

# Rules of The Low Carbon Hub IPS Limited

Register number: 31903R

Registered office:

9 Park End Street, Oxford OX1 1HH

Incorporated under the Industrial and Provident Societies Act 1965

Reinvestment Rules – Enterprise Investment Model 2010



## Rules of The Low Carbon Hub IPS Limited

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## Rules of Low Carbon Hub IPS Limited

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### **A Name, number and main objects**

#### **1 What is the society's name and number?**

- 1.1 The society's name is The Low Carbon Hub IPS Limited.
- 1.2 The society's registered number is [ 31903R ].
- 1.3 The society's registered office is 9 Park End Street, Oxford OX1 1HH.

#### **2 What are the society's objects?**

- 2.1 The society aims to:
  - 2.1.1 Maintain or improve the physical, social and economic infrastructure within Oxford, Oxfordshire and beyond;
  - 2.1.2 Conserve, improve and protect the physical and natural environment in Oxford, Oxfordshire and beyond through the reduction of carbon emissions;
  - 2.1.3 Advance education (particularly concerning asset based community development and enterprises with a community or environmental focus);
  - 2.1.4 Provide an opportunity for public-spirited people and organisations to contribute financially to the community, with the expectation of an environmental and social reward; and
  - 2.1.5 Support the activities of the Low Carbon Hub C.I.C. (registered number 7583663), which may include donating a proportion of its annual revenue to the Low Carbon Hub C.I.C. (or, if the Low Carbon Hub C.I.C. ceases to exist, a body with similar objectives), as set out from time to time in share offer documents issued by the society.
- 2.2 Examples of the ways in which the society may carry out its objects may include:
  - 2.2.1 Providing community-owned renewable energy projects to help reduce the carbon emissions of Oxford, Oxfordshire and beyond, and to support the reduction of carbon emissions by funding activities through the Low Carbon Hub C.I.C.
- 2.3 Those objects are carried on for the benefit of the community.
- 2.4 The society's members may, subject to the registration of a rule amendment by the Financial Services Authority, change the society's objects. See rule 31.

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**B Rights of members of the society**

**3 What types of share are there?**

3.1 The shares of the society shall be divided into "A Shares" and "B Shares", both classes of which are ordinary shares with a nominal value of one pound each and equal in all respects except as otherwise provided in these Rules. Subject to not exceeding the maximum shareholding permitted by law, a member may hold either or both A Shares and B Shares. The 'par' or 'capital' value of any class of shares may be reduced in some circumstances (see rule 16).

3.2 The society may issue some shares as designated for a particular purpose. Those shares may carry a risk or return which is different from that for other shares. (see rule 16.5). However, all shares irrespective of their issue will have the same voting rights.

**4 What is the minimum shareholding?**

4.1 Members of the society must have a minimum shareholding of one share.

4.2 Members that withdraw and/or transfer and/or surrender all of their shares in accordance with the provisions of these Rules will no longer be members of the society.

4.3 A member's debt due to the society will give the society a lien on the member's shares. This debt may be offset against the member's share capital, share interest or loans to the society.

**5 What is the maximum shareholding?**

5.1 A member's total shareholding cannot exceed the maximum the law allows.

5.2 In rule 5.1, a member's total shareholding includes all shares registered in the member's name, including (for example):

- ◇ all shares jointly held with others; and
- ◇ shares held on behalf of others.

**6 How to become a member of the society**

6.1 On formation of the society, the subscribers to these rules become members, each holding one A Share. (This rule does not apply to the society where the society is adopting these rules in substitution for an earlier set of rules).

6.2 The directors of the society will, from time to time, set the procedures and forms to be used for applying for shares and for the minimum allowable shareholding under rule 4.1. Those procedures should include the following:



6.2.1 The directors will satisfy themselves that any proposed financial promotion:

6.2.1.1 does not contain any untrue or misleading statement; and

6.2.1.2 gives a reasonable and fair description of the risks associated with holding shares in this society; and

6.2.1.3 complies with any voluntary code or guidance which the society may, from time to time, agree.

6.2.2 For this rule, a proposed financial promotion is any document issued by the society to promote the issue of shares (or anything else which might be considered an investment if issued by a company, such as a bond, for example).

6.2.3 For this rule a document also includes 'non-real time communications' and 'real time communications' (as described in article 7 of the Financial Services and Markets Act 2000 [Financial Promotion] Order 2001; SI 2001/1335), even if it is not in documentary form.

6.3 Members must pay one pound for each share for which they apply. Shares shall normally be paid for in full on allotment, but the directors may, at their discretion, permit a member to defer payment.

6.4 When shares are issued, the society will provide a share certificate in respect of those shares. At that time a member's details will be entered into the society's register of members.

6.5 The society may operate a share purchase instalments scheme to help members to purchase the minimum shareholding. Some legal restrictions may govern the operation of that scheme.

6.6 The society will take reasonable steps to verify the identification of members. The society will retain a copy of all documents seen to verify the identity of a member.

## **7 Can members withdraw their shares or have their shares repaid?**

7.1 Members do not have the right to withdraw share capital but the directors have the power to permit A Shares in the society to be withdrawn by agreement between the directors and a member holding A Shares. Any withdrawal of A Shares shall be made in accordance with rule 7.3, any conditions in the original share offer (if applicable), and any other procedures and conditions the directors may announce from time to time. If the directors permit A Shares to be withdrawn, the amount to be paid to a member who is withdrawing A Shares shall be the amount paid for the A Shares being withdrawn, less any costs incurred by the society in relation to that withdrawal, except that, subject to rule 16.1, this does not apply if the society has reduced the capital value of the A Shares (by passing a board resolution, under rule



16.4.1). In that case the society will return only the reduced capital value of the A Shares.

