



## ECOLOGY BUILDING SOCIETY (the Society)

### Proposed changes to the Rules of the Society

It is proposed that, subject to the approval of the members of the Society by special resolution to be put to the Annual General Meeting on 28 April 2012, the Rules of the Society shall be amended as set out below:

#### **1 Rule 1 – Interpretation**

- (a) In the introductory paragraph before (a) and in the definition "Additional Rules" delete the words "these Rules took effect" and insert "1 October 1998";
- (b) In the definition "Borrowing Members' Resolution" delete the words "these Rules took effect" and insert "1 October 1998";
- (c) Insert the following definition:  
  
" "Chair" means the Director appointed by the Board under Rule 15 to preside at meetings of the Board;";
- (d) In the definition "Chief Executive" delete the words ", either alone or jointly with one or more other Individuals, ";
- (e) Delete the definition "Commission";
- (f) Insert the following definitions:  
  
" "Deferred Share" means a Share the terms of which provide that holders shall be entitled to repayment after the holders of Shares generally;  
  
"Deferred Share Certificate" means a share certificate issued under the common seal of the Society in respect of a Deferred Share;";
- (g) Insert the following definition:  
  
" "Electronic Communication" means an electronic communication as defined by the Electronic Communications Act 2000 the processing of which on receipt is intended to produce writing";
- (h) In the definition "Memorandum" replace the word "purpose" with "purposes";
- (i) In the definition "Mortgage Debt" add ", and" at the end of (ii);
- (j) Insert the following definitions:  
  
" "Preferred Share" means a Share the terms of which provide that holders shall be entitled to priority of repayment over holders of Shares generally on a winding up or dissolution;  
  
"Preferred Share Certificate" means a share certificate issued under the common seal of the Society in respect of a Preferred Share;";

- (k) In the definition "Principal Office" start the words "principal" and "office" with lower case "p" and "o";
- (l) Amend the definition "Register" so that it reads "means the Register of Members maintained pursuant to the Statutes, showing the name and postal address of each Member, any electronic address notified by the Member and the purposes for which it has been notified, and whether each Member is a Shareholding Member or a Borrowing Member or both";
- (m) In the definition "Registered Address" insert the word "postal" before the word "address" the first two times the word "address" appears;
- (n) Insert "'Regulator" means the Financial Services Authority or any successor or successors established by the Statutes";
- (o) In the definition "Share" insert "or" after (i) and (ii) and in (iii) insert "or application of reserves" after "credited";
- (p) In the definition "Special Resolution" at paragraph (B) after the words "postal ballot" insert "or electronic ballot";
- (q) Insert the following definition:  
  
 "'Vice-Chair" means the Director appointed by the Board under Rule 15 to preside at meetings of the Board in the absence of the Chair. ";
- (r) In paragraph (b) move the word "requires" to follow the word "otherwise" and insert the following in place of (i) and (ii):  
  
 "(i) payments made on the Shares; and  
 (ii) interest credited by way of capitalisation,

and for the purpose of these Rules the paid-up nominal value of a Deferred Share or a Preferred Share shall be treated as being to the Shareholding Member's credit for as long as he/she is entered in the Register as the holder of a Deferred Share or a Preferred Share (as the case may be). "

- (s) Insert the following as a new paragraph (d):  
  
 "In these Rules, references to a document being signed, or to a signature, shall include:  
  
 (i) a signature printed or otherwise reproduced by mechanical or other means;  
 (ii) the use of a stamp or similar item indicating approval by the Person regarded as signing the document;  
 (iii) an electronic signature or other means of verifying the authenticity of an Electronic Communication where this has been approved by the Board in relation to the relevant document or category of document";
- (t) Insert the following as a new paragraph (e):  
  
 "Any reference in these Rules to a notice, document or other communication being sent, despatched, given, delivered or served shall include its being:  
  
 (i) transmitted to an electronic address;  
 (ii) published on a website; or

- (iii) otherwise communicated, in a manner and form which, in relation to the particular notice, document or other communication, is approved by the Board from time to time and complies with any applicable requirements of the Statutes";
- (u) In existing Rule 1(e):
  - (i) change the introductory words to read "In these Rules, each ...";
  - (ii) before sub-paragraph (i) insert "Such Rules include";
  - (iii) insert new sub-paragraphs (ii) and (iii) as follows:
    - "(ii) Rule 14,
    - (iii) paragraph (1)(b) of Rule 24, ";
  - (iv) in existing sub-paragraph (iii) delete "(amount of deposit)";
  - (v) at the end of existing sub-paragraph (vi) insert ", and" and insert a new sub-paragraph that will be sub-paragraph (ix) "paragraph (5)(c) of Rule 41. "; and
  - (vi) renumber this paragraph as required;
- (v) renumber existing Rules 1(d) as 1(f) and 1(e) as 1(g).

## **2 Rule 4 - Membership**

- (a) In Rule 4(1)(a) after the word "Society" insert "and, unless the context otherwise requires, includes a Person whose name is entered in the Register as the holder of a Deferred Share or Preferred Share or a fraction of a Deferred Share or Preferred Share; and"
- (b) In Rule 4(1)(b)(i) and (ii) at the end, insert ", or";
- (c) In Rule 4(2)(b) delete the words "these Rules took effect" and insert "1 October 1998";
- (d) In Rule 4(3):
  - (i) at the end of (a), insert ", or"; and
  - (ii) delete the words "the Commission" and insert "HM Treasury (or any successor authorised for this purpose)";
- (e) In Rule 4(5):
  - (i) at the end of (a), change "Person" to "Persons"; and
  - (ii) at the end of (b)(i), insert ", or";
- (f) In Rule 4(7) after the word "Share", insert "(to the extent permissible under the terms of issue of the Share)";
- (g) In Rule 4(8):
  - (i) amend the wording of (a) to read "open a new share or mortgage account for a Person, or";
  - (ii) delete the existing (b) and renumber the existing (c) as (b) adding the words "except that any full-paid Deferred Share or Preferred Share may be transferred to any Person and such transferee shall be entitled to have his/her name entered in the Register following notice by

him to the Society of such a transfer, such notice to be made or given in writing or in such other manner as the Society in its absolute discretion may permit."; and

(h) In Rule 4(9) at the end of (a), insert ", or".

