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STATUTORY INSTRUMENTS

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**2003 No. 1633**

**COMPANIES**

**The Uncertificated Securities (Amendment)  
(Eligible Debt Securities) Regulations 2003**

<i>Made</i>	-	-	-	-	<i>23rd June 2003</i>
<i>Coming into force</i>	-	-			<i>in accordance with regulation 1</i>

Whereas a draft of these Regulations has been approved by a resolution of each House of Parliament;  
Now, therefore, the Treasury, in exercise of the powers conferred by section 207 of the Companies Act 1989<sup>(1)</sup> and now vested in them<sup>(2)</sup>, hereby make the following Regulations:

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003, and come into force on the day after the day on which they are made.

(2) In these Regulations “the principal regulations” means the Uncertificated Securities Regulations 2001<sup>(3)</sup>.

**Amendment of the principal regulations**

2. The principal regulations are amended as set out in regulations 3 to 13 of these Regulations.

**Eligible debt securities—interpretation**

3. In regulation 3(1)—

(a) before the definition of “the 1985 Act”, insert—

““the 1877 Act” means the Treasury Bills Act 1877<sup>(4)</sup>;

“the 1950 Act” means the Exchequer and Financial Provisions Act (Northern Ireland) 1950<sup>(5)</sup>”;

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(1) 1989 c. 40. Section 207 was amended by the Bank of England Act 1998 (c. 11), section 35 and by S.I. 2001/3649, article 90.

(2) By the Transfer of Functions (Financial Services) Order 1992 (S.I. 1992/1315), article 2(1)(c). (There is a partial revocation of article 2 not relevant to these Regulations.)

(3) S.I. 2001/3755.

(4) 1877 c. 2.

(5) 1950 c. 3 (N.I.).

- (b) after the definition of “the 1986 Act”, insert—
  - ““the 1989 Act” means the Local Government and Housing Act 1989(6);”;
- (c) after the definition of “the 1965 Regulations”, insert—
  - ““the 1968 Regulations” means the Treasury Bills Regulations 1968(7);”;
- (d) in the definition of “the 1974 Regulations”, omit the words from “and” (where second occurring) to the end;
- (e) after the definition of “the 1974 Regulations”, insert—
  - ““the 1990 Regulations” means the Local Authorities (Borrowing) Regulations 1990(8);”;
- (f) after the definition of “the 1995 Regulations”, insert—
  - ““the 2003 Regulations” means the Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003;”;
- (g) after the definition of “dematerialised instruction”, insert—
  - ““dematerialised loan instrument” means a security constituted by a loan instrument issued by a local authority in accordance with Part IV of the 1989 Act and the 1990 Regulations as modified by Part 3 of Schedule 1 to the 2003 Regulations;”;
- (h) after the definition of “designated agency”, insert—
  - ““eligible debt security” means—
    - (a) a security that satisfies the following conditions—
      - (i) the security is constituted by an order, promise, engagement or acknowledgement to pay on demand, or at a determinable future time, a sum in money to, or to the order of, the holder of one or more units of the security; and
      - (ii) the current terms of issue of the security provide that its units may only be held in uncertificated form and title to them may only be transferred by means of a relevant system;
    - (b) an eligible Northern Ireland Treasury Bill; or
    - (c) an eligible Treasury bill;
  - “eligible Northern Ireland Treasury Bill” means a security—
    - (a) constituted by a Northern Ireland Treasury Bill issued in accordance with the 1950 Act as modified by Part 2 of Schedule 1 to the 2003 Regulations; and
    - (b) whose current terms of issue provide that its units may only be held in uncertificated form and title to them may only be transferred by means of a relevant system;
  - “eligible Treasury bill” means a security—
    - (a) constituted by a Treasury bill issued in accordance with the 1877 Act and the 1968 Regulations as modified by Part 1 of Schedule 1 to the 2003 Regulations; and

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(6) 1989 c. 42.

(7) S.I. 1968/414, amended by S.I. 1988/1603, S.I. 1991/1667, S.I. 1998/1450 and S.I. 1999/2907.

(8) S.I. 1990/767, amended by the Audit Commission Act 1998 (c. 18), section 54 and by S.I. 1991/551, S.I. 1991/1091, S.I. 1991/2000 and S.I. 2001/3469; references to the Official List of the Stock Exchange in regulations 6 and 7 modified by S.I. 2000/968.