- 7.2 If A Shares are withdrawn, the society will pay any interest accrued to the date of withdrawal.
- 7.3 When members apply to withdraw shares, they will need to
- ◇ complete a withdrawal form (as set by the society’s directors);
  - ◇ comply with any procedures the society’s directors may set; and
  - ◇ produce evidence of identity (if not previously provided).
- 7.4 Members may surrender all or some of their A Shares at any time. On surrender, the society may (but does not have to) pay some or all of the money paid for the A Shares.
- 7.5 Renewable energy societies require a large amount of initial capital to build or acquire a renewable energy project, but, once the project has been operating for several years, the effect of the depreciation charge may result in the society holding cash and capital in excess of its needs. Rule 7.6 enables the society to return this excess capital to its members in the proportions in which they provided it. Rule 7.6 does not deal with the distribution of profit, which is dealt with under rule 15.
- 7.6 The directors may resolve to repay any proportion (the “Proportion”) of the society’s share capital to its members on the terms of this rule 7.6, in which case it shall treat as agreed to be repaid on behalf of every member (and not some only) that Proportion of the shares held by them, treating A Shares and B Shares equally (with such rounding to the nearest whole number of that Proportion which is a fraction as the directors may determine). A member holding both A Shares and B Shares shall have the same Proportion of each class of share held by him repaid. The amount to be repaid per share pursuant to this rule 7.6 shall be the amount subscribed for the shares so repaid. Shares repaid under this rule shall be treated as cancelled. All members are deemed to give any consents required to the repayment of share capital in the manner provided for in this rule 7.6.
- 7.7 The directors shall only exercise their power under rule 7.6 if the directors are of the reasonable opinion that on the date of their resolution to repay share capital, and taking account of the effect of the repayment of capital, the society is solvent. The society may not repay capital under rule 7.6 if, as a result of the repayment, there would no longer be any member of the society holding shares.

## **8 What if a member loses their share certificate?**

- 8.1 The members of the society are those whose names are on the register of members. So, at their discretion, the directors may allow the society to replace a lost or destroyed share certificate.



- 8.2 The directors may set conditions for the replacement. Members will have to meet those conditions before the society can issue the replacement.
- 9 Can a member sell their shares?**
- 9.1 A member cannot transfer any of their A Shares to any other person.
- 9.2 A member may only transfer B Shares if the transfer is made in accordance with this rule 9.
- 9.3 A member may at any time transfer some or all of its B Shares to any person in their family and/or any trust established for the benefit of one or more people in their family (a "Permitted Transferee") without being required to comply with the procedure set out in rules 9.4-9.12 below.
- 9.4 Except where rule 9.3 applies, a member wishing to transfer some or all of its B Shares (the "Seller") must give notice to the directors (a "Transfer Notice") providing details of the proposed transfer including, in particular, the number of B Shares to be transferred (the "Sale Shares"), the identity of the proposed transferee(s), the price of the Sale Shares (the "Transfer Price") and other payment terms and conditions. Once given under these Rules, a Transfer Notice may not be withdrawn.
- 9.5 A Transfer Notice appoints the society as the agent of the Seller for the sale of the Sale Shares at the Transfer Price. The transferring member may be required to pay the costs incurred by the society in relation to any transfer of B Shares, and the society may deduct those costs from any proceeds payable to the transferring member.
- 9.6 As soon as practicable following the receipt of a Transfer Notice, the directors shall offer the Sale Shares for sale to the other members of the society. Each offer shall be in writing and give details of the number and Transfer Price of the Sale Shares offered.
- 9.7 The directors shall offer the Sale Shares to all members of the society other than the Seller, inviting them to apply in writing within 28 days of the date of the offer ("Offer Period") for the maximum number of Sale Shares they wish to buy.
- 9.8 If, at the end of the Offer Period, the number of Sale Shares applied for is equal to or exceeds the number of Sale Shares, the directors shall allocate the Sale Shares to each member who has applied for Sale Shares in the proportion which his existing holding of B Shares bears to the total number of B Shares held by those members who have applied for Sale Shares. Fractional entitlements shall be rounded to the nearest whole number. No allocation shall be made to a member of more than the maximum number of Sale Shares which he has stated he is willing to buy.
- 9.9 If, at the end of the Offer Period, the total number of Sale Shares applied for is less than the number of Sale Shares, the directors shall allocate the Sale Shares to the members in accordance with their applications. The balance ("Surplus Shares") shall be dealt with in accordance with rule 9.11.



- 9.10 At the end of the Offer Period, the directors shall give written notice of allocation ("Allocation Notice") to the Seller and each member to whom Sale Shares have been allocated. The Allocation Notice shall specify the number of Sale Shares allocated to each member, the amount payable by each member for the number of Sale Shares allocated to him or her and the place and time for completion of the transfer of the Sale Shares.
- 9.11 If there are any Surplus Shares, the directors shall have 28 days from the end of the Offer Period within which to identify an alternative person or persons to whom the Surplus Shares shall be transferred. If the directors identify one or more suitable transferees, the directors shall issue an Allocation Notice to the Seller and to those transferees in relation to the Surplus Shares. If the directors fail to identify one or more suitable transferees for (some or all) of the Surplus Shares within 28 days from the end of the Offer Period, then the Seller may transfer the remaining Surplus Shares to any person at a price at least equal to the Transfer Price.
- 9.12 The Seller's right to transfer B Shares under rule 9.11 does not apply if the directors reasonably consider that the proposed transferee is unsuitable as a member of the society for any reason.
- 9.13 The restrictions imposed by these Rules in relation to transfers of B Shares may be waived in relation to any proposed transfer of B Shares with the consent of the members holding B Shares who, but for the waiver, would or might have been entitled to have such B Shares offered to them in accordance with this rule 9.
- 9.14 B Shares may be transferred by means of an instrument of transfer in any form approved by the directors, which is executed by or on behalf of the transferor and transferee.
- 9.15 The society's secretary shall record every transfer by making appropriate entries in the register of members and no transfer shall be deemed to have taken effect until such entries are made. The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- 9.16 The directors may refuse to register the transfer of a B Share to a person of whom they do not, acting reasonably, approve. They may also refuse to register the transfer unless it is lodged at the registered office of the society or at such other place as the directors may determine from time to time and is accompanied by such evidence as the directors may reasonably require to show the right of the transferor to make the transfer, and by such other information, as they may reasonably require.
- 9.17 If the directors refuse to register such a transfer, they shall, within two months after the date on which the transfer was lodged with the society send to the transferee notice of the refusal.
- 9.18 The provisions of this rule 9 apply in addition to any restrictions on the transfer of a share which maybe set out elsewhere in the Rules of the society.



**10 What are a member's voting rights?**

10.1 At the society's annual general meeting (and other general meetings of the society), each member has one vote. Members will have one vote each irrespective of the number of shares they may hold.