### **3 Rule 5 - Death or Bankruptcy of Member**

(a) In Rule 5(1)(a) at the end, insert ", and";

(b) in Rule 5(2) after the words "refused in respect of a Share", insert "(other than a Deferred Share or Preferred Share)".

### **4 Rule 6 - Cessation of Membership**

(a) In Rule 6(1) at the end, insert "or, being a Person who is a Member by virtue of holding a Deferred Share or Preferred Share, his/her name is no longer entered in the Register as the holder of a Deferred Share or Preferred Share or a fraction of a Deferred Share or Preferred Share.";

(b) In Rule 6(2)(a) at the end, insert ", or";

(c) Delete the existing Rule 6(3) and insert:

"(3) Subject to the terms applying to the Share (including in the case of any Deferred Share or Preferred Share the terms and conditions of its issue), the Society may terminate the membership rights of a Shareholding Member, not being a Director, as follows:

(a) unless the Shares have been issued for a fixed term, the Society may give written notice to the Member, terminating his/her membership rights as a Shareholding Member, either:

(i) with immediate effect if:

- he/she has been physically or verbally abusive to the Society's staff;
- the Society reasonably suspects that his/her share account is being used for an illegal purpose; or
- the Society has any other valid reason for immediately terminating his/her membership rights as a Shareholding Member; or

(ii) at the expiration of a period of not less than one month or (in the case of Shares for which the Shareholding Member would be required by the terms of issue to give more than one month's notice of withdrawal) a period not less than the period of notice which the Shareholding Member would be required to give of his/her intention to withdraw the Shares;

(b) if the Shares have been issued for a fixed term, the Society may at any time give the Shareholding Member written notice terminating his/her membership rights as a Shareholding Member with effect from the expiration of the fixed term;

(c) upon a notice given under paragraph (a) or (b) above taking effect, the Society may pay to the Shareholding Member the whole of his/her Shareholding together with interest on it, up to and including the date of payment, at the applicable rate or rates. Payment may be made by any means the Society considers appropriate and may be posted, delivered or otherwise transmitted to the Shareholding Member or (in the case of Shares which are jointly held) to the Representative Joint Shareholder. Upon that payment being posted, delivered or otherwise transmitted,

the Shareholding Member or (as the case may be) the joint Shareholding Members shall cease to be Shareholding Members;" and

- (d) In Rule 6(4) (a) and (b) at the end, insert ", or".

## **5 Rule 8 – Shares**

- (a) In the introductory paragraph before (1) delete the words "these Rules took effect" and insert "1 October 1998";
- (b) Delete the existing Rule 8(2) and insert "Deferred Shares and Preferred Shares may be issued on such terms and conditions as the Board may from time to time in its absolute discretion determine, but the Society's liabilities in respect of such Shares immediately following any such issue shall not exceed 25 % of the Society's aggregated share, deposit and loan liabilities.";
- (c) In Rule 8(3) at the end, insert "This rule is subject, in the case of any Deferred Share or Preferred Share, to the terms and conditions of issue of the Deferred Share or Preferred Share.";
- (d) In Rule 8(4)(a) delete the sentence starting with "The Society shall use....." and insert:

"The Society shall notify each Shareholding Member of a change in the terms on which his/her Shares are held in the manner specified in the terms which apply to those Shares, or, if those terms do not specify (or do not validly specify) the manner in which such changes are to be notified, then by giving personal notice of the change to the Shareholding Member not less than two months before the date on which the change is to take effect,";

- (e) Replace Rule 8(4)(b) with "An accidental omission to give notice under (a) above shall not affect the validity of the alteration";
- (f) In Rule 8(5) delete the words after "Shareholding Member's account but," and insert "this will be subject to the terms and conditions applying to any Share including the terms and conditions of issue of any Deferred Share or Preferred Share.";
- (g) Insert the following as a new Rule 8(6):

"A Shareholding Member may transfer his/her Deferred Share or Preferred Share to any Person and no fee shall be charged in respect of a transfer of a Deferred Share or Preferred Share. Subject to paragraph (7) below, no transfer shall be valid unless made in a form approved by the Board and until registered in the Register.

The registration of transfers of Deferred Shares or Preferred Shares or of any class of Deferred Shares or Preferred Shares may be suspended at such times and for such periods as the Board may determine, but not for more than thirty days in the year, and notice of such suspension shall be given by advertisement in at least one national daily newspaper.

A fully-paid Deferred Share or Preferred Share shall be free from all liens in respect of liabilities to the Society;" and

- (h) Insert the following as a new Rule 8(7):

"The Board shall have power to implement any procedures as it thinks fit for the transfer of Deferred Shares or Preferred Shares and for the regulation of those procedures and to permit Deferred Shares or Preferred Shares to be transferred other than by a written instrument. Nothing in these Rules shall require a Deferred Share or Preferred Share to be transferred by a written instrument if the Board has resolved that no such instrument be required.".

**6 Rule 9 - Deposits with and Loans to the Society**

(a) In the introductory sentence delete the words "these Rules took effect" and insert "1 October 1998"; and

(b) Replace Rule 9(4) with the following:

"Except where the Board requires otherwise, the receipt of a deposit taken by the Society in accordance with the Statutes shall be, insofar as it is permissible by the Statutes to do so, on terms that Rule 4(4) to (7), Rule 5, Rule 6(1) to (3), Rule 8(4) and (5) and Rule 12(5) apply (with any necessary consequential amendments being made) to a depositor and a deposit as those Rules apply to a Shareholding Member (other than a Deferred Share holder or Preferred Share holder) and a Share (other than a Deferred Share or Preferred Share)."

