

## SCHEDULES

### SCHEDULE 2

Section 6.

#### CASH RATIO DEPOSITS

##### *Eligible institutions*

- 1 (1) The following are eligible institutions for the purposes of this Schedule—
- (a) an institution authorised under the Banking Act 1987,
  - (b) a European authorised institution within the meaning of the Banking Coordination (Second Council Directive) Regulations 1992 which has lawfully established a branch in the United Kingdom for the purpose of accepting deposits or other repayable funds from the public, and
  - (c) a building society authorised under the Building Societies Act 1986.
- (2) The Treasury may by order amend sub-paragraph (1) as they think fit.

##### *Liability base*

- 2 (1) For the purposes of this Schedule, the liability base of an eligible institution at any time is the aggregate of those sterling and foreign currency liabilities of the institution which are eligible liabilities.
- (2) The Treasury may by order define eligible liabilities for the purposes of this paragraph and make provision about the calculation of any description of eligible liability, including provision for the amount of a liability of any description to be treated as reduced by the amount of an asset of any description.

##### *Call notices*

- 3 (1) The Bank may give an eligible institution notice under this paragraph.
- (2) Notice under this paragraph (“a call notice”) shall be in writing and shall specify—
- (a) the period to which it relates, and
  - (b) the amount which, in relation to that period, is the institution’s depositable amount.
- (3) The period to be specified under sub-paragraph (2)(a)—
- (a) shall be a period of 6 months beginning at least 4 working days after the date of the notice, and
  - (b) shall not include any part of a period specified in a previous call notice given to the institution concerned.

##### *Calculation of depositable amount*

- 4 (1) In the case of any call notice, the amount to be specified under paragraph 3(2)(b) is the amount, or, as the case may be, the sum of the amounts, produced by multiplying

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so much of the institution's average liability base for the reference period as falls into each value band by the ratio applicable to that band.

- (2) The Bank may use such method to calculate an institution's average liability base for the purposes of this paragraph as it thinks fit, and may use different methods for different institutions.
- (3) For the purposes of this paragraph, value bands and the ratios applicable to them are such as may be specified under paragraph 5.

*Value bands and applicable ratios*

- 5 The Treasury may by order specify for the purposes of paragraph 4 value bands and the ratios applicable to them.

*Effect of call notice*

- 6 (1) Where the Bank has given an eligible institution a call notice, then, if at any time in the period to which the notice relates the following conditions are met, namely—
  - (a) the institution is an eligible institution, and
  - (b) the institution does not have on deposit in the appropriate account with the Bank the amount specified in the notice as its depositable amount in relation to that period,
 the Bank may by notice in writing require the institution to make a payment in lieu of deposit.
- (2) A notice under sub-paragraph (1) shall specify what period it covers, and the period specified must—
  - (a) fall within the period to which the call notice relates, and
  - (b) be a period throughout which the conditions mentioned in sub-paragraph (1) have been met.
- (3) The amount which the Bank may by a notice under sub-paragraph (1) require an institution to pay is an amount equal to interest for the period covered by the notice, at 4% over the benchmark rate, on the average shortfall during that period.
- (4) The Bank may use such method to calculate the average shortfall as it thinks fit.
- (5) In sub-paragraph (1)(b), the reference to the appropriate account, in relation to an eligible institution, is to such account of the institution with the Bank as is designated by the Bank for the purposes of this Schedule.
- (6) For the purposes of sub-paragraph (3), the shortfall, at any time, is the amount which the institution needs to deposit to prevent the condition mentioned in sub-paragraph (1)(b) applying.

*Benchmark rate of interest*

- 7 (1) The benchmark rate of interest for the purposes of paragraph 6(3) shall be determined as follows.
  - (2) First, determine a rate of interest for each working day of the period covered by the notice under paragraph 6(1) by taking the average of the rates at which 3 month deposits in sterling are bid at 11.00 am on the day by the 5 eligible institutions having

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in the opinion of the Bank the largest eligible liabilities at the end of the reference period for the relevant call notice.

- (3) Second, determine an average rate of interest by reference to the rates determined in accordance with sub-paragraph (2), the average rate so determined being the benchmark rate.
- (4) In sub-paragraph (2), the reference to the relevant call notice is to the call notice by virtue of which the Bank is entitled to give the notice under paragraph 6(1).

8 The Treasury may by order amend or replace paragraph 7.

#### *Power to obtain information*

- 9 (1) The Bank may by notice in writing require an eligible institution to provide the Bank with such information as may be specified in the notice, being information which the Bank considers it necessary or expedient to have for the purposes of its functions under this Schedule.
- (2) A notice under sub-paragraph (1) may require information to be provided—
- (a) in such form or manner as may be specified in the notice;
  - (b) at such time or times as may be so specified;
  - (c) in relation to such period or periods as may be so specified.

#### *Orders*

- 10 Before making an order under this Schedule, the Treasury shall consult—
- (a) the Bank,
  - (b) such persons as appear to them to be representative of persons likely to be materially affected by the order, and
  - (c) such other persons as they think fit.
- 11 In exercising the power to make orders under paragraph 2(2) or 5, the Treasury shall have regard to the financial needs of the Bank.

#### *Interpretation*

- 12 In this Schedule—
- “reference period”, in relation to a call notice, means the period of 6 months ending immediately before the month in which the notice is given; and
- “working day” means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.

#### *Modifications for new entrants*

- 13 (1) In its application to the first call notice to be given to an institution or society after it becomes an eligible institution, this Schedule shall have effect with the following modifications.
- (2) In paragraph 3(3)(a), after “period of” there is inserted “not more than”.

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- (3) In paragraph 7(2), for “the end of the reference period for the relevant call notice” there is substituted “such time before the beginning of the period to which the relevant call notice relates as the Bank thinks fit”.
- (4) In paragraph 12, in the definition of “reference period”, for the words from “the period” to the end there is substituted “such period prior to the notice as the Bank thinks fit”.