**11 Can a member hold shares in joint names?**

11.1 A member may hold any shares in their own name. Or they may hold them jointly (with up to three others).

11.2 Suppose a member represents an unincorporated association (perhaps a club or society, for example). The association's shares must be held in the joint names of two or more persons. The association cannot hold shares in its own name (but the holders of its shares may ask the society to note the association's name and address in the society's register of members).

11.3 For voting and the payment of interest, the joint holders of a share are one shareholder and one member.

11.4 If a member holds a share jointly, the member and the other holders of that share may go to the society's general meetings (and speak at them). But only one of the holders of that share can vote. If the holders of the share cannot agree between them who is to vote, it will be the person named first (in the society's register of members).

11.5 Similarly, the society will send correspondence, notices, and the share certificate, only to the person named first (in the society's register of members), unless that person gives the society different, written, instructions.

11.6 Similarly, the society will pay interest only to the person named first (in the society's register of members), unless that person gives the society different, written, instructions.

11.7 Unless members give the society different, written, instructions, all joint holders of an A Share must sign an application to withdraw the A Share.

**12 Can children own shares?**

12.1 Members must be 16 years old, or older.

12.2 A person under 16 cannot be a member. But a member can hold shares on behalf of somebody who is under 16. The society has to treat those shares as belonging to that member (and not the child), for the purposes of rule 5.1 (which sets the greatest total value of shares a member can have in their name). Following that person's 16<sup>th</sup> birthday, they may become a member of the society and those shares can pass on to them.

**13 What happens on death, bankruptcy or mental incapacity?**

13.1 This rule 13.1 applies on the death of a member holding a share in their own name.

**For shareholdings of £5,000 or less:**

*If...*

the member has named a person to take the shares on their death (called the member's **nominee**),

*...and if...*

...the shares registered in the member's name have a total value of £5,000 (or less),

*then...*

the society will transfer the shares to the member's nominee.

**For shareholdings greater than £5,000:**

*If...*

the member has named a person to take the shares on their death (called the member's **nominee**),

*...and if...*

...the shares registered in the member's name have a total value of more than £5,000,

*then...*

...the society will transfer the shares to the member's nominee, but only for shares with a total value of £5,000. The society will decide which shares transfer to the member's nominee. The member's personal representatives will have to deal with the other remaining shares.

**For shareholdings where the nominee is younger than 16 (when they could take the shares):**

*If...*

the member has named a person to take the shares on their death (called the member's **nominee**),

*...and if...*

...the member's nominee is younger than 16 (when they could take the shares),

*then...*

...the society may treat an adult (the member's nominee's mother, father, or guardian, for example) as having the rights of the member's nominee. The society will then transfer the member's shares to

them. That adult must undertake to hold the shares on trust for the member's nominee.

**For shareholdings where the member has no nominee and the value is £5,000 or less:**

*If...*

the member has NOT named a person to take the shares on their death,

*...and if...*

...the shares registered in the member's name (and any other interests the member may have with the society) have a total value of £5,000 (or less),

*then...*

...the society may (at the society's discretion) transfer the shares to the person who seems to have the legal right to them (member's wife, husband, civil partner or children, for example). The society will ask for evidence of their right. The society is unable to transfer the shares to that person if the personal representative has applied for probate or letters of administration.

**For shareholdings where the member has no nominee and their personal representatives have applied for probate or letters of administration, and the value is £5,000 or less:**

*If...*

the member has NOT named a person to take the shares on their death, BUT their personal representatives have applied for probate or letters of administration,

*...and if...*

... the shares registered in the member's name (and any other interests the member may have with the society) have a total value of £5,000 (or less),

*then...*

... the society will transfer the shares to the member's personal representative. The society must see the probate or letters of administration.

**For shareholdings where the member has no nominee and the value is greater than £5,000:**

*If...*

the member has NOT named a person to take the shares on their death,

*...and if...*

... the shares registered in the member's name have a total value of more than £5,000,

*then...*

...the society will transfer the shares to the member's personal representative. The society must see the probate or letters of administration.

- 13.2 After the society has transferred the member's shares to their personal representative, the personal representative:
- ◇ if applicable, may apply to withdraw any A Shares;
  - ◇ if applicable, may apply to receive any interest that may become due on any A Shares before they withdraw them;
  - ◇ surrender the shares;
  - ◇ but cannot exercise any other membership rights for the shares.
- 13.3 Any other person to whom the society transfers a member's shares (under rule 13.1) will have all the membership rights previously enjoyed by the member.
- 13.4 This rule 13.4 applies on the death of a member who held a share jointly with others.
- If...*
- the member has not given the society written instructions...
- ... then...*
- the society will treat the surviving owner (or owners) as the only (joint) owner of that share.
- If...*
- the member has given the society written instructions to do so...
- ...then...*
- rule 13.1 tells the society who to register in the member's place.
- 13.5 This rule applies to the member's replacement (the person to whom the society transfers the member's shares under rules 13.1 or 13.4). Rules 13.1 and 13.4 do not allow the member's replacement to hold (on their own or jointly, with others) shares with a total value greater than the law allows. See rule 5.1.
- 13.6 After the society receives written proof that a member is bankrupt, the trustee of their estate may apply to withdraw any A Shares held by that member. The trustee may also then apply to receive any interest that may become due on any A Shares before they withdraw them. The trustee may also surrender any shares. The trustee cannot exercise any other membership rights for the shares. This rule 13.6 applies if the shares were in the member's sole name.
- 13.7 This rule 13.7 applies when the society receives written proof that a joint holder of shares is bankrupt. The society will then substitute the interest of the trustee of their estate for the name of that joint holder (in the society's register of members). The trustee will be substituted as the last named person (of the joint holders of that share) registered as holding their shares.



The society will automatically cancel any written instructions that vary the effect of rules 11.5, 11.6, or 11.7.

- 13.8 This rule 13.8 applies when a member (or a person claiming through a member) is mentally incapable. The board should treat that individual as mentally incapable when satisfied (after considering medical evidence) that the individual is incapable, through disorder or disability of mind, of managing their own affairs.
- 13.9 When rule 13.8 applies, the board should deal with the individual's donee or deputy if:
- 13.9.1 the individual lacks capacity (as described in the Mental Capacity Act 2005) for the purposes of the Industrial and Provident Societies Act 1965); and
  - 13.9.2 there is, for that individual:
    - 13.9.2.1 a donee of an enduring power of attorney (as described in the Mental Capacity Act 2005); or
    - 13.9.2.2 a donee of a lasting power of attorney (as described in the Mental Capacity Act 2005); or
    - 13.9.2.3 a deputy, appointed by the Court of Protection; and
  - 13.9.3 that donee, or deputy, has power for that individual for the purposes of the Industrial and Provident Societies Act 1965.
- 13.10 In all other cases when rule 13.8 applies, the board may pay, to any person they judge proper, the value of that individual's shares, loans and deposits with the society. But first the board must be satisfied that:
- 13.10.1 no other person has been appointed to administer that individual's property; and
  - 13.10.2 it is just and expedient to pay that person.

