposes of the 1990 Regulations; and

(ii) a reference to a note includes a reference to units of a loan instrument where the issue of the units amounts to the issue of a sterling medium term note for the purposes of the 1990 Regulations;

(e) in paragraph (9)—

(i) for the words from “Any” to “local authority shall”, substitute “The terms of a loan instrument, the issue of whose units amounts to the issue of sterling commercial paper or a sterling medium term note for the purposes of these Regulations shall”;

(ii) in subparagraph (b), for “under the instrument”, substitute “in respect of the units”;

(iii) in subparagraph (c), for “it is”, substitute “the issue of its units is equivalent to the issue of”;

(iv) omit subparagraph (d);

(v) in subparagraph (e), for “the instrument is”, substitute “units of the instrument are”;

(vi) after subparagraph (e), add—

“(f) include a term to the effect that the authority must, at the request of a person who holds units of the instrument, provide that person with a record (whether or not in the form of a document) containing the information referred to in subparagraphs (a) to (c) and (e) of this paragraph as applicable at the time the units were issued.”;

(f) after paragraph (10), insert—

“(10A) References in paragraphs (4) and (7) to (9) to, or to the issue of, a bill, sterling commercial paper or a sterling medium term note include references to, or to the issue of, units of a loan instrument in circumstances where the issue of those units amounts to the issue of a bill, sterling commercial paper or a sterling medium term note (as the case may be) in accordance with paragraph (2).”.

30. After regulation 8(5), add—

“(6) This regulation does not apply to payments which fall to be made in respect of uncertificated units of loan instruments.”.

31. After regulation 9(12), add–

“(13) This regulation does not apply in respect of uncertificated units of loan instruments, loans in respect of which such units are issued, or any transfer of rights and obligations in respect of such loans.”.

32. In Schedule 1–

(a) in paragraph 1–

(i) in subparagraphs (a) and (e), for “under the instrument”, substitute “in respect of the units”;

(ii) in subparagraph (c), for “to the instrument”, substitute “in respect of the units”;

(iii) in subparagraph (f), for “instrument”, substitute “units”;

(iv) in subparagraphs (g) and (h), for “instrument is”, substitute “units are”;

(b) in paragraph 5–

(i) in subparagraph (a), for “loan instrument is”, substitute “units are”;

(ii) in subparagraph (b), for “under the loan instrument”, substitute “in respect of the units.”.

33. In Schedule 2–

(a) in paragraph 1, for the definition of “relevant security”, substitute–

““relevant security” means units of a loan instrument, the issue of which amounts to the issue of sterling commercial paper or a sterling medium term note in accordance with regulation 7 in a case to which this Schedule applies.”;

(b) omit paragraph 2(o).