- (b) whose current terms of issue provide that its units may only be held in uncertificated form and title to them may only be transferred by means of a relevant system;”;
- (i) after the definition of “enactment”, insert—
  - ““general local authority security” means a local authority security that is not an eligible debt security;
  - “general public sector security” means a public sector security that is not an eligible debt security;
  - “general UK Government security” means a UK Government security that is not an eligible debt security;”;
- (j) for paragraph (b) of the definition of “issuer register of securities”, substitute—
  - “(b) in relation to units of securities other than—
    - (i) shares,
    - (ii) securities in respect of which regulation 22(3) applies, or
    - (iii) wholly dematerialised securities,means a register of persons holding the units, maintained by or on behalf of the issuer or, in the case of general public sector securities, by or on behalf of the person specified in regulation 21(3);”;
- (k) after the definition of “issuer register of securities”, insert—
  - ““local authority”—
    - (a) in relation to a security referred to in paragraph (a)(i) of the definition of “local authority security”, has the same meaning as in the 1974 Regulations;
    - (b) in relation to a security referred to in paragraph (a)(ii) or (b) of the definition of “local authority security” or a dematerialised loan instrument, has the same meaning as in the 1989 Act;”;
- (l) for the definition of “local authority security”, substitute—
  - ““local authority security” means a security which is either—
    - (a) a security other than an eligible debt security which, when held in certificated form is—
      - (i) transferable in accordance with regulation 7(1) of the 1974 Regulations and title to which must be registered in accordance with regulation 5 of those Regulations; or
      - (ii) a loan instrument within the meaning of section 43(4) of the 1989 Act, which is transferable in accordance with regulation 5(1) of the 1990 Regulations; or
    - (b) an eligible debt security issued by a local authority;”;
- (m) after the definition of “Operator register of corporate securities”, insert—
  - ““Operator register of eligible debt securities” has the meaning given by regulation 22(3A)(a);
  - “Operator register of general public sector securities” has the meaning given by regulation 21(1)(a);”;
- (n) omit the definition of “Operator register of public sector securities”;
- (o) in paragraph (b) of the definition of “Operator register of securities”, for the words from “public” to the end, substitute “general public sector securities, an Operator register of

eligible debt securities or, as the case may be, a register maintained by an Operator in accordance with regulation 22(3)(a);”;

- (p) for the definition of “record of uncertificated public sector securities”, substitute—  
“record of uncertificated general public sector securities” has the meaning given by regulation 21(2)(a);”;
- (q) in the definition of “record of securities”, for “public sector securities”, substitute “general public sector securities”.

**4.—(1) In regulation 3(3)–**

- (a) before “public” (wherever occurring), insert “general”;
- (b) after “appointed” (where second occurring), insert—  
“; or  
(iii) if the security falls within paragraph (a)(ii) of the definition of “local authority security” in paragraph (1) and the local authority has appointed as a registrar a person who is neither an officer nor any other employee of the authority for all of the purposes of the register required to be maintained under section 46(1) of the 1989 Act, to the person so appointed”.

**(2) After regulation 3(3), add–**

“(4) In respect of a security which is an eligible debt security, references in these regulations to the issuer or the participating issuer of that security (or units of that security) shall be taken to be references to–

- (a) a person (“P”) who undertakes as principal to perform the payment obligation constituted by the security in accordance with its current terms of issue; and
- (b) any other person who undertakes as principal to perform that obligation in accordance with those terms in the event that P fails to do so.

(5) For the purposes of paragraph (4)(b), a person who undertakes to perform an obligation under a contract of guarantee or other contract of suretyship is not to be regarded as undertaking to perform it as principal.

(6) For the purposes of paragraph (a) of the definition of “eligible debt security” in paragraph (1), a sum of money–

- (a) is to be regarded as payable at a determinable future time if it is payable–
  - (i) at a future time fixed by or in accordance with the current terms of issue of the security; or
  - (ii) at the expiry of a fixed period after the occurrence of a specified event which is certain to happen, though the time of happening may be uncertain; and
- (b) is not to be regarded as payable at a determinable future time if it is payable on a contingency.”.

**Participation in respect of securities other than shares**

- 5. In regulation 19(2), for “the issuer”, substitute “an issuer of that security”.

**Entries on registers and records in respect of general public sector securities**

- 6.—(1) In the cross-heading before regulation 21, before “public”, insert “general”.
- (2) In regulation 21(1) to (3), before “public” (wherever occurring), insert “general”.

(3) In regulation 22(1), for “or public sector securities”, substitute, “, general public sector securities or eligible debt securities”.

(4) In regulation 24(5), before “public”, insert “general”.

(5) In Schedule 4—

- (a) in the cross-heading before paragraph 12, before “public” insert “general”;
- (b) in paragraph 12(1), before “public”, insert “general”;
- (c) in the cross-heading before paragraph 13, before “public” insert “general”;
- (d) in paragraph 13, before “public” (wherever occurring), insert “general”.

#### **Entries on registers and records in respect of general UK Government securities**

7. In paragraphs 12(2) and 13(2) of Schedule 4, before “UK”, insert “general”.

#### **Entries on registers and records in respect of general local authority securities**

8.—(1) In regulation 21(3)—

- (a) before “local” (where first occurring), insert “general”;
- (b) after “appointed” (where second occurring), insert—  
“; or
- (c) if the security falls within paragraph (a)(ii) of the definition of “local authority security” in regulation 3(1) and the local authority has appointed as a registrar a person who is neither an officer nor any other employee of the authority for all of the purposes of the register required to be maintained under section 46(1) of the 1989 Act, the person so appointed”.