**14 Will members get a windfall if the society converts?**

- 14.1 The society may convert itself into a company, amalgamate with another society or company, or transfer its business to another society or company. The society or company (into which the society converts, or with which it amalgamates, or to which it transfers its business) must have objects similar to those of the society. The procedures and conditions for that are in ss50-52 and s54 of the Industrial and Provident Societies Act 1965.
- 14.2 Members are not to benefit financially if the society converts, or transfers its business or is wound up (see rule 32.5). The society may make it a condition of membership that members sign a contract with the society prior to becoming a member, in such form as the society's directors require, by which members give up any personal financial benefit from conversion, or transfer, or winding up.



The society may also make it a condition that for any members that were not previously subject to such a contract, that such a contract becomes a condition of their ongoing membership, subject to the agreement of members at an AGM and where relevant, the registration with the Financial Services Authority of any related rule amendments.

14.3 Members appoint the society's secretary as their attorney (for this purpose only and no other). The society's secretary may sign the contract referred to in rule 14.2 above for members if members do not sign it and return it within 14 days after the society asks them to. That appointment is irrevocable and granted to secure members' obligation in rule 14.2.

**15 Will the society pay interest on shares?**

15.1 The society may use its property and profits only to promote its objects. The society will not pay members any dividend, bonus or other share in profits.

15.2 Rule 15.1 does not prevent the society from paying interest on shares. The directors of the society will set the rate of interest (if any). It will be a variable interest rate. Subject to the agreement of members at an AGM, the directors may decide to pay interest to members on their shares by issuing further shares.

15.3 The society will not pay a rate of interest that is higher than needed to fund the society's activities. In setting the rate, the society's directors will take particular account of the society's intention to provide an opportunity for public-spirited people and organisations to contribute financially to the community, with the expectation of an environmental and social reward.

15.4 The society will calculate the interest on the money paid for the shares (unless their capital value has been written down under rule 16.4.1). While shares are written down under rule 16.4.1 the society will calculate the interest on that written down value.

15.5 Rule 15.1 does not prevent the society from setting aside a reserve fund. The society's directors are to decide how much is to be transferred to the reserve fund. The reserve fund may be used to meet any contingency which affects the society's business.

15.6 Rule 15.1 does not prevent the society from paying money to support:

15.6.1 co-operative development; and

15.6.2 educational purposes; and

15.6.3 charitable purposes.

15.7 The directors may propose payments authorised by rule 15.6 in line with the Society's objects as set out in Rule 2.1.5.

15.8 Rule 15.1 does not prevent the society from paying (in good faith):



15.8.1 (at a reasonable and proper rate) for services rendered to the society by any of its employees, officers or members, and reimbursement of their expenses; and

15.8.2 (at a reasonable and proper rate) rent, for premises let to the society by any of its employees or officers.

## **16 Can members have their shares taken from them?**

16.1 The society may reduce the value of shares if the society's liabilities (plus issued share capital) become more than the value of the society's assets. The circumstances in which this may happen are described below (in rules 16.2 to 16.4). Those rules 16.2 to 16.4 also describe the procedures the society must follow to do that.

16.2 Suppose that the society's directors believe that the society's liabilities (plus issued share capital) may be more than the value of the society's assets. The directors then may instruct accountants to report to them. The accountants may be the society's auditors, or they may be independent qualified accountants.

16.3 Suppose that the accountants appointed under rule 16.2 report to the directors that the society's liabilities (plus issued share capital) are more than the value of the society's assets. The directors may then decide to apportion the excess liabilities (or part of them) among the shareholders. When the excess liabilities are apportioned, the total of the excess will be apportioned among the shareholders in proportion to the total nominal value of shares held by each member. The total nominal value, for these purposes, will be taken to be that at the close of business on the date of the apportionment.

16.4 Suppose that the directors resolve to apportion the society's excess liabilities in accordance with rule 16.3. The directors must then resolve either:

16.4.1 That the capital value of each share then in issue is reduced accordingly, but:

16.4.1.1 the society shall not reduce the capital value of any share below zero (that is to say a member will not owe any money to the society); and

16.4.1.2 the society may restore the capital value, by a similar procedure to that described in rules 16.2 to 16.4 (but only where the value of the society's assets is more than the liabilities [plus nominal issued share capital]); and

16.4.1.3 if the society restores the capital value, the society shall not increase it above one pound; and

16.4.1.4 all shares the society may issue later (after the society has reduced the capital value of any shares) are to be issued at par (and for a nominal value of one pound each).



- 16.5 Rules 16.2 to 16.4 may not apply to assets, liabilities and share capital which are designated to specific purposes in accordance with rule 3.2. Shares may be issued on the bases that:
- 16.5.1 they are designated to a specific purpose (under rule 3.2); and
  - 16.5.2 the funds for that purpose are treated as separate from the society's other funds.
- 16.6 If shares are issued on those bases (in rules 16.5.1 and 16.5.2), this rule 16.6 applies. The assets, liabilities and share capital for each of those purposes (the **Special Purpose Funds**) are treated separately from the society's other assets, liabilities and share capital (the **General Purpose Funds**) in following the procedures in rules 16.2 to 16.4. And the procedures in rules 16.2 to 16.4 do not have to be applied to any of the Special Purpose Funds when they are applied to the General Purpose Funds. Similarly, the procedures in rules 16.2 to 16.4 may be applied to any of the Special Purpose Funds in isolation; they do not have to be applied to any other of the Special Purpose Funds (or the General Purpose Funds) at the same time.

