
DRAFT STATUTORY INSTRUMENTS

2009 No.

The Scottish and Northern Ireland Banknote Regulations 2009

PART 4

Requirements as to banknotes

Unissued banknotes

10.—(1) An authorised bank may only arrange for a person to hold its banknotes on its behalf otherwise than as bearer where that person is for the time being approved by the Bank of England for this purpose.

(2) The rules may specify requirements with which an authorised bank must comply where it arranges for a person to hold its banknotes on its behalf otherwise than as bearer.

Cessation of note issue

11.—(1) The rules must set out the procedure which an authorised bank must follow if it—

- (a) intends to stop issuing banknotes; or
- (b) loses the right to rely on section 213 of the Act (saving for existing issuers) by virtue of—
 - (i) a determination by the Treasury under section 223(1)(b) of the Act (termination of right to issue); or
 - (ii) section 223(5) of the Act (bank ceasing to have permission to carry on the regulated activity of accepting deposits).

(2) Where an authorised bank stops issuing banknotes—

- (a) these Regulations and the rules shall continue to apply to the bank for a period of two years from the date on which it stops issuing banknotes; and
- (b) the Bank of England must, by the end of that period, return to the bank any of the bank's backing assets which it still holds.

(3) Rules under paragraph (1) may, in particular, specify—

- (a) in a case where an authorised bank intends to stop issuing banknotes, the period of notice which the bank must give to the Bank of England before it stops issuing banknotes;
- (b) the arrangements which an authorised bank must make for the purpose of bringing the following matters to the attention of the public—
 - (i) the proposed cessation or termination of note issue;
 - (ii) the effect of the Regulations and rules ceasing to apply after a period of two years; and
 - (iii) the arrangements which an authorised bank must make for the purpose of removing its banknotes from circulation.

Temporary continuation of note issuing after cessation

12.—(1) The Bank of England may, with the consent of the Treasury, permit an authorised bank to issue banknotes for a transitional period of no more than six months after the bank loses the right to rely on section 213 of the Act by virtue of section 223(4) or (5) of the Act.

(2) The Bank of England may grant such permission before or after the bank loses the right to rely on section 213.

(3) Where the Bank of England permits a bank to issue banknotes under paragraph (1), the total value at any time during the transitional period of the bank's banknotes in circulation and with the potential to enter circulation must not exceed the value of the bank's backing assets at that time.

(4) The Bank of England may grant permission under paragraph (1) subject to conditions.

(5) The Bank of England may, by giving reasonable notice to the bank—

(a) withdraw permission under paragraph (1);

(b) amend or revoke a condition to which the permission is subject.