(2) In regulation 21(5), after “security”, insert “falling within paragraph (a)(i) of the definition of “local authority security” in regulation 3(1)”.

(3) After regulation 21(5), add—

“(6) Such sanctions as apply to a person appointed as registrar under section 46(1) of the 1989 Act in the event of a default in complying with his obligations under that section with respect to the keeping of a register shall apply to a participating issuer and his officers in the event of a default in complying with paragraph (2)(a) in respect of a local authority security falling within paragraph (a)(ii) of the definition of “local authority security” in regulation 3(1).”.

(4) In Schedule 4—

- (a) in paragraph 12(3), before “local”, insert “general”;
- (b) in paragraph 19(2), after “security”, insert “falling within paragraph (a)(i) of the definition of “local authority security” in regulation 3(1)”;
- (c) after paragraph 19(2), insert—

“(2A) Such sanctions as apply to a person appointed as registrar under section 46(1) of the 1989 Act in the event of a default in complying with his obligations under that section with respect to the keeping of a register shall apply to a participating issuer and his officers in the event of a default in complying with paragraph 13 in respect of a local authority security falling within paragraph (a)(ii) of the definition of “local authority security” in regulation 3(1).”.

### **Entries on registers and records in respect of eligible debt securities**

**9.**—(1) In regulation 22(3), after “security” (where first occurring), insert “(other than an eligible debt security)”.

(2) After regulation 22(3), insert—

“(3A) In respect of every participating security which is an eligible debt security, the Operator shall—

- (a) maintain a register, and such a register is referred to in these Regulations as an “Operator register of eligible debt securities”; and
- (b) record in that register—
  - (i) the names and addresses of the persons holding units of that security; and
  - (ii) how many units of that security each such person holds.”.

(3) In regulation 22(4), for “(2)(a)(i) or (3)”, substitute, “(2)(a)(i), (3) or (3A)”.

### **Effect of entries on registers**

**10.** In regulation 24, after paragraph (7), add—

“(8) Subject to regulation 29, an entry on an Operator register of eligible debt securities shall be prima facie evidence, and in Scotland sufficient evidence unless the contrary is shown, of any matters which are by these Regulations directed or authorised to be inserted in it.”.

### **Registration by an Operator of transfers of securities**

**11.** In regulation 27—

- (a) in paragraph (7), for “Immediately upon”, substitute, “Subject to paragraph (7A), immediately upon”;
- (b) after paragraph (7), insert—
 

“(7A) Paragraph (7) does not apply in relation to units of an eligible debt security.”.

### **Requirements for approval of a person as Operator**

**12.** In paragraphs 12 and 25(e)(ii) of Schedule 1, after “securities”, insert “(other than an Operator register of eligible debt securities)”.

### **Keeping of registers and records of participating securities**

**13.** In paragraph 16(2) of Schedule 4, after “such register”, insert “(other than an Operator register of eligible debt securities)”.

### **Eligible Treasury bills etc**

**14.**—(1) The power of the Treasury to create and issue Treasury bills in accordance with the 1877 Act includes power to create and issue bills in accordance with the 1877 Act and the 1968 Regulations as modified by Part 1 of Schedule 1.

(2) A bill created and issued by the Treasury in accordance with the 1877 Act and the 1968 Regulations as modified by Part 1 of Schedule 1 is a Treasury bill for the purposes of that Act and those Regulations; and that Act and those Regulations apply in relation to such bills with the modifications set out in Part 1 of Schedule 1.

(3) The power of the Ministry of Finance under section 11(1)(b) of the 1950 Act to borrow money by the creation and issue of Northern Ireland Treasury Bills includes power to borrow money by the creation and issue of Bills in accordance with the 1950 Act as modified by Part 2 of Schedule 1.

(4) A Bill created and issued by the Ministry of Finance in accordance with the 1950 Act as modified by Part 2 of Schedule 1 is a Northern Ireland Treasury Bill for the purposes of that Act; and that Act applies in relation to such Bills with the modifications set out in Part 2 of Schedule 1.

(5) The power of a local authority under section 43(2)(c) of the 1989 Act to borrow money by means of a loan instrument includes power to borrow money by means of an instrument created and issued in accordance with Part IV of the 1989 Act and the 1990 Regulations as modified by Part 3 of Schedule 1.

(6) An instrument created and issued by a local authority in accordance with Part IV of the 1989 Act and the 1990 Regulations as modified by Part 3 of Schedule 1 is a loan instrument for the purposes of that Part and those Regulations; and that Part and those Regulations apply in relation to such instruments with the modifications set out in Part 3 of Schedule 1.