#### **16A Nominee shareholdings**

- 16A.1 The board may approve a person as an Approved Nominee. The board may impose conditions when it approves an Approved Nominee, and may later vary them and add new conditions. For example, the board may wish to ensure that:
- 16A.1.1 the Approved Nominee is a fit and proper person to represent members of the society; and
  - 16A.1.2 the Approved Nominee is operating effective identification and money-laundering procedures at least equivalent to those operated by the society; and
  - 16A.1.3 the Approved Nominee will, on request, give full identification information about any member it represents; and
  - 16A.1.4 the Approved Nominee gives prospective members a reasonable and fair description of the risks associated with holding withdrawable A Shares in this society and/or non-withdrawable B Shares in this society.
- 16A.2 The board may not approve more than five Approved Nominees at any time.
- 16A.3 An Approved Nominee may apply for membership of the society on its own behalf, or on behalf of others. When applying for membership on behalf of another, the Approved Nominee must name that other, and identify the number of shares for which that other is applying.
- 16A.4 When the board approve an application for shares by an Approved Nominee (acting as such), the society will enter the member in its register of members, and issue the share certificate as: '*[name of Approved Nominee] re [name of member]*'. The society will enter the address of the Approved Nominee as the address of that member for those shares.



- 16A.5 For the purposes of rules 5.1 and 7.8, each member represented by the Approved Nominee is a separate member and their shareholding through the Approved Nominee is treated as part of their total shareholding. The Approved Nominee itself (if it owns shares other than on behalf of others) is a separate member.
- 16A.6 For the purposes of rule 7.3, an Approved Nominee may give notice on behalf of a member it represents (but only for those shares registered in its name on behalf of that member).
- 16A.7 The society will return capital and pay interest payable under rule 15.2 to the Approved Nominee on behalf of the members it represents (but only for those shares registered in its name on behalf of those members).
- 16A.8 For the purposes of rules 27 and 28, the society need give only one notice to an Approved Nominee, with one set of papers, and that is regarded as good notice of the general meeting, to the Approved Nominee and each member it represents (for all shares owned by that member).
- 16A.9 At general meetings the Approved Nominee is automatically the proxy of each member it represents, without the need for any further proxy form. In counting for the quorum at a general meeting, each member represented by the Approved Nominee is regarded as present.
- 16A.10 At general meetings, the Approved Nominee does not have to cast all votes under its control in the same manner. So, for example, some of its block of votes may be cast for a particular resolution, some against, and some might abstain. Nothing in these rules gives any member or officer of the society any right to compel the Approved Nominee to disclose why it has cast the votes under its control in any particular way.
- 16A.11 An Approved Nominee must give this information to the society on each occasion that it casts any of its block of votes:
- 16A.11.1 the total number of votes in its block.
  - 16A.11.2 the number of votes it is casting for the motion.
  - 16A.11.3 the number of votes it is casting against the motion.
  - 16A.11.4 the number of abstentions from its block (all members whom it represents, but who are not voting for or against the motion).
  - 16A.11.5 its net vote (the difference between the number of votes it is casting for the motion and the number it is casting against the motion).
- 16A.12 The size of the block of votes cast by any Approved Nominee is limited. The net vote cast by an Approved Nominee for or against any motion is counted as no more than the lower of:
- 16A.12.1 That Approved Nominee's net vote on that motion.
  - 16A.12.2 Such number of votes as constitutes 5% of the total votes cast for and against the motion. In counting the total votes cast for and against the motion the society must count the net vote of each



Approved Nominee voting (each limited to 5% of the total).  
In counting the total votes cast for and against the motion,  
the society must not count any abstentions.

16A.13 The society may terminate the approval of the Approved Nominee on reasonable notice following failure to comply with any condition applied by the society. The Approved Nominee is then treated as having given notice to withdraw all A Shares it holds (for itself and on behalf of others) and surrendered all B Shares it holds (for itself and on behalf of others).

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**C Management of the society**

**17 The directors**

- 17.1 The people nominated (as directors) by the subscribers to these rules became the first directors of the society, when it was formed. (This rule does not apply to the society where the society is adopting these rules in substitution for an earlier set of rules).
- 17.2 The directors:
- ◇ manage the business of the society;
  - ◇ may (at any board meeting at which there is a quorum) exercise any of the society's powers;
  - ◇ may delegate any of their powers to a committee (of 2 or more directors);
  - ◇ may delegate any of their powers to a sole director;
  - ◇ may appoint any person to act as the agent of the society (and they may authorise that person to delegate their powers).
- 17.3 The society has a minimum of two directors (see also rule 17.7). If there is one director, the sole director has authority to appoint a second director.
- 17.4 The directors on the society's board are appointed by members at the annual general meeting. All candidates for a board position must find members to act as a proposer and seconder and then declare their intention to stand for the board 14 days before the annual general meeting. Between annual general meetings, the board may appoint a director either:
- ◇ to fill a vacancy; or
  - ◇ as an additional director.
- 17.5 Directors appointed by the board must stand down at the end of the next annual general meeting. The members may reappoint them, at that annual general meeting.
- 17.6 The society will hold a special general meeting within six months after the society is formed. The directors appointed by the subscribers to these rules (see rule 17.1) must stand down at the end of that special general meeting. The members may reappoint them, at that special general meeting. (This rule does not apply to the society where the society is adopting these rules in substitution for an earlier set of rules).
- 17.7 The members may increase the minimum number of directors (by changing rule 17.3, but any such increase would only take effect once an appropriate rule amendment had been registered by the Financial Services Authority).
- 17.8 Directors do not have to be members of the society. Directors may be members of the society. Directors must be individuals



- 17.9 A director, chief executive or secretary cannot be appointed if they are (and must stand down if they become):
- ◇ bankrupt; or
  - ◇ convicted of an offence of dishonesty; or
  - ◇ convicted of another offence (which, in the board’s opinion, makes them unsuitable to hold office); or
  - ◇ disqualified from acting as a director (under the Company Directors Disqualification Act 1986); or
  - ◇ unable to conduct regulated activities on behalf of another organisation because the Financial Services Authority (FSA) withdraws their approval (under the Financial Services and Markets Act 2000 (FSMA)); or
  - ◇ unable to conduct regulated activities because the FSA makes a prohibition order against them (under FSMA); or
  - ◇ (in the board’s opinion) physically or mentally unable to carry out their duties properly.

17.10 Directors must stand down if:

- ◇ without good reason and without the board’s permission they fail to attend three board meetings in a row;
- ◇ the board resolves that they should be removed.

17.11 The society can pay its directors, but only if the members approve the basis for the payments.

17.12 The responsibilities and functions of the board include those of a “committee of management”, as described in the FSA Handbook, and the “society’s committee” as described in the Industrial and Provident Societies Act 1965.

