

## **BWCE AGM 2015**

### **BACKGROUND ON THE INCORPORATION OF A STATUTORY ASSET LOCK AND OTHER PROPOSED RULE CHANGES**

We need to update our rules to incorporate a 'Statutory' Asset Lock in order for future share offers to remain eligible for Social Investment Tax Relief (SITR), the proposed replacement for EIS tax relief.

In line with good practice and the requirements of the FCA, BWCE already has rules which prevent the distribution of residual assets to members on dissolution. Instead, any residual assets must be transferred to another body with similar objects, or, if no such body exists, used for similar charitable or philanthropic purposes.

While our existing rules therefore have the hallmarks of an asset lock, it does not prevent the members of a community benefit society from voting to change its rules to convert into a company, the company Articles then being altered in favour of the distribution of residual assets to members on dissolution.

The Community Benefit Societies (Restriction on Use of Assets) Regulations 2006 addressed this 'weakness' by allowing community benefit societies to adopt rules that impose a statutory asset lock, equivalent to the asset lock in charities and CICs. Societies that want to have a statutory asset lock must change their rules, adopting the precise wording found in Schedule 1 of the 2006 Regulations (see the wording as per the Rules).

Alongside the adoption of a Statutory Asset Lock (rule 60aii & 100-104), we have taken the opportunity to tidy up the new rules and they are presented in a slightly different order, legislative references have been updated, the borrowing limit has been increased from £10 million to £20 million (rule 7), the quorum for general meetings has been reduced from 10% to 5% (rule 45) and a clearer distinction has been made in the rules between the payment of interest and the distribution of profits to reflect good practice (rules 98 & 99).

We have been advised by Coops UK in the drafting of the changes to our rules, who have ensured that the rules are in line with good practice and all legislative requirements. Subject to approval of the changes by BWCE members, Coops UK will submit the revised rules to the FCA for registration on our behalf.