#### **Application and modification of certain enactments**

**15.—**(1) Schedule 2, which applies and modifies certain enactments, has effect.

(2) Expressions used in Schedule 2 have, unless the contrary intention appears, the same meaning as in the principal regulations.

23rd June 2003

*Nick Ainger*  
*John Heppell*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

## 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<sup>(9)</sup>, 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,

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(9) 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<sup>(10)</sup>; 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–

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(10) 1968 c. 13.

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“(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<sup>(11)</sup>, 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<sup>(12)</sup>, 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);

<sup>(11)</sup> S.I. 2001/3755.

<sup>(12)</sup> 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)—

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(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(13);”.

*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(14);”.

**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)”;

(13) S.I. 2001/3755.

(14) 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

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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).

## SCHEDULE 2

Regulation 15

### APPLICATION AND MODIFICATION OF CERTAIN ENACTMENTS

#### *Eligible Treasury bills*

**1.** Section 5 of the National Debt Act 1889<sup>(15)</sup> applies in relation to eligible Treasury bills with the following modifications–

- (a) for “Treasury bills”, substitute, “The record (whether or not in the form of a document) containing the terms of an eligible Treasury bill”;
- (b) for “be impressed or affixed by machinery or otherwise”, substitute “appear in the record”.

**2.** A reference to Treasury bills in–

- (a) section 4 of the Enemy Property Act 1953<sup>(16)</sup>;
- (b) Schedule 1 to the Trustee Investments Act 1961<sup>(17)</sup>;
- (c) the National Loans Act 1968<sup>(18)</sup>;
- (d) section 4(5) of the Government Trading Funds Act 1973<sup>(19)</sup>;

<sup>(15)</sup> 1889 c. 6. There are amendments to section 5 not relevant to these Regulations.

<sup>(16)</sup> 1953 c. 52, to which there are amendments not relevant to these Regulations.

<sup>(17)</sup> 1961 c. 62. Schedule 1 was substituted by S.I. 2001/3649, article 269.

<sup>(18)</sup> 1968 c. 13.

<sup>(19)</sup> 1973 c. 63, to which there are modifications not relevant to these Regulations.

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- (e) Part I of Schedule 9 to the Companies Act 1985<sup>(20)</sup>;
- (f) the Local Authorities (Capital Finance)(Approved Investments) Regulations 1990<sup>(21)</sup>;
- (g) Schedule 1 to the Pilotage Act 1987 (Pilotage Commission: Transfer of Property, Rights and Liabilities) Order 1990<sup>(22)</sup>;
- (h) regulations 9 and 23A of the Insolvency Regulations 1994<sup>(23)</sup>;
- (i) Schedule 2 to the Companies (Summary Financial Statement) Regulations 1995<sup>(24)</sup>; or
- (j) Schedule 2 to the Building Societies (Accounts and Related Provisions) Regulations 1998<sup>(25)</sup>,

includes a reference to uncertificated units of eligible Treasury bills.

#### *Eligible Northern Ireland Treasury Bills*

#### **3.** A reference to Northern Ireland Treasury Bills in–

- (a) paragraph 4 of Part IV of Schedule 1 to the Trustee Investments Act 1961<sup>(26)</sup>; or
- (b) paragraph 3(7) of Part III of Schedule 2 to the Building Societies (Accounts and Related Provisions) Regulations 1998<sup>(27)</sup>,

includes a reference to uncertificated units of eligible Northern Ireland Treasury Bills.

#### *Dematerialised loan instruments*

#### **4.** A reference to a loan instrument in–

- (a) regulation 2 of the Local Authorities (Capital Finance) Regulations 1997<sup>(28)</sup>;
- (b) the Local Authorities (Capital Finance)(Approved Investments) Regulations 1990<sup>(29)</sup>,

includes a reference to uncertificated units of a dematerialised loan instrument.

#### *Cash ratio deposits*

#### **5.** In the Cash Ratio Deposits (Eligible Liabilities) Order 1998<sup>(30)</sup>–

- (a) the reference to “acceptances” in paragraph (d) of the definition of “items in suspense” in article 2(1) includes a reference to obligations of an eligible institution (within the meaning of the Order) in respect of uncertificated units of an eligible debt security where the obligations correspond, in accordance with the current terms of issue of the security, to obligations under acceptances;
- (b) the reference in article 2(5) to “any certificates of deposit” includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of a certificate of deposit;

<sup>(20)</sup> 1985 c. 6, to which there are amendments not relevant to these Regulations.

<sup>(21)</sup> S.I. 1990/426, to which there are amendments not relevant to these Regulations.

<sup>(22)</sup> S.I. 1990/1338.

<sup>(23)</sup> S.I. 1994/2507.

<sup>(24)</sup> S.I. 1995/2092, to which there are amendments not relevant to these Regulations.

<sup>(25)</sup> S.I. 1998/504.