## 18 Retirement by rotation

18.1 At least one third of the directors appointed by the members must stand down (as well as any directors who must stand down under rule 17.5), at each annual general meeting. The members may reappoint them, at that annual general meeting. If any director is not reappointed, they will stand down at the end of the annual general meeting.

18.2 The directors who stand down, at an annual general meeting, will be those directors who have held office for the longest time (since their appointment, or last reappointment). The chair may decide, by drawing lots, who is to be treated as in office for the longest time, if more than one director was appointed or reappointed on the same day.



## **19 The secretary**

- 19.1 The board appoints the secretary. The secretary may be a director.
- 19.2 The board may remove the secretary.
- 19.3 The secretary is responsible for preparing and sending all returns to be made to the Financial Services Authority.

## **20 Co-opted committee members**

- 20.1 The board may co-opt committee members.
- 20.2 The committee members co-opted by the board:
  - ◇ need not be members of the society (but the board may require that they be members of the society);
  - ◇ may attend board meetings (unless the board decide that they may not);
  - ◇ may speak at board meetings (unless the board decide that they may not);
  - ◇ may not vote at board meetings;
  - ◇ must stand down at the next annual general meeting (but the board may reappoint them).

## **21 Board meetings**

- 21.1 Two directors are a quorum for board meetings (unless the directors decide on a higher number).
- 21.2 Any director may request the secretary to call a board meeting.
- 21.3 The secretary must call a board meeting on request from a director.

## **22 Decisions of the board**

- 22.1 The board may make decisions by a majority vote. The chair has a casting vote if votes are equal.
- 22.2 The board may appoint any director to chair board meetings generally, or to chair a particular board meeting.
- 22.3 The board may make any decision by signing a written resolution, rather than at a board meeting. All directors must sign the resolution for it to be effective.
- 22.4 This rule 22.4 applies to rules 22.3. The directors need sign only a copy of the text of the resolution. They do not each have to sign the same piece of paper.

## **23 Directors' interests**

23.1 Directors must disclose – to the full board – any material interest they may have in any matter being considered by the board. The director may not then:

- ◇ be treated as part of the quorum of the meeting discussing that matter; or
- ◇ vote on that matter.

23.2 Directors may disclose their interest by a general notice giving details of their interest in transactions of a particular nature, or with a particular person.

23.3 For the purposes of rule 23.1, a director need not disclose an interest:

- ◇ that does not conflict with the interests of the society; or
- ◇ that arises out of the director's membership (or proposed membership) of the society; or
- ◇ which – for good reasons – the director does not know about.

23.4 For the purposes of rule 23.1, a director must disclose an interest:

- ◇ even if it is an indirect interest; or
- ◇ of a person 'connected' with him (see rule 37.2).

23.5 Before any meeting of the board, the chair may decide whether a director (other than himself) has a material interest in the matter to be discussed. The chair's ruling is final.

23.6 A director who complies with rule 23.1 will not be treated as in breach of any duty of good faith to the society, to the extent that they have made a fair disclosure of their interest.

## **24 Indemnity for directors**

24.1 The society may maintain insurance for the benefit of its directors, secretary, auditors and other officers, against liabilities they may incur:

- ◇ in the performance of their duties; or
- ◇ in defending themselves (successfully) against any proceedings (criminal or civil) for breach of duty.

24.2 The society will indemnify its directors, secretary, auditors and other officers against:

- ◇ any liability they may incur in the performance of their duties; and
- ◇ in defending themselves (successfully) against any proceedings (criminal or civil) for breach of duty.

## **25 Audit and accounts**

- 25.1 Every year and within the period prescribed by statute, the secretary shall send to the Financial Services Authority the annual return, in the form prescribed by the Authority, relating to its affairs for the period required under the Industrial and Provident Societies Act 1965 to be included in the return together with:
- 25.1.1 a copy of the report by the auditor on the society's accounts for the period included in the return or with a copy of such other report (if any) as is required by statute for such period; and
  - 25.1.2 a copy of each balance sheet made during that period and of the report (if any) of the auditor or other appropriate person on that balance sheet as required by statute.
- 25.2 The members shall vote annually, as allowed by the Deregulation (Industrial and Provident Societies) Order 1996, at the Annual General Meeting, to have, when necessary in law, or where the membership require, an audit carried out by a registered auditor, or unaudited accounts, where the conditions for such prevail.
- 25.3 If a full audit or a report is required, a person who is a qualified auditor under section 7 of the Friendly and Industrial and Provident Societies Act 1968 shall be appointed.
- 25.4 The qualified or lay auditors, if so appointed, shall not be officers or servants of the society and nor shall they be partners of, or in the employment of, or employ, an officer or servant of the society.
- 25.5 Lay auditors shall be chosen by the board from the general membership and/or others.
- 25.6 If the membership vote for unaudited accounts, the society's Income/Expenditure Ledger shall be scrutinised by the secretary and board members only and signed, as a true record, by the secretary and two board members or such other number as may be required by legislation. An Income/Expenditure report will be prepared to present to the society's members at each Annual General Meeting.
- 25.7 The directors must appoint an auditor within three months after the society is formed.
- 25.8 The directors may appoint an auditor if, for any reason, there is no auditor.
- 25.9 The auditor may not be a person whom s8 of the Friendly and Industrial and Provident Societies Act 1968 prevents from being appointed as an auditor.
- 25.10 The auditor may be removed by the procedure in s6 of the Friendly and Industrial and Provident Societies Act 1968.

## **26 The seal of the society**

- 26.1 If the society has a seal with the society's name on it then...



26.1.1 the secretary of the society keeps the seal.

26.1.2 the society needs the authority of a board resolution to use the seal.

26.1.3 when the society seals a document, the seal must be countersigned by either:

- ◇ a director and the secretary of the society; or
- ◇ two directors of the society.

**D Meetings of members**

**27 The annual general meeting**

27.1 The society will hold an annual general meeting of its members in each calendar year. The society will hold each annual general meeting 12 months after the previous one, but this need not be on the anniversary of the previous meeting but must be held within three months before or after that anniversary. The directors will call the annual general meeting.

27.2 The society will hold its first annual general meeting within 15 months after the society is formed (but it need not be in the calendar year in which the society is formed). (This rule does not apply to the society where the society is adopting these rules in substitution for an earlier set of rules).