**7 Rule 10 - Lending**

In the introductory sentence delete the words "these Rules took effect" and insert "1 October 1998".

**8 Rule 11 - Repayment of Money owed to the Society**

(a) In the introductory sentence delete the words "these Rules took effect" and insert "1 October 1998";

(b) At the end of (a), insert ", or"; and

(c) Delete the words "together, in any case, with any other of the Society's expenses connected with such repayment" and insert "under the terms of the mortgage".

**9 Rule 12 - Direction and Management**

(a) In Rule 12(4)(b):

(i) at the end of (ii), insert ", and"; and

(ii) at the end of (iii), change "£250" to "£500";

(b) In Rule 12(4)(g):

(i) after (iii) insert "provided that where the powers of the Board are delegated to a committee pursuant to (ii) above, the Board may make, vary or revoke without notice regulations for the membership of the committee and the conduct of its meetings (including but not limited to the quorum)";

(ii) insert the following new paragraph:

"The Board may also, by power of attorney or otherwise, appoint a Person or Persons to be the agent of the Society and may delegate to such Person or Persons any of its powers, duties, authorities or discretions for such purposes, for such time and on such terms and conditions (including as to remuneration) as it thinks fit. The Board may grant the power to sub-delegate and may retain or exclude the right of the Board to exercise the delegated powers, duties, authorities or discretions collaterally with the agent. The Board may at any time revoke or alter the terms and conditions of the appointment or delegation."; and

(c) Delete the existing Rule 12(5) and replace with the following:

"The Board may demand payment or reimbursement from any Person in respect of any cost, expense or liability that the Society may incur directly resulting from any act, default or neglect of such Person, or the carrying out of tasks considered by the Board to be outside the normal servicing of that Person's account.".

## 10 Rule 13 - Eligibility and Election of Directors

- (a) Delete the existing Rule 13(1)(a) and replace with "his/her election or appointment complies with any binding requirement of the Statutes regarding the age of a Director at the time his/her election or appointment takes effect,";
- (b) In Rule 13(1)(d) delete "£250" and insert "£500, and";
- (c) In Rule 13(1)(e) delete "10" and insert "25";
- (d) Delete Rule 13(2) and insert:

" The nomination form shall contain the full name, address, age and occupation of the Individual nominated, and his/her consent to be so nominated. The nomination form shall also:

- (a) give the full names and addresses of the Members proposing the Individual's nomination, and
- (b) identify, in relation to each such Member, a share or mortgage account, or a holding of Deferred Shares or Preferred Shares, which will evidence the fact that the Member fulfils the condition set out in paragraph 4(a) below, and one or other of the conditions set out in paragraph 4(b) below.

If the Board wishes to object to a nomination form by virtue of any of the requirements of this Rule 13(2) not being met, it must do so within 14 days of the form being delivered to the Principal Office under Rule 13(1)(e).";

- (e) In Rule 13(4):
  - (i) at the end of (b)(i), insert ", or";
  - (ii) after the words "Borrowing Member" in the line following (b)(ii), insert ", and";
  - (iii) after (c) insert "and for the purposes of paragraph (4)(a) above, the holder of a Deferred Share or Preferred Share shall be treated as being a Member from the date on which such Member's name is entered in the Register as the holder of that Deferred Share or Preferred Share.";
- (f) In the final paragraph of Rule 13(6) delete the word "Commission" and replace with "Regulator" and delete the existing final sentence of that paragraph;
- (g) Delete the existing Rule 13(7) and insert:

"Any Individual nominated for election as a Director may withdraw his/her name only by delivering a written notice of his/her withdrawal addressed to the Secretary at the Principal Office not later than 28 days after the end of the Financial Year during which his/her nomination was delivered at the Principal Office. In the event of such withdrawal the Board shall decide within one month after the date on which the Society received notice of his/her withdrawal whether all or any part of any deposit lodged by that person under paragraph (5) above shall be forfeited or returned to him/her.";

- (h) In Rule 13(8):
  - (i) delete the existing first sentence and insert:

"Elections of Directors shall be conducted either on a poll taken at the Annual General Meeting, or if the Board so determines, by postal ballot or electronic ballot (conducted in accordance with Rule 39) of the Members conducted during that part of the Financial Year which precedes the date of the Annual General Meeting. If an election is conducted by postal

ballot or electronic ballot the following provisions of this Rule shall apply to the ballot by making any necessary consequential amendments;"; and

- (ii) in the third paragraph delete the words "the Rules" and insert "this Rule";
- (i) In Rule 13(9)(a) at the end, insert ", but";
- (j) In Rule 13(10)(b) at the end, insert ", and";
- (k) In Rule 13(11):
  - (i) at the end of (a), insert ", but"; and
  - (ii) at the end of (i), insert ", or";
- (l) Delete the existing Rule 13(12)(a)(i) and replace with "of an age such that no breach occurs of any binding requirement of the Statutes regarding the age of a Director, and"; and
- (m) In Rule 13(12)(a)(ii) at the end, insert ", and".

#### **11 Rule 14 – Qualification of Directors**

- (a) In Rule 14(1) delete "£250" and insert "£500"; and
- (b) Delete the existing Rule 14(2).

#### **12 Rule 16 – Meetings of Directors**

- (a) Delete the existing Rule 16(3) and replace with "A Director may, and the Secretary at the request of a Director shall, call a meeting of the Board";
- (b) Delete the existing Rule 16(4) and replace with:

"(4) This paragraph applies to any Board meeting, other than one at which it is intended to move a resolution of the kind specified in Rule 24(2). Where this paragraph applies, notice of a Board meeting shall be deemed to be duly given to a Director if:

- (a) it is given to him/her personally or by word of mouth; or
- (b) it is given to him/her by electronic means at an electronic address which he/she has supplied to the Society for the purpose; or
- (c) it is sent in writing to his/her last known address within the United Kingdom or any other address within the United Kingdom which he/she has supplied to the Society for the purpose.

