

*These notes refer to the Banking Act 2009 (c.1)
which received Royal Assent on 12 February 2009*

BANKING ACT 2009

EXPLANATORY NOTES

SUMMARY AND OVERVIEW OF THE STRUCTURE

Part 6: Banknotes: Scotland and Northern Ireland

17. Pursuant to the Bank Notes (Scotland) Act 1845, the Bankers (Ireland) Act 1845 and the Bankers (Northern Ireland) Act 1928, as amended (together, “the 1845 legislation”), a limited number of commercial banks retain the right to issue their own banknotes in Scotland and Northern Ireland¹.
18. The government stands behind notes issued by the Bank of England, as the UK’s central bank, but does not guarantee notes issued by commercial banks. Such notes are liabilities of the issuing banks themselves.
19. This part:
 - Repeals the 1845 legislation insofar as it relates to the issue of banknotes in Scotland and Northern Ireland, and makes consequential legislative amendments and repeals.
 - Prohibits the issue of banknotes in Scotland and Northern Ireland other than by the Bank of England and those commercial banks that, immediately before the coming into force of this Part, were authorised under the 1845 legislation to issue banknotes.
 - Provides that, if an issuing bank chooses to discontinue the business of issuing its own banknotes, its note-issuing privilege cannot thereafter be revived.
 - Empowers the Treasury to make banknote regulations. In particular, these regulations may include provision protecting noteholders in the event a commercial issuing bank encounters financial difficulties. The regulations:
 - must require commercial issuing banks to maintain backing assets;
 - may define the purpose and status of the backing assets in connection with the insolvency of a commercial issuing bank; and
 - may require or permit the Bank of England to make banknote rules.
 - Make further provision for specific matters in relation to the issue of banknotes by the authorized commercial banks.

¹ The relevant banks in Scotland are: Bank of Scotland, Clydesdale Bank and Royal Bank of Scotland. The relevant banks in Northern Ireland are: Bank of Ireland, First Trust Bank, Northern Bank and Ulster Bank.