

1990

**FINANCIAL INSTITUTIONS DUTY REGULATIONS**

**EXPLANATORY MEMORANDUM**

Circulated by the Authority of the Minister for Finance  
and Urban Services

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## EXPLANATORY MEMORANDUM

### FINANCIAL INSTITUTIONS DUTY ACT 1987

### FINANCIAL INSTITUTIONS DUTY REGULATIONS

#### Background

Transactions via Automatic Teller machines and Electronic Funds Transfer services provided by a bank which is a registered financial institution attracts duty only once as settlement occurs within the banking system and credits to accounts for internal accounting purposes are recognised as non-dutiable under the Financial Institutions Duty Act 1987 (the Act).

However, Clearing Houses formed by building societies and credit unions to provide similar services to those mentioned above, incur a higher level of duty on such transactions. The organisations are not "financial institutions" as defined in the Act and therefore their transactions are subject to duty when processed through their bank accounts. Since the separate receipt transactions also attract duty when credited to individual members accounts, this means that there is double duty on these transactions.

The anomaly is overcome by these Regulations which have been made following amendment of the Act on 1 December 1990, to allow for clearing or settlement accounts operated on behalf of building societies and credit unions to be exempt from duty. The Regulations are to commence on notification in the Gazette.

#### Outline of Regulations

Establishes the Financial Institutions Duty Regulations and prescribes, for the purposes of exemption from financial institutions duty under Section 19(1)(e) of the Act, accounts held by a bank as defined under the Act on behalf of two or more financial institutions for clearing or settlement accounts.

The details of the proposed Regulations are as follows:

## Citation

Clause 1 - Provides that the regulations may be cited as the Financial Institutions Duty Regulations.

## Interpretation

Clause 3 - Provides that the Act referred to in the Regulations is the Financial Institutions Duty Act 1987 unless a contrary intention appears.

## Prescribed Accounts

Sub-Clause 4 (1)- Provides that accounts held by a bank which is a registered financial institution under the Act and is operated by or on behalf of:

(a) two or more Building societies only; or

(b) two or more credit societies only; or

(a) a person who operates the account on behalf of two or more building societies only; or

(d) a person who operates the account on behalf of two or more credit societies only

is a prescribed account under Section 19 (1) (e) of the Act. Section 19 relates to exemption provisions in the Act.

Sub-Clause 4 (2) - Provides that "building societies" and "credit societies" has the same meaning as in the Co-operative Societies Act 1939.

These Regulations will commence on the date that the Regulations are notified in the Gazette.

Minister for Finance and Urban Services