It shall not be necessary to give notice of a Board meeting to a Director who is absent from the United Kingdom unless the Director has notified the Society in writing of an address in the United Kingdom or an electronic address at which notice of such meetings is to be given to him when he/she is absent from the United Kingdom. A Director may waive the requirement that notice of any Board meeting be given to him/her, either prospectively or retrospectively."; and

- (c) In Rule 16(5) delete the word "special".



**13 Rule 17 - Minutes**

The first two times the word "chairman" appears change the word to "chair" with lower case "c" and after the words "next succeeding meeting", insert "(or in the case of any Annual General Meeting or special general meeting, by the Chair at a Board meeting following the relevant general meeting)".

**14 Rule 18 - Validity of Acts**

In Rule 18(2) after the words "several documents" insert "(which may be or include Electronic Communications)".

**15 Rule 19 - Remuneration and expenses of Directors**

In Rule 19(1):

- (a) delete the words "the sum of" and insert "paid at a rate to be determined by the Board from time to time but not exceeding"; and
- (b) delete the words "provided that the Board shall have power in any year by a majority resolution of the Directors to reduce such remuneration for the financial year in which the resolution shall be passed and every such resolution shall bind all Directors holding office during that year".

**16 Rule 21 - Interest in Contracts**

In Rule 21(4) at the end add "or as a Member".

**17 Rule 24 - Vacation of Office and Disqualification**

- (a) At the beginning of Rule 24(1) delete "without prejudice to Rule 14(2),";
- (b) In Rule 24(1)(b) delete "£250" and insert "£500" and replace the reference to "Rule 14(1)" with reference to "Rule 14";
- (c) In Rule 24(1)(d) delete "at least three-quarters" and insert "a majority";
- (d) In Rule 24(1)(g)(i) add ", or" at the end;
- (e) In Rule 24(1)(g)(ii) delete the word "receiver" and replace with "deputy";
- (f) In Rule 24(1)(i) delete "his co-Directors" and replace with "the Board", delete "institution authorised under the Banking Act 1987 or any statutory modification or re-enactment thereof" and replace with "firm which has permission under Part IV of the Financial Services and Markets Act 2000 to accept deposits or enter into regulated mortgage contracts as lender";
- (g) Delete the existing Rule 24(1)(j) and replace with "if he/she retires at the conclusion of an Annual General Meeting as a result of any binding requirement of the Statutes regarding retirement of a Director by reason of his/her age";
- (h) Delete the existing Rule 24(1)(m) and replace with:
  - "(m) if the Board passes a resolution that the Director shall vacate office after either of the following has occurred -
    - (i) the Regulator has made it a condition of the Society's continued authorisation that the Director should cease to hold office or has imposed a requirement or made a recommendation that he/she should cease to hold office;
    - (ii) the Director has failed to obtain or maintain any personal authorisation required from the Regulator relevant to the office of Director, ";

- (i) Insert a new Rule 24(1)(n) as follows:
  - "(n) in the case of a Director who holds executive office, his/her appointment to such office is terminated or expires and the Board resolves that his/her office be vacated."; and
- (j) In Rule 24(2) at the end of the first sentence replace the words after "resolution" with "regarding vacation of office by a Director" and replace reference to Rule 48(2) with reference to Rule 46.

**18 Rule 25 – Filling of Casual Vacancies**

- (a) In Rule 25(3)(a) and (b) at the end, insert ", and";
- (b) In Rule 25(4)(b) after "may" insert "(unless otherwise determined by the Board)" and at the end of (i) insert ", or"; and
- (c) In Rule 25(5) replace the reference to "Rule 14(1)" with reference to "Rule 14".

**19 Rule 26 – Retirement by Rotation**

- (a) In Rule 26(1) delete "not less than one third (or the whole number nearest to but not exceeding one third) of the other Directors or (if that number is greater) all those" and insert "all";
- (b) Delete the existing Rule 26(2) and renumbered Rule 26(3) as 26(2); and
- (c) In existing Rule 26(3) replace the reference to "Rule 14(1)" with reference to "Rule 14".

**20 Rule 27 - Reserves**

In Rule 27 after the word "determine", insert "(but subject to the terms and conditions of issue of any Shares)".

**21 Rule 28 – Losses**

- (a) In Rule 28(2) at the end of the first sentence, insert "unless such loss or a proportion of it is to be borne by the holders of Deferred Shares in accordance with the terms of those Deferred Shares"; and
- (b) In Rule 28(2)(a) at the end, insert ", or".

**22 Rule 30 - Annual General Meeting**

- (a) In Rule 30(4)(a) at the end, insert ", and";
- (b) In Rule 30(5)(g) delete "10" and insert "25"; and
- (c) In Rule 30(5)(h) at the end, insert ", and".

**23 Rule 31 – Special Meetings**

- (a) In Rule 31(3)(b)(i) after the word "meeting" insert "(or on a postal ballot or electronic ballot)" and at the end, insert ", or";
- (b) In Rule 31(3)(c) at the end of (i) and (ii), insert ",or" and replace the word "Commission" with "Regulator";
- (c) In Rule 31(4):
  - (i) at the end of (a) and (b), insert ", and";

- (ii) in the paragraph after (c) add the following new second sentence: "For the purposes of this paragraph (4), the value of a Deferred Share or Preferred Share shall be counted as held by a Member only if, at the qualifying date, the Member was entered in the Register as the holder of that Deferred Share or Preferred Share.";
- (iii) at the end of (i), insert ", and"; and
- (iv) in (ii) after the word "both", insert ", or his holding of Deferred Shares or Preferred Shares".