<sup>(26)</sup> 1961 c. 62. There are amendments to paragraph 4 which are not relevant to these Regulations.

<sup>(27)</sup> S.I. 1998/504.

<sup>(28)</sup> S.I. 1997/319, to which there are amendments not relevant to these Regulations.

<sup>(29)</sup> S.I. 1990/426.

<sup>(30)</sup> S.I. 1998/1130.



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- (c) the reference in paragraph 2 of the Schedule to “certificates of deposit, commercial paper, bonds, notes and other similar instruments” includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of a certificate of deposit, commercial paper, bond, note or other similar instrument;
- (d) the reference in paragraphs 9(a) and 11 of the Schedule to “certificates of deposit and commercial paper” includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of a certificate of deposit or commercial paper;
- (e) the reference in paragraph 9(a) to “any instrument which falls within paragraph 11” includes a reference to any uncertificated units of an eligible debt security that fall within that paragraph as modified by this Schedule;
- (f) the reference in paragraph 11 to “notes and other similar debt instruments” includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of such notes or instruments.

#### *Certificates of deposit*

##### **6.—(1)** In an enactment to which this paragraph applies—

- (a) a reference to a certificate of deposit includes a reference to uncertificated units of an eligible debt security where the issue of those units corresponds, in accordance with the current terms of issue of the security, to the issue of a certificate of deposit which is a certificate of deposit for the purposes of that enactment; and
- (b) a reference to an amount stated in a certificate of deposit includes a reference to a principal amount stated in, or determined in accordance with, the current terms of issue of an eligible debt security of the kind referred to in subparagraph (a).

##### **(2)** This paragraph applies to—

- (a) sections 56(1), (3) and (5), 56A(1) and (2), 349(3A) and (4), 477A(1A) and (10), 481(5) and (5A), 482(6) and 710(3) of, paragraph 8 of Schedule 20 to, the Income and Corporation Taxes Act 1988<sup>(31)</sup>;
- (b) paragraph 12(e) of Schedule 2 to the Financial Services and Markets Act 2000<sup>(32)</sup>;
- (c) Parts I and II of Schedule 2 to the Building Societies (Accounts and Related Provisions) Regulations 1998<sup>(33)</sup>.

#### *Commercial paper*

**7.** A reference to commercial paper in Schedule A1 or Schedule 2A to the Insolvency Act 1986<sup>(34)</sup> includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of commercial paper within the meaning of article 9(3) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001<sup>(35)</sup>.

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<sup>(31)</sup> 1988 c. 1. There are amendments to the provisions referred to which are not relevant to these Regulations.

<sup>(32)</sup> 2000 c. 8.

<sup>(33)</sup> S.I. 1998/504.

<sup>(34)</sup> 1986 c. 45. Schedule A1 was inserted by the Insolvency Act 2000 (c. 39), section 1 and Schedule 1; Schedule 2A was inserted by the Enterprise Act 2002 (c. 40), section 250 and Schedule 18.

<sup>(35)</sup> S.I. 2001/544, to which there are amendments not relevant to these Regulations.

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*Securities etc creating or acknowledging indebtedness*

8.—(1) In a provision to which this paragraph applies, a reference to securities, instruments or investments creating or acknowledging indebtedness (or creating or acknowledging a present or future indebtedness) includes a reference to uncertificated units of eligible debt securities.

(2) This paragraph applies to—

- (a) Schedule 1 to the Trustee Investments Act 1961<sup>(36)</sup>;
- (b) section 98(1) of the Local Government Act 1972<sup>(37)</sup>;
- (c) section 92(3) of the Local Government (Scotland) Act 1973<sup>(38)</sup>;
- (d) section 3(6) of the Licensing (Alcohol Education and Research) Act 1981<sup>(39)</sup>;
- (e) 228(6)(b) of the Companies Act 1985<sup>(40)</sup>;
- (f) paragraph 2 of Schedule 2 to the Criminal Justice Act 1993<sup>(41)</sup>;
- (g) section 17(7A) of the Bank of England Act 1998<sup>(42)</sup>;
- (h) paragraph 12(f) of Schedule 2, and paragraph 23 of Schedule 11, to the Financial Services and Markets Act 2000<sup>(43)</sup>;
- (i) section 74(8) of the Postal Services Act 2000<sup>(44)</sup>;
- (j) regulation 3 of the Consumer Protection (Cancellation of Contracts Concluded away from Business Premises) Regulations 1987<sup>(45)</sup>;
- (k) paragraph 2 of the Schedule to the Traded Securities (Disclosure) Regulations 1994<sup>(46)</sup>;
- (l) paragraph 8 of Schedule 1 to the Railway Pensions (Transfer and Miscellaneous Provisions) Order 1994<sup>(47)</sup>;
- (m) the Schedule to the British Coal Staff Superannuation Scheme (Modification) Regulations 1994<sup>(48)</sup>;
- (n) the Schedule to the Mineworkers' Pension Scheme (Modification) Regulations 1994<sup>(49)</sup>;
- (o) the Schedule to the Industry-Wide Coal Staff Superannuation Scheme Regulations 1994<sup>(50)</sup>;
- (p) regulations 2(1), 3(2) and 7(2) of, and Schedule 1 to, the Public Offers of Securities Regulations 1995<sup>(51)</sup>;
- (q) regulation 2(1) of the Occupational Pension Schemes (Minimum Funding Requirements and Actuarial Valuations) Regulations 1996<sup>(52)</sup>;

