



Banking Act 2009

2009 CHAPTER 1

PART 6

BANKNOTES: SCOTLAND AND NORTHERN IRELAND

Specific issues

217 Backing assets

- (1) Banknote regulations must require authorised banks to have backing assets.
- (2) “Backing assets” means assets of a kind specified by banknote regulations; and the regulations may, in particular, specify—
 - (a) banknotes issued by the Bank of England,
 - (b) current coins of the United Kingdom, and
 - (c) funds in a specified kind of account held with the Bank of England or with another specified institution or class of institution.
- (3) The regulations must—
 - (a) require banknote rules to include provision for determining the value of backing assets to be held,
 - (b) require backing assets in the form of banknotes to be held either—
 - (i) by the Bank of England, or
 - (ii) at one or more locations approved by the Bank of England, and
 - (c) require backing assets held in the form of coins to be held at one or more locations approved by the Bank of England.
- (4) The regulations may make other provision about backing assets; including, in particular—
 - (a) provision requiring a proportion of a bank’s backing assets to consist of assets of a specified kind;
 - (b) provision about the manner in which backing assets may or must be held;
 - (c) provision about ownership of and interests in backing assets;

Status: This is the original version (as it was originally enacted).

- (d) provision permitting backing assets to be held by an agent of an authorised bank.
- (5) Banknote regulations may make provision about the treatment of backing assets in relation to insolvency; in particular, the regulations may—
 - (a) modify or disapply a provision or rule of law about insolvency;
 - (b) protect backing assets from being treated in the same way as other assets of the bank;
 - (c) provide for banknotes to be exchanged by bearers within a specified period;
 - (d) allow the Treasury to extend the period for exchange;
 - (e) provide for exchange to be funded from backing assets;
 - (f) provide for the Bank of England to acquire or control a bank’s backing assets for the purpose of administering arrangements for exchange.
- (6) In subsection (5) a reference to “insolvency” includes a reference to—
 - (a) liquidation,
 - (b) bank insolvency,
 - (c) administration,
 - (d) bank administration,
 - (e) receivership,
 - (f) a composition between a bank and its creditors,
 - (g) a scheme of arrangement of a bank’s affairs, and
 - (h) a process under the law of a country or territory outside the United Kingdom which the Treasury identify, in banknote regulations, as serving a similar purpose to any of the processes listed in paragraphs (a) to (g).

218 Information

- (1) Banknote regulations or rules may make provision about—
 - (a) reports to be made by an authorised bank in respect of the treatment, holding or issue of banknotes or in respect of compliance with banknote regulations or rules, and
 - (b) information to be given by an authorised bank or an agent of an authorised bank.
- (2) Banknote regulations may make provision enabling the publication or disclosure of—
 - (a) information provided in accordance with banknote regulations or rules;
 - (b) details of anything done in contravention of this Part or banknote regulations or rules;
 - (c) details of action taken under sections 221 to 224 (which may include details of the reason for the action and its result).
- (3) Her Majesty’s Revenue and Customs shall transfer to the Bank of England any information acquired or held in connection with functions in respect of the issue of banknotes in Scotland or Northern Ireland.
- (4) The Bank of England may use information received in accordance with subsection (3) only for the purposes of its functions under or by virtue of this Part.

219 Ceasing the business of issuing notes

- (1) If an authorised bank at any time after commencement stops issuing banknotes, it may not resume issuing banknotes in reliance on section 213.
- (2) Banknote regulations or rules—
 - (a) may specify procedures to be followed by an authorised bank that intends to stop issuing banknotes, and
 - (b) may apply to an authorised bank for two years after it stops issuing banknotes.

220 Insolvency, &c.

- (1) Banknote regulations may make provision in connection with the application to an authorised bank of—
 - (a) the special resolution regime (under Parts 1 to 3), or
 - (b) a provision about insolvency within the meaning of section 217(6).
- (2) The regulations may, in particular—
 - (a) provide for the destruction of banknotes which have not been issued;
 - (b) provide for the destruction of banknotes which have been exchanged in accordance with section 217(5)(c);
 - (c) extinguish a claim to or interest in un-issued or exchanged banknotes.
- (3) A right to rely on section 213 cannot be transferred by or acquired from an authorised bank (and, in particular, cannot be acquired by virtue of or in connection with anything done under Part 1).
- (4) The fact that an authorised bank is taken into temporary public ownership in accordance with section 13 does not itself prevent the bank from relying on section 213.
- (5) If an authorised bank enters insolvency (within the meaning of section 217(6)) it loses the right to rely on section 213.
- (6) Transitional provision of banknote regulations (included in reliance on section 259(1)(c)) may include provision for a case where a bank loses the right to rely on section 213; in particular, the regulations may allow the bank to rely on the section for a specified transitional period or in respect of a specified class of transitional case.
- (7) A reference in this section to the special resolution regime includes a reference to any provision of the law of a country or territory outside the United Kingdom which the Treasury identifies, in banknote regulations, as serving a similar purpose.