**24 Rule 32 – Notice of Meetings**

- (a) In Rule 32(1):
  - (i) at the end of (a), insert ", and";
  - (ii) at the end of (i) and (ii), insert ", and";
- (b) In Rule 32(3) at the end of (a), insert ", or";
- (c) In Rule 32(4) replace reference to "Rule 48(3)" with "Rules 46(3) to (5)" and reference to "Rule 48(2)" with "Rule 46(2)";
- (d) In Rule 32(5) at the end of (a), insert ", or" and replace the final paragraph with "either by giving it personally or by sending or delivering it to the Representative Joint Shareholder or (as the case may be) the Representative Joint Borrower at his Registered Address or at any electronic address which he has notified for the purpose";
- (e) In Rule 32(6) at the end of (a), insert ", or" and in the first line of the final paragraph delete the words "it by post" and "by otherwise";
- (f) In Rule 32(7) delete the words "it by post" and "otherwise" and start the words "registered address" with lower case letters; and
- (g) In Rule 32(8) delete both references to "receiver" and insert "deputy" and delete the words "it by post" and "otherwise".

**25 Rule 33 – Entitlement to Propose Resolutions**

- (a) In Rule 33(1):
  - (i) at the end of (a)(i), insert ", or";
  - (ii) at the end of (a)(ii), insert ", and";
  - (iii) in the paragraph following (ii) add the following new second sentence: "For the purposes of this sub paragraph (a), the value of a Deferred Share or Preferred Share shall be counted as held by a Member only if, at the qualifying date, the Member was entered in the Register as the holder of that Deferred Share or Preferred Share.";
  - (iv) in (b) delete "10" and insert "25";
  - (v) after (c) insert the following new paragraphs:
    - "The notice must –
    - (i) be signed by the Members giving the notice;
    - (ii) state the full names and addresses of those Members; and

- (iii) identify, in relation to each such Member, a share or mortgage account or a holding of Deferred Shares or Preferred Shares, which will evidence the fact that the Member fulfils the conditions set out in sub-paragraph (a)(i) and (ii) above or (as the case may be) the conditions set out in sub-paragraph (a)(ii) and (iii) above.

If the Board wishes to object to a Members' Notice by virtue of any of the requirements of Rule 33(1)(c)(i) to (iii) not being complied with, it must do so within 14 days of the notice being given to the Society. ";

- (b) In Rule 33(2) at the end of (a), insert ", and";
- (c) In Rule 33(3) at the end of (a), (b)(i) (ii) (iii) (iv) and (v), insert "or"; in (b)(v) after the words "postal ballot" insert "or electronic ballot" and in the final sentence change the word "Commission" to "Regulator".

## **26 Rule 34 - Quorum at Meetings**

In Rule 34(1) delete the existing paragraphs (a) to (d) and replace with:

- "(a) except where sub-paragraph (b) below applies, by 20 Members present and entitled to vote on a show of hands under Rule 36(5),
- (b) in the case of a special general meeting requisitioned under Rule 31(3), by 50 Members present and entitled to vote on a show of hands under Rule 36(5)."

## **27 Rule 35 - Procedure at Meetings**

- (a) In Rule 35(6):
  - (i) at the end of (a), insert ", or";
  - (ii) at the end of the final paragraph delete "or as to whether the meeting should be adjourned";
- (b) Delete existing Rule 35(11) and replace with:

"A poll demanded on a question of adjournment shall be taken forthwith and the result declared immediately upon the conclusion of the taking of the poll. A poll demanded on any other question shall not prevent the continuance of a meeting for the transaction of any business other than that upon which the poll has been demanded. The result of a poll, other than on a question of adjournment, shall be declared in the manner and at the time determined by the Chair. "

## **28 Rule 36 - Entitlement of Members to vote on Resolutions**

- (a) In Rule 36(1)(a) at the end, insert ", or";
- (b) In Rule 36(2)(b) at the end, insert ", and";
- (c) In Rule 36(3) at the end of (a) (b) and (c), insert ", and";
- (d) In Rule 36(3)(c)(i) at the end, insert ", or";
- (e) In Rule 36(3)(c)(ii) after "special general meeting" insert "or a postal ballot or electronic ballot";
- (f) In Rule 36(3) insert the following as 36(3)(d) and a new paragraph after (d):

"(d) he has not ceased to hold Shares at any time between the time referred to in (c)(i) or (ii) above (as applicable) and the voting date

and for the purposes of this paragraph (3) the value of a Deferred Share or Preferred Share shall be counted as held by a Member only if at the end of the Financial Year before the voting date or at the beginning of the period of 56 days immediately preceding the voting date, as the case may be under (c)(i) or (ii) above, the Member was entered in the Register as the holder of that Deferred Share or Preferred Share.";

- (g) In Rule 36(4) at the end of (a) (b) and (c), insert ", and";
- (h) In Rule 36(6) delete the existing words after the word "stead" and insert "and may exercise on behalf of the Member the right to appoint a proxy in accordance with Rule 37";
- (i) In Rule 36(7) delete both references to "receiver" and replace with "deputy", delete "deposited" and replace with "received" before the words "at the Principal Office" and insert "(or such other place as may be specified in the relevant notice of meeting, which may include any electronic address which is specified for the purpose)" after the words "Principal Office";
- (j) In Rule 36(8) at the end, insert "Alternatively, a body corporate which is the holder of any Deferred Shares or Preferred Shares may appoint a proxy. The instrument appointing a proxy of a body corporate shall be signed by a duly authorised officer of such body corporate.".