27.3 The society will give members (and its auditors) at least 21 clear days notice of the annual general meeting.

27.4 The business for the annual general meeting is:

- ◇ approval of the minutes of the last annual general meeting (and any more recent special general meeting);
- ◇ the directors' report;
- ◇ approval of the accounts and auditor's report;
- ◇ appointment of auditors;
- ◇ election of directors;
- ◇ any other business.

**28 Special general meetings**

28.1 A special general meeting is any general meeting of members, which is not an annual general meeting.

28.2 The directors may decide to call a special general meeting.

28.3 The society will give members (and its auditors) at least 21 clear days notice in writing of a special general meeting. The only business the society can do at that meeting is that which is identified in the notice.

28.4 The directors must call a special general meeting:

- ◇ if the greater of five of the society's members or 10% of the society's membership sign written requests for a special general meeting;
- ◇ to be held within six weeks after they receive the requests.



## **29 Procedure at general meetings**

- 29.1 No business shall be transacted at a general meeting unless a quorum of Members is present which shall include those Members present, but not in person. Unless amended by Extraordinary Resolution, a quorum shall be 20 Members or 10% of the membership, whichever is the lesser.
- 29.2 If there is no quorum when the meeting is due to start, the chair will wait for 30 minutes.
- 29.3 If a quorum is not present within half an hour of the time the general meeting was due to commence, or if during a meeting a quorum ceases to be present, the chairperson must adjourn the meeting to the same day, and time in the following week, and if possible the same place. If the same place is not available, Members will be notified of the new place by electronic circulation at least 24 hours in advance of the adjourned meeting. If a quorum is not present within half an hour of the time the adjourned meeting is due to commence, the Members present shall constitute a quorum and the meeting shall proceed to business.
- 29.4 The chair may adjourn a meeting when a quorum is present. But the meeting must agree to the adjournment. The chair must adjourn the meeting if the members call for an adjournment.
- 29.5 If a meeting is adjourned for more than 14 days, the society will give members at least 7 clear days notice of the adjourned meeting.
- 29.6 The chair of the board, if present, will chair the general meeting. Otherwise, the directors at the meeting will choose a director present to chair that meeting. If only one director is at the meeting, they will chair it. If there is no director at the meeting, the members must choose a member present at the meeting to chair it.
- 29.7 Any director may attend and speak at general meetings.
- 29.8 Members may appoint a proxy to represent them at any general meeting. The society will send the member a suitable form with the formal notice of the meeting. The proxy may vote in the member's place on the member's instructions.

## **30 Voting at general meetings**

- 30.1 All members have one vote regardless of how many shares they hold.
- 30.2 All votes will be on a show of hands unless:
- ◇ two members; or
  - ◇ the chair

call for a ballot. They may call for a ballot before a vote on a show of hands, or after the vote. If members call for a ballot, they can – if the



chair agrees – withdraw the call before the ballot is held. If no ballot is held, the decision on the show of hands is valid.

- 30.3 The chair will decide the procedure for the ballot.
  - 30.4 The chair has a casting vote if votes are equal. The chair may also vote as a member (if they are a member).
  - 30.5 The directors may decide to call a postal ballot. They cannot use a postal ballot to let members vote:
    - 30.5.1 on anything that – by statute – must be passed at a meeting of the society; or
    - 30.5.2 to appoint or reappoint auditors; or
    - 30.5.3 to remove auditors.
  - 30.6 The chair will decide the procedure for the postal ballot, but the ballot must be held within 30 days of the date on which the directors decide to call it.
  - 30.7 If the postal ballot is on a particular resolution passed by members at a meeting, the directors have 30 days from the date of the meeting to decide whether to call a postal ballot. If the directors fail to decide to call a postal ballot within those 30 days, they lose the right to call a postal ballot.
  - 30.8 If the postal ballot is on a particular resolution passed by members at a meeting, the operation of the resolution is suspended until the decision of the postal ballot.
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## **E The constitution of the society**

### **31 Changes to the rules**

- 31.1 The society may change its rules:
  - ◇ with the approval of a resolution passed by a 75% majority (or a simple majority, to change the society's name) of members voting at a general meeting; and
  - ◇ subject to registration of the amendments by the Financial Services Authority.
- 31.2 The chair has no casting vote on resolutions that need a 75% majority.
- 31.3 A resolution to alter or amend rule 2 (the society's objects), rule 15 (interest on shares), rule 14 (conversion of the society), rule 32 (winding up) and this rule shall not be passed if 10% or more of members

present or represented at a general meeting and who vote on the resolution vote against it.

### **32 Winding up the society**

32.1 The society may be wound up in accordance with the provisions of s55 of the Industrial and Provident Societies Act 1965.

32.2 On the dissolution or winding up of the society, after the satisfaction of all its debts and liabilities, the assets remaining may be distributed amongst the members of the society at the time of dissolution in proportion to their shareholdings, provided that no more than the amount actually paid for the shares may be distributed to the members. Any surplus must be dealt with in accordance with rule 32.3..

32.3 There may be a surplus if the society is wound up with enough funds to pay, in full, all members the amount paid in respect of all of their shares. Then:

32.3.1 members will not, under any circumstances, have any right to any payment out of the surplus.

32.3.2 the society will pay the surplus to another organisation with similar purposes to the society's (and whose members will have no right to any surplus on its winding up or conversion), or to a charity. The directors will choose the organisation or charity.