<sup>(36)</sup> 1961 c. 62 Schedule 1 was substituted by S.I. 2001/3649, article 269.

<sup>(37)</sup> 1972 c. 70. Subsection (1) was substituted by S.I. 2002/1555, article 5.

<sup>(38)</sup> 1973 c. 65. Subsection (3) was inserted by S.I. 2001/3649, article 220.

<sup>(39)</sup> 1981 c. 28. Subsection (6) was substituted by S.I. 2002/1555, article 9.

<sup>(40)</sup> 1985 c. 6.

<sup>(41)</sup> 1993 c. 36.

<sup>(42)</sup> 1998 c. 11. Subsection (7A) was substituted by S.I. 2001/3649, article 161.

<sup>(43)</sup> 2000 c. 8.

<sup>(44)</sup> 2000 c. 26.

<sup>(45)</sup> S.I. 1987/2117. Regulation 3 was amended by S.I. 2001/3649, article 386.

<sup>(46)</sup> S.I. 1994/188.

<sup>(47)</sup> S.I. 1994/2005.

<sup>(48)</sup> S.I. 1994/2576. The Schedule was amended by S.I. 2001/3649, article 472.

<sup>(49)</sup> S.I. 1994/2577. The Schedule was amended by S.I. 2001/3649, article 473.

<sup>(50)</sup> S.I. 1994/2973. The Schedule was amended by S.I. 2001/3649, article 478.

<sup>(51)</sup> S.I. 1995/1537. Regulations 2(1), 3(2) and 7(2), and Schedule 1, were amended by S.I. 2001/3649, articles 501, 502, 504 and 510 respectively.

<sup>(52)</sup> S.I. 1996/1536. Regulation 2(1) was amended by S.I. 2001/3469, article 525.

- (r) regulations 5(3)(b) and 8 of the Occupational Pension Schemes (Investment) Regulations 1996<sup>(53)</sup>;
- (s) regulation 1(3) of the Stakeholder Pension Schemes Regulations 2000<sup>(54)</sup>;
- (t) Schedule 1 to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001;
- (u) Part IV of Schedule 3 to the Social Security (Contributions) Regulations 2001;
- (v) the Government Resources and Accounts Act 2000 (Investment by Devolved Administrations)(Public-Private Partnership Business) Order 2001;
- (w) articles 17(1), 31(1), 77(1) and 78 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

#### *Acceptance of certain instruments*

9. The reference to a person becoming party to an instrument in each of article 17(2) and article 31(2) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 includes a reference to a person assuming rights and obligations in respect of uncertificated units of an eligible debt security in accordance with its current terms of issue.

#### *Public offers of securities*

10. In regulation 3(4) of the Public Offers of Securities Regulations 1995—

- (a) in subparagraph (a), the reference to debentures having a maturity of less than one year from their date of issue includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of a debenture having a maturity of less than one year from its date of issue;
- (b) in subparagraph (b), the reference to bills of exchange accepted by a banker includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of a bill of exchange accepted by a banker.

#### *Building societies*

11. In the Building Societies Act 1986<sup>(55)</sup>—

- (a) the reference in section 7(2)(c) to bills of exchange, instruments or agreements creating or acknowledging indebtedness and accepted, made, issued or entered into by the society or any such undertaking includes a reference to uncertificated units of an eligible debt security in respect of which the obligations of the society or any such undertaking correspond, in accordance with the current terms of issue of the security, to those of the society or undertaking under such a bill of exchange, instrument or agreement;
- (b) the reference in section 7(3)(b)(ii) to indebtedness created or acknowledged by bills of exchange, instruments or agreements accepted, made, issued or entered into by the society or any such undertaking includes a reference to indebtedness of the society or any such undertaking in respect of uncertificated units of an eligible debt security where the indebtedness corresponds, in accordance with the current terms of issue of the security, to that created or acknowledged by such a bill of exchange, instrument or agreement;

<sup>(53)</sup> S.I. 1996/3127, amended by S.I. 2001/3469, article 545.

<sup>(54)</sup> S.I. 2000/1403. A relevant substitution was made by S.I. 2001/3469, article 595(1)(b).

<sup>(55)</sup> 1986 c. 53.