## **29 Rule 37 - Appointment of Proxies**

- (a) In Rule 37(1) at the end of (a), insert ", and";
- (b) Replace Rule 37(2) with the following:

"A proxy shall be appointed by an instrument in writing (which may, if the Board so determines, take the form of an Electronic Communication) which shall be in such form and include such declarations as the Board may from time to time determine. The instrument shall enable the Person appointing the proxy to direct him/her how to vote and, if the instrument is not in the form specified by the Society or is not signed by the appointor, the appointment of the proxy shall be invalid. The appropriate forms of declaration shall, with such additional or amended wording as the Board may consider appropriate, be used in the case of a body corporate. If the appropriate declaration is not included in the instrument, the appointment of the proxy shall be invalid.";

- (c) Replace Rule 37(3) with the following:

"The instrument appointing a proxy or a representative shall be received at the Principal Office (or such other place as may be specified in the relevant notice of meeting which may include any electronic address which is specified for the purpose) not less than 2 clear days before the day appointed for holding the meeting, or adjourned meeting, and in default the instrument shall not be treated as valid";

- (d) In Rule 37(4) delete the words "but, save as by this paragraph provided, a proxy shall have no right to speak at the meeting" and insert "and to speak at the meeting";
- (e) In Rule 37(6) after the words "Principal Office" insert "(or such other place as may be specified in the relevant notice of meeting which may include any electronic address which is specified for the purpose)"; and
- (f) Insert a new Rule 37(7) as follows:

"The Board may from time to time make, vary, or revoke regulations regarding the appointment of proxies, provided that the same are not inconsistent with the Statutes. Such regulations may include (but need not be limited to) provisions for determining:

- (a) the authenticity and time of receipt of any Electronic Communication which purports to appoint, or to revoke the appointment of, a proxy, or to notify the Society of an event terminating such an appointment; and
- (b) which of two or more proxy appointments received from the same Member in respect of the same meeting is to be treated as valid."

**30 Rule 38 – Joint Shareholding Members and Joint Borrowing Members**

In Rule 38(1) add the following new second sentence:

"The Chair of the meeting may however (if in his/her absolute discretion he/she so decides) permit any other joint Shareholding Member or joint Borrowing Member to attend and speak at a meeting but this shall not confer any further right on such Member."

**31 Rule 39 – Postal Ballot**

(a) In the heading add "and electronic ballots";

(b) Replace the introductory sentence of Rule 39(1) with the following:

"The Board may determine that the voting on any resolution or in any election of directors may be conducted by postal ballot or by electronic ballot (being a ballot on which some of the voting is conducted in accordance with the provisions of the Statutes as to electronic voting and the remainder of the voting is conducted as if it were a postal ballot), but the power conferred by this Rule shall not be exercisable in respect of";

(c) In Rule 39(1) delete the existing (a);

(d) In Rule 39(1) at the end of the existing (b), (c) and (d), insert ", or";

(e) In Rule 39(2)(a) after the word "postal" insert "or electronic" and at the end of (a), insert ", and";

(f) Replace the first paragraph of Rule 39(3) and Rules 39(3)(a) and (b) with the following:

"(3) Within one month (or such longer period as the Board may deem necessary) after the determination of the Board under paragraphs (1) or (2) above the Society shall give notice of the postal or electronic ballot in accordance with the Statutes. Except where the Statutes otherwise provide in relation to a Member who has agreed with the Society to access notice of the ballot on a website, the notice shall be accompanied by or incorporate a ballot form and shall be sent -

(a) not less than 21 days nor more than 56 days before the date which the Society specifies for the receipt of the completed ballot forms, and

(b) subject to Rules 46(3) to (5), by post to the Registered Address (or to any electronic address notified to the Society for the purpose) of every Member who under Rules 36(2) to (4) (whichever is applicable) would be eligible to vote on the resolution if the voting date fell on the date of the notice of the postal or electronic ballot, "the voting date" here meaning the date specified for the receipt of the completed ballot forms, and";

(g) In Rule 39(3)(c) after the word "postal" insert "or electronic" in both places and at the end of (c)(i) insert ", or";

(h) In Rule 39(4) after the word "postal" insert "or electronic" in both places and at the end of (a), insert ", and";

(i) In Rule 39(5):

- (i) in (a) after "postal" insert "or electronic" and at the end insert ", or";
  - (ii) in (b) delete "voting paper" and insert "ballot form";
  - (iii) in the final paragraph, delete "voting paper" and insert "ballot form" and before the final word "ballot" delete "postal";
- (j) In Rule 39(6) delete "voting paper" and insert "ballot form";
  - (k) In Rule 39(7) in the words "relating to the postal ballot" delete "postal" and delete the words "voting papers" and insert "ballot forms" in both places;
  - (l) In Rule 39(8) delete "voting paper" and insert "ballot form";
  - (m) In Rule 39(9) delete the words "and where relevant the appropriate proportion of eligible Members voting" and at the end of (a), insert ", or";
  - (n) In Rule 39(10):
    - (i) after the word "postal", insert "or electronic"; and
    - (ii) delete (a) and replace with "a notice displayed on the Society's website; and"
  - (o) Insert a new Rule 39(11) as follows:
    - "(11) Where the Board has determined under paragraph (1) above that the voting in an election or on a resolution of the Society is to be conducted by an electronic ballot, the regulations made by the Board under paragraph (7) above may include (but need not be limited to) regulations prescribing:
      - (a) the manner in which the votes of Members who vote electronically may be registered in accordance with the Statutes;
      - (b) the manner in which Members who vote electronically may confirm the terms of the declarations required by the Statutes;
      - (c) the manner in which the authenticity and integrity of the votes of Members who vote electronically is to be established;
      - (d) the consequences of any irregularities occurring in the course of the ballot, including (but not limited to) provisions as to the validity of multiple votes cast by a Member in the same election or on the same resolution; and
      - (e) the final date for the registration of the votes of Members who vote electronically."

### **32 Rule 40 – Counting of Votes**

In the first line and the final paragraph after the words "postal ballot" insert "or electronic ballot" and at the end of (a), insert ", or".

### **33 Rule 41 Auditors**

- (a) In Rule 41(4) at the end of (a), (b) and (c) insert ", or";
- (b) In Rule 41(5) at the end of (a) and (b), insert ", or".

### **34 Rule 42 – Common Seal**

Insert the following new Rule 42(6):

"In this Rule reference to the Common Seal being affixed to any document includes the reproduction of the image of that seal on a document by any mechanical or electronic means which has been approved by the Board."

**35 Rule 43 – Custody of Documents**

- (a) At the end of Rule 43(a), insert ", and"; and
- (b) In Rule 43(b) start the word "Loans" with lower case "l".

