

OPINION OF THE EUROPEAN MONETARY INSTITUTE

on a consultation from HM Treasury of the United Kingdom under Article 109f(6) of the Treaty establishing the European Community and Article 5.3 of the Statute of the EMI

on a Proposal for amendments to the Building Societies Act 1986 through an Order made under Section 1 of the Deregulation and Contracting Out Act 1994.

CON/94/12

1. The present consultation was initiated on 23rd December 1994 by HM Treasury of the United Kingdom which, for this purpose, transmitted to the EMI the text of the proposed amendments and an explanatory memorandum. The submission of the EMI's opinion on this consultation is subject to a time limit of one month in accordance with Article 4 of the Council Decision of 22nd November 1993 on the consultation of the EMI by the authorities of the Member States on draft legislative provisions (93/717/EC).
2. Building societies in the United Kingdom are mutual credit institutions. Their principal function is to lend to their members (who fund the societies) for the purpose of purchasing property for the members' residential use. They operate, and are supervised, under the Building Societies Act 1986, under separate legislation from banks. The proposed amendments to this Act aim in particular at increasing the proportion of funds which a building society may raise in the wholesale market, changing certain capital requirements of building societies and obligations concerning their subsidiaries, as well as removing certain procedural obligations for building societies.
3. The EMI's competence to deal with this consultation is based on Article 1, section 1, fifth indent of Council Decision 93/717/EC as the proposed amendments may have an impact on the stability of financial institutions and markets.
4. The EMI reviewed the proposed amendments to the Building Societies Act and concluded that the features of the envisaged changes to the legal and economic structure of building societies do not appear to have negative consequences for the stability of financial institutions and markets and therefore do not call for remarks from the EMI's side.

17th January 1995