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(c) in section 8–

- (i) the reference in subsection (2)(b) to a transferable instrument includes a reference to uncertificated units of an eligible debt security the holding of which confers, in accordance with the current terms of issue of the security, a right to receive an amount referable to a deposit with the building society that issued the units;
- (ii) neither the definition of “transferable instrument” in subsection (9) nor subsection (10) apply in relation to uncertificated units of an eligible debt security of the kind mentioned in subsubparagraph (i).

**12.** In Part III of Schedule 2 to the Building Societies (Accounts and Related Provisions) Regulations 1998<sup>(56)</sup>–

- (a) in paragraph 3(3), a reference to similar debt instruments includes a reference to uncertificated units of an eligible debt security which are similar to uncertificated units of an eligible Treasury bill, or to uncertificated units of an eligible Northern Ireland Treasury Bill;
- (b) in paragraph 3(4), a reference to bills includes a reference to uncertificated units of an eligible debt security where the issue of the units corresponds, in accordance with the current terms of issue of the security, to the issue of such a bill;
- (c) in paragraph 9(b), the definition of “floating rate note” includes uncertificated units of an eligible debt security the holding of which confers, in accordance with the current terms of issue of the security, a right to receive a principal sum and interest at a rate which is variable at times specified, or determined in accordance with, the current terms of issue of the security;
- (d) in paragraph 9(c), the definition of “fixed rate note” includes uncertificated units of an eligible debt security the holding of which confers, in accordance with the current terms of issue of the security, a right to receive a principal sum and interest at a rate which is fixed as specified, or determined in accordance with, the current terms of issue of the security.

*Bearer securities etc*

**13.** A reference to bearer securities in–

- (a) sections 1 and 7(3) of the Trustee (Northern Ireland) Act 1958<sup>(57)</sup>;
- (b) paragraph 14(2) of Schedule 6 to the Aircraft and Shipbuilding Industries Act 1977<sup>(58)</sup>; and
- (c) paragraph 4 of Schedule 12 to the Finance Act 1989<sup>(59)</sup>,

includes a reference to uncertificated units of eligible debt securities.

**14.** A reference to securities payable to bearer in–

- (a) section 7(1) of the Trustee (Northern Ireland) Act 1958;
- (b) section 31(a) of the Industrial and Provident Societies Act 1965<sup>(60)</sup>;
- (c) regulation 8 of the Land Settlement (Annuities) Regulations 1919<sup>(61)</sup>,

includes a reference to uncertificated units of eligible debt securities.

<sup>(56)</sup> S.I. 1998/504.

<sup>(57)</sup> 1958 c. 23.

<sup>(58)</sup> 1977 c. 3.

<sup>(59)</sup> 1989 c. 26.

<sup>(60)</sup> 1965 c. 12, to which there are amendments not relevant to these Regulations.

<sup>(61)</sup> S.I. 1919/1961.

15. A reference to bearer instruments in articles 41(1) and 42(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001<sup>(62)</sup> includes a reference to uncertificated units of an eligible debt security the holding of which confers, in accordance with the current terms of issue of the security, rights which correspond to those conferred by an investment of a kind falling within paragraph 15(1) of Schedule 1 to that Order.

#### *Application and modification of other enactments*

16. Section 7(1) of the Trustee (Northern Ireland) Act 1958 applies in relation to uncertificated units of eligible debt securities with the omission of the words after “bank”.

17. The reference in paragraph 6 of Schedule 1 to the Local Government Act 1972<sup>(63)</sup> to “other securities so transferable” includes a reference to uncertificated units of eligible debt securities.

18. In any enactment, a reference to an enactment modified by these Regulations or the principal regulations includes a reference to that enactment as so modified.

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Uncertificated Securities Regulations 2001 (S.I.2001/3755) (“the principal regulations”) to allow for the evidencing and transfer of title to “eligible debt securities” by means of a “relevant system” as defined in the principal regulations. “Eligible debt securities” principally comprise the non-material equivalents of the certificated securities known as money market instruments.

A new definition of “eligible debt security” is inserted into the principal regulations by regulation 3(h) of these Regulations. The definition includes a general category of securities that satisfy certain conditions as to their constitution and terms of issue. In addition, “eligible Northern Ireland Treasury Bill” and “eligible Treasury bill” are defined as special cases of eligible debt securities by new definitions inserted into the principal regulations by regulation 3(h) of these Regulations. Various enactments that define and govern the material equivalents of these special cases are applied, with modifications, to the relevant categories of eligible debt securities by regulation 14 of, and Schedule 1 to, these Regulations.