**36 Rule 44 – Disputes**

Delete this Rule.

**37 Rule 45 – Distribution of Surplus Assets on Winding Up and Dissolution**

Delete existing Rule 45(1) and replace with the following:

"Upon the winding-up of the Society, or upon it being dissolved by consent, any surplus remaining after payment in full of the Society's creditors and repayment to Members of the amount of their Shares (together with interest due thereon) according to their priority under their respective terms and conditions of issue, shall be applied as follows –

- (a) up to 20% to holders of all or some of the Deferred Shares in the Society. The proportion (if any) of such 20% to which any particular issue of Deferred Shares is entitled shall be set forth in the terms and conditions of issue of that issue of Deferred Shares; and
- (b) the remainder among qualifying Members (other than holders of Deferred Shares) in proportion to the value of their Shareholding.

If there are insufficient assets to repay all Members the amounts paid up on their Shares, no repayments shall be made in respect of any Deferred Share until after all other Members have been repaid in full. "

**38 Rule 46 – Communication with Members by Advertisements and Announcements**

Delete this Rule.

**39 Rule 48 – Notices to the Secretary and by the Society**

- (a) In Rule 46(1)(a) at the end, insert ", or";
- (b) In Rule 46(1)(b) start the word "office" with lower case "o";
- (c) Delete existing Rule 48(2) and replace with the following:

"(2) Subject to paragraph (3) below, any notice or other document to be served by the Society on a Member under these Rules may be served on him/her either:

- (a) personally; or
- (b) by sending it by post or by otherwise delivering it, addressed to him/her at his/her Registered Address; or
- (c) by sending it electronically to an electronic address which he/she has notified for the purpose,

and in the case of a notice or document sent by post as described in sub-paragraph (b) above, the notice or document shall be deemed to have been duly served 48 hours after having been posted (regardless of the class of post by which such notice or document is sent). The



provisions of Rules 32(5) to (9) shall apply to the service of any notices in the same way as to notice of meetings, with the necessary changes being made." ;

(d) Delete existing Rule 48(3) and replace with the following:

"(3) The Society shall not be obliged by the Statutes or these Rules to serve a notice (including a notice of a meeting or a notice of a postal ballot or electronic ballot), a ballot form or other document to a Member in whose case the Society has reason to believe that communications sent to him at his Registered Address are unlikely to be received by him but in the case of a notice (defined by Rule 32(4)) of a meeting and in the case of the notice of a postal ballot or electronic ballot pursuant to Rule 39 the Society shall, if it decides not to send the notice to him by post in accordance with those provisions, instead display in a prominent position at the Principal Office and in every branch office a notice of the holding of the meeting or a notice of the holding of the postal ballot or electronic ballot which -

(a) must be given not later than 21 clear days before the date of the proposed meeting, or 21 clear days calculated from the final date for the receipt of proxies, or, as the case may be, the final date for the receipt of completed ballot forms, and

(b) must state -

(i) where Members may obtain copies of the resolutions and of any statements with respect to the matters referred to in a resolution, and

(ii) where Members may obtain forms relating to voting by proxy and, in the case of a postal ballot, where they may obtain ballot papers or, in the case of an electronic ballot, how they may access electronic voting facilities." ;

(e) Insert the following new Rule 48(4):

"(4) If by reason of the suspension or curtailment of postal services the Society is unable to give notice by post in hard copy form of a meeting, then such notice shall be deemed to have been given to all Members entitled to receive such notice in hard copy form if it is advertised in at least two leading daily newspapers widely circulated in the United Kingdom. Such notice shall be deemed to have been duly served on all Members entitled to receive notice of such meeting at noon on the day on which the second of such advertisements appears. In any such case the Society shall:

(a) make such notice available on an appropriate website of the Society from the date of such advertisement until the conclusion of the meeting; and

(b) send confirmatory copies of the notice to those Members by post in hard copy form if, at least seven days before the meeting, the posting of notices to addresses throughout the United Kingdom again becomes practicable." ; and

(f) Insert the following new Rule 48(5):

"(5) Nothing in these Rules shall prevent the service of a notice or other document by the Society

(a) by sending it electronically to an electronic address notified for the purpose in accordance with express provision made by the Statutes, or

(b) by publication on a web site in accordance with any such provision." .

#### **40 New Rules 47 and 48 as renumbered**

Insert the following new Rules to be numbered 47 and 48:

**"47. SALES OF DEFERRED SHARES OR PREFERRED SHARES OF UNTRACEABLE HOLDER**

- (1) The Society shall be entitled to sell for the best price reasonably obtainable Deferred Shares or Preferred Shares of a Member, or Deferred Shares or Preferred Shares to which a Person is entitled by means of transmission, if
  - (a) during the relevant period, the Society has made at least 3 interest payments in respect of Deferred Shares or Preferred Shares of the same class as the Deferred Shares or Preferred Shares to be sold;
  - (b) during the relevant period, no interest payable in respect of the Deferred Shares or Preferred Shares has been claimed;
  - (c) during the relevant period, all warrants or cheques in respect of the Deferred Shares or Preferred Shares, sent to the address and in the manner provided by the Rules or the terms and conditions of issue of the Deferred Shares or Preferred Shares for sending such payments, remain uncashed;
  - (d) during the relevant period, no communication has been received by the Society from the Member or the Person entitled by transmission to the Deferred Shares or Preferred Shares;
  - (e) after expiry of the relevant period, the Society inserts advertisements in both a national newspaper and a newspaper circulating in the area in which the last known address at which service of notices may be effected is located of its intention to sell the Deferred Shares or Preferred Shares;
  - (f) during the period of three months following the publication of those advertisements and, after that period, until the exercise of the power to sell the Deferred Shares or Preferred Shares, the Society has not received any communication from the Member or the Person entitled by transmission to the Deferred Shares or Preferred Shares; and
  - (g) in the case of a Deferred Share or Preferred Share which has been admitted to the Official List of the United Kingdom Listing Authority, the Society has first given written notice to the Listing Department of the United Kingdom Listing Authority of its intention to sell the Deferred Shares or Preferred Shares.
- (2) For the purpose of paragraph (1) above, "the relevant period" means the period of twelve years immediately preceding the date of publication of the first of any advertisements pursuant to paragraph (1)(e) above.
- (3) To give effect to any sale under this Rule, the Board may appoint any Person to execute as transferor an instrument of transfer of the Deferred Shares or Preferred Shares or take such other action as transferor as may be appropriate to effect the transfer of the same and the instrument of transfer, or as the case may be such other action, shall be as effective as if it had been executed or taken by the registered holder of, or Person entitled by transmission to, the Deferred Shares or Preferred Shares.
- (4) A purchaser shall not be bound to see to the application of the purchase moneys, nor shall his title to the Deferred Shares or Preferred Shares be affected by any irregularity in or invalidity of the proceedings relating to the sale.
- (5) The Society shall account to the Member or other Person entitled to the Deferred Shares or Preferred Shares for the net proceeds of sale and shall be deemed to be his debtor, and not a trustee for him, in respect thereof.
- (6) No interest shall be payable in respect of the net proceeds and the Society shall not be required to account for any moneys earned thereon.