### **33 Powers**

33.1 To carry out the society's objects, the society may:

33.1.1 acquire assets and property which, in the directors' opinion, may benefit the society's objects;

33.1.2 set up subsidiary companies, societies and other organisations;

33.1.3 take and hold shares, memberships, stock, debentures and other interests in other companies, societies and other organisations for the society and others;

33.1.4 buy, lease, hire, rent and own any real or personal property (tangible and intangible) of any description which, in the directors' opinion, is appropriate for the needs of the society's objects;

33.1.5 make arrangements with any government or authority (local, municipal, national or international) that, in the directors' opinion, is appropriate for the society's objects;

33.1.6 invest the society's funds in such property and investments as the directors may consider appropriate, and subject to any applicable legal restrictions;



- 33.1.7 carry on any other activity which, in the directors' opinion, may benefit the society's objects;
  - 33.1.8 act as agent;
  - 33.1.9 act as trustee;
  - 33.1.10 give or procure guarantees and indemnities for the payment of money or for the performance of obligations by any person (even where the society receives no direct or indirect financial benefit);
  - 33.1.11 make or procure grants, gifts, donations and investments of a social nature;
  - 33.1.12 take mortgages, charges, liens and other security to secure obligations of others to the society;
  - 33.1.13 borrow money and accept credit and grant mortgages, charges, liens and other security to secure the society's obligations, but
    - 33.1.13.1 the society may not carry on a deposit taking business (within the meaning of the Banking Act 1987; and
    - 33.1.13.2 where:
      - 33.1.13.2.1 the loan is unsecured, and
      - 33.1.13.2.2 the lender is not itself authorised under the Banking Act 1987,
    - 33.1.13.3 the society will not pay a rate of interest that is higher than the society needs to fund its activities; in setting the rate, the directors will take particular account of the society's intention to provide an opportunity for other public-spirited people and organisations to contribute financially to the community, with the expectation of a social dividend, rather than personal financial reward;
  - 33.1.14 provide and procure services such as giving advice in relation to financial and non-financial facilities for people, undertakings and businesses of all kinds.
  - 33.1.15 create, make, draw, accept, endorse, execute, issue, discount, buy, sell, negotiate and deal in bills, notes, bills of lading, warrants, coupons, debentures and other negotiable or transferable instruments;
  - 33.1.16 do such other things that the directors regard as incidental or conducive to the pursuit of the society's objects and the exercise of the society's express and implied powers.
- 33.2 Registration of a society or its rules under the Industrial and Provident Societies Act 1965 does not give any permission for a society to carry on financial services as regulated by the Financial Services and Markets Act 2000 ("FSMA"). Any society which wishes to carry on such activities must seek advice and make an authorisation application to the FSA

under Part IV of FSMA. Carrying on such activities without authorisation from the FSA under FSMA may lead to prosecution.

33.3 The society's borrowing limit is £10,000,000.

33.4 Rules 2 and 33 should be interpreted in the broadest way possible and not to limit or restrict the society's objects. Each object should be read as an independent main object.

#### **34 Registered Office**

34.1 The society's registered office is the address given – for that purpose – to the Financial Services Authority.

34.2 The society's directors may change the address of the registered office. Any change to the address of the registered office must be registered by the Financial Services Authority.

#### **35 The Euro**

35.1 This rule 35 applies if a currency, other than sterling, becomes legal currency in England and Wales. In this rule 35, that currency is called the Euro.

35.2 The directors may make regulations to allow the society to issue shares denominated in the Euro (and convert shares then in issue into shares denominated in the Euro). Those regulations may:

35.2.1 allow the issue of shares, with rights similar to shares then in issue, with such value as the board thinks appropriate;

35.2.2 deal with the conversion of shares then in issue into their Euro denominated equivalents;

35.2.3 deal with the conversion of Euro denominated shares into shares equivalent to those then in issue.

#### **36 Notices**

##### **36.1 Notices by post**

36.1.1 The society may post formal notices to members at the address recorded in the society's register of members.

36.1.2 The society may assume – for all purposes – that members receive formal notices two working days after the society posts them.

##### **36.2 Notices by email**

36.2.1 The society may send formal notices to members by email, but only if:

36.2.1.1 the society has a current consent, from that member, to receive notices by email: and



36.2.1.2 that member has provided an email address for the purpose.

36.2.2 The society may assume - for all purposes - that members receive formal notices one working day after the society posts them, but only if:

36.2.2.1 the society keeps a copy of the email which shows:

36.2.2.1.1 all documents attached to the email; and

36.2.2.1.2 the time and date the society sent the email; and

36.2.2.1.3 the email address to which the email was sent; and

36.2.2.2 the society does not receive a response to suggest that the member's email address was no longer current.

### 36.3 Notices on websites

36.3.1 The society may send formal notices to members by posting them on a website, but only if:

36.3.1.1 the society has a current consent from that member to receive notices by posting them on a website; and

36.3.1.2 the society sends that member a notice to tell them:

36.3.1.2.1 that the document is available on the website; and

36.3.1.2.2 the address of the website; and

36.3.1.2.3 any password they may need to view the document or download it; and

36.3.1.2.4 they may request a paper copy of the document - at no extra charge - with details how to do that; and

36.3.1.3 the society keeps the document available on the website for three months or longer (from any date the society sends the notice).

36.3.2 The society may assume - for all purposes - that members receive formal documents:

36.3.2.1 one working day after they receive the notice about how to view or download them on the website; or, if later

36.3.2.2 one working day after the society first posts the document on the website.

### 36.4 Definitions

36.4.1 'Formal notices' and 'notices' are phrases used interchangeably in this rule 36 to refer to all documents and notices a

society may send to its members where there is a legal or regulatory requirement to do so.

- 36.4.2 This rule 36 does not allow the society to deliver a document by post, email or website where the law requires the delivery to be by other means.
- 36.4.3 In this rule 36, Saturday, Sunday and public holidays are not working days.
- 36.4.4 The references to emails and websites are intended to include other electronic communication methods adopted after the society adopts these rules.

### **37 What words mean – definitions**

- 37.1 In rules 14.2 and 14.3, the word ‘contract’ includes a declaration of trust and a deed.
- 37.2 In rule 23.4, the word ‘connected’ is used in the same sense in which it is used in s346 Companies Act 1985.
- 37.3 In rule 24.2, the phrase ‘breach of duty’ includes (for example), negligence, default, breach of trust or misfeasance.
- 37.4 In rule 32.2, the expression ‘if the society is wound up’ is used to mean ‘from the commencement of the winding up’. The phrase ‘commencement of the winding up’ is used in the same sense as it is used in the Insolvency Act 1986.
- 37.5 In rules 15.8.2, the word ‘officers’ includes the society’s directors and secretary.
- 37.6 The age restrictions in rule 12 apply to members only if they are individuals.
- 37.7 In rule 14.3, the appointment of the society’s secretary as the members’ attorney is an appointment of the person from time to time holding that office.
- 37.8 References to (any provision of) an Act of Parliament are treated as referring to:
  - 37.8.1 it as amended (whether before today or later) and
  - 37.8.2 any provision which replaces it (unchanged or amended) after today.
- 37.9 Where these rules make reference to the Financial Services Authority, FSA, they include reference to the statutory successor carrying on the relevant function.



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