Regulation 4(2) of these Regulations inserts interpretation provisions into the principal regulations, in relation to the persons who are “issuers” or “participating issuers” of eligible debt securities, and in relation to the question of when a sum of money is to be regarded as payable at a determinable future time for the purposes of the definition of “eligible debt securities”. As regards the former, an “issuer” or a “participating issuer” of an eligible debt security for the purposes of the principal regulations is to be taken to be a reference to a person (“P”) who undertakes as principal to perform the payment obligation constituted by the security in accordance with its current terms of issue; and includes any other person who undertakes as principal to perform that obligation in accordance with those terms in the event that P fails to do so. However, for these purposes, a person who undertakes to perform an obligation under a contract of guarantee or other contract of suretyship is not to be regarded as

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<sup>(62)</sup> S.I. 2001/1335, to which there are amendments not relevant to these Regulations.

<sup>(63)</sup> 1972 c. 70.

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undertaking to perform it as principal. In relation to sums of money payable at a determinable future time, new regulation 3(6) of the principal regulations provides that a sum of money is to be regarded as payable at a determinable future time if it is payable at a future time fixed by or in accordance with the current terms of issue of the security, or is payable at the expiry of a fixed period after the occurrence of a specified event which is certain to happen, even though the time of happening may be uncertain. For this purpose, a sum is not to be regarded as so payable if it is payable on the happening of a contingency. These interpretation provisions relate principally to the non-material equivalents of the category of money market instruments known as bankers' acceptances.

Regulation 3(a) to (f) and (i) to (q), and regulations 4(1) and 5 to 13 of these Regulations make additional amendments to the principal regulations in order to adapt the procedures set out in those Regulations to the evidencing and transfer of title to eligible debt securities.

In order to ensure that the various categories of securities referred to in the principal regulations as amended by these Regulations do not overlap, and that entries relating to eligible debt securities are recorded solely on an Operator register of eligible debt securities (see below), new definitions of “general local authority security”, “general public sector security” and “general UK Government security” are inserted into the principal regulations by regulation 3(h) of these Regulations. These new definitions cover the same categories as the previous definitions of “local authority security”, “public sector security” and “UK Government security” respectively, but with eligible debt securities excluded in each case. Regulations 4(1)(a), 6, 7 and 8(1)(a) and (4)(a) of these Regulations amend certain references in the principal regulations to confine them by reference to the new definitions, in order to ensure that eligible debt securities are excluded from the operation of those provisions of the principal regulations.

Regulation 5 of these Regulations amends regulation 19(2) of the principal regulations to allow for the possibility that some eligible debt securities (i.e., the non-material equivalents of bankers' acceptances) may have more than one “issuer” (as explained above in relation to regulation 4(2)).

Regulation 8(1)(b), (2), (3) and (4)(b) and (c) of these Regulations amend regulation 21 of, and Schedule 4 to, the principal regulations to include references to registrars in relation to dematerialised loan instruments.

By virtue of provisions inserted into the principal regulations by regulation 9 of these Regulations, an Operator of a relevant system must maintain an “Operator register of eligible debt securities” in relation to each such security which is a participating security. Such a register must contain entries indicating the names and addresses of persons holding units of the security, and how many such units each person holds. Such entries are prima facie evidence, and in Scotland sufficient evidence (unless the contrary is shown) of the matters to which they relate (regulation 10, which inserts a new paragraph (8) into regulation 24 of the principal regulations).

Regulation 11 of these Regulations disapplies regulation 27(7) of the principal regulations in the case of eligible debt securities, in view of the nature of those securities.

Regulation 12 of these Regulations amends paragraphs 12 and 25(e)(ii) of Schedule 1 to the principal regulations with the effect that an Operator of a relevant system is not required to permit issuers of eligible debt securities to inspect an Operator register of eligible debt securities. This is in keeping with the nature of “eligible debt securities” as uncertificated counterparts to bearer securities, in relation to which the identity of the bearer need not be known to the issuer of the security.

Regulation 13 of these Regulations excludes eligible debt securities from the scope of paragraph 16(2) of Schedule 4 to the principal regulations. That subparagraph makes provision as to the location of registers which relate to securities issued by companies and which are required to be maintained by an Operator under the principal regulations.

Regulation 14 of, and Schedule 1 to, these Regulations apply and modify various enactments relating to the issue of specific kinds of securities by public authorities. The modifications of the Treasury Bills Act 1877 (c. 2) and the Treasury Bills Regulations 1968 (S.I. 1968/414) referred to in the definition of “eligible Treasury bill” (inserted into the principal regulations by regulation 3(h) of

these Regulations) are set out in Part 1 of Schedule 1. A security constituted by a Treasury bill issued in accordance with these provisions as so modified amounts to an “eligible Treasury bill” for the purposes of the definition in the principal regulations. Similar modifications are carried out by Part 2 of Schedule 1 in relation to eligible Northern Ireland Treasury Bills, and Part 3 of Schedule 1 in relation to dematerialised loan instruments.

Various enactments are applied, with modifications, to eligible debt securities, by regulation 15 of, and Schedule 2 to, these Regulations. Regulation 15(2) and (3) contain interpretation provisions for the purposes of Schedule 2.