- (7) Any moneys not accounted for to the Member or other Person entitled to the Deferred Shares or Preferred Shares shall be carried to a separate account and shall be a permanent debt of the Society. Moneys carried to a separate account may be either employed in the business of the Society or invested in such manner (other than Shares in the Society) as the Board may from time to time think fit.

#### **48. REGISTER AND OTHER RECORDS**

- (1) The Society shall enter the name and address of each Deferred Share holder and Preferred Share holder in the Register. Transfers and other documents or instructions relating to or affecting the title of any Deferred Shares or Preferred Shares shall also be recorded in the Register. No charge shall be made in respect of any entry in the Register. The Register shall be maintained at the Principal Office, or at such other place as the Board thinks fit.
- (2) Every Person, within one month after becoming entered in the Register as the holder of a Deferred Share or Preferred Share (or within such other period as the terms and conditions of issue of the Deferred Shares or Preferred Shares may provide), shall, if he/she shall make a written request to the Society at the time of applying to be so entered, be supplied by the Society with a Deferred Share Certificate or Preferred Share Certificate (as the case may be) (which shall not be the property of the Society).
- (3) Every Person entered in the records of the Society as the holder of a Deferred Share or Preferred Share who has not previously requested to be supplied by the Society with a Deferred Share Certificate or Preferred Share Certificate shall within one month after making a written request to the Society be supplied by the Society with a Deferred Share Certificate or Preferred Share Certificate. Save as aforesaid, nothing in these Rules shall require a Deferred Share or Preferred Share to be evidenced by a Deferred Share Certificate or Preferred Share Certificate or other written instrument.
- (4) Any Member losing his/her Deferred Share Certificate or Preferred Share Certificate shall immediately give notice in writing of such loss to the Society at its Principal Office. If a Deferred Share Certificate or Preferred Share Certificate is damaged or alleged to have been lost, stolen or destroyed, a new Deferred Share Certificate or Preferred Share Certificate representing the same Shares shall be issued to the holder upon request, subject to delivery up of the old Certificate or (if alleged to have been lost, stolen or destroyed) subject to compliance with such conditions as to evidence and indemnity as the Board may think fit and to payment of any exceptional expenses of the Society incidental to its investigation of the evidence of such alleged loss, theft or destruction. Where a holder of a certified Deferred Share or Preferred Share has sold part of his holding he will be entitled to a Deferred Share Certificate or Preferred Share Certificate for the balance without charge. "

#### **41 Additional Rules – Preface**

- (a) In the first line replace the words "these Rules took effect" with "1 October 1998";
- (b) In the first paragraph delete the word "previous" and insert "prior to 1 October 1998" after the word "rules";
- (c) In sub-paragraph (a) replace the words "these Rules taking effect" with "1 October 1998";
- (d) In sub-paragraph (b) delete the word "previous" and after the word "rules" insert "prior to 1 October 1998"; and
- (e) In the final paragraph delete the word "previous" and after the words "Society's rules" insert the words "prior to 1 October 1998".

#### **42 Additional Rule 1 – Shares**

- (a) In the wording before the heading replace the words "these Rules took effect" with "1 October 1998";

- (b) In the heading delete the word "previous" and after the word "Rules" insert "prior to 1 October 1998";
- (c) In 8(4)(a)(ii) delete the words "accordance with Rule 46(1)" and insert "at least 2 daily newspapers selected by the Board from time to time and the Board shall inform any Member who enquires as to the identity of the newspapers"

**43 Additional Rule 2 – Deposits with and loans to the Society**

- (a) In the wording before the heading "Extracts...." change the words "these Rules took effect" to "1 October 1998"; and
- (b) In the heading "Extracts ...." delete the word "previous" and after the word "Rules" insert "prior to 1 October 1998".

**44 Additional Rule 3 – Lending**

- (a) In the wording before the heading "Extracts..." change the words "these Rules took effect" to "1 October 1998"; and
- (b) In the heading "Extracts..." delete the word "previous" and after the word "Rules" insert "prior to 1 October 1998".

**45 Additional Rule 4 – Redemption of Mortgages**

- (a) In the wording before the heading "Extracts...." change the words "these Rules took effect" to "1 October 1998"; and
- (b) In the heading "Extracts...." delete the word "previous" and after the word "Rules" insert "prior to 1 October 1998".

**46 General**

- (a) Make any consequential renumbering to the existing Rules; and
- (b) In the Rules and the Additional Rules, change:
  - "he" to "he/she"
  - "his" to "his/her"
  - "him" to "him/her"
  - "himself" to "himself/herself"
  - "Chairman" to "Chair"
  - "Vice-Chairman" to "Vice-Chair".