

STATEMENT PUBLISHED BY THE BANK OF ENGLAND IN ACCORDANCE WITH SECTION 214A(7) OF THE BANKING ACT 2009

Introduction

This statement is prepared and published by the Bank of England (the **Bank**) in accordance with the requirements of section 214A(7) of the Banking Act 2009 (the **Act**).

The Bank of England has statutory responsibility under Part 6 of the Act for regulating the issuance of Scottish or Northern Ireland banknotes by the banks that are 'authorised banks' for the purposes of that Part¹.

S.214A of the Act enables HM Treasury to make Regulations to designate a newly authorised bank for the purposes of that Part in place of a previously authorised bank, so long as that bank is in the same group.

Before making such Regulations, HM Treasury must obtain the consent of the Bank.

The Bank is required under s.214A(7) to prepare and publish a statement of the matters which it intends to take into account in deciding whether to give its consent. This statement sets out those matters.

Matters the Bank intends to take into account in deciding whether or not to give consent to HM Treasury under s.214A(6) of the Act:

- (i) The impact on the protection of noteholders arising from the proposed designation, including:
 - a. Whether the Bank considers that the prospective authorised bank will have sufficient infrastructure and expertise to comply with the Scottish and Northern Ireland Banknote Regulations 2009 or any other regulations made under section 215 of the Banking Act 2009 (the **Regulations**), and rules and conditions imposed under the Regulations². Particular consideration will be given to whether the prospective authorised bank is able to conduct its note issuance business with due skill, care and diligence, including by securely holding excluded notes and backing assets and meeting regulatory reporting requirements.

Arrangements for consideration by the Bank could, for example, include that relevant staff, infrastructure and services would transfer to the prospective authorised bank or be outsourced on a like-for-like basis to a sufficiently capable third party.
 - b. Whether the change of authorised bank would have an impact on the Bank's ability to run an orderly Note Exchange Programme to remove the prospective authorised bank's notes from circulation in the event of that bank entering an insolvency process.
- (ii) The impact on the advancement of the Prudential Regulation Authority's (the **PRA's**) general objective, which is promoting the safety and soundness of PRA-authorised firms³. The Bank intends to take into account whether the proposed change will have any impact on the ability of either the prospective authorised bank or the current authorised bank to meet the PRA's requirements and expectations, including in particular whether the prospective authorised bank is sufficiently resourced to be able to continue to meet Threshold Conditions⁴.

In exceptional circumstances, the Bank may need to assess the potential impact of the proposed changes on one or more of the other functions that it undertakes.

¹ The statutory authorisation to issue commercial banknotes is restricted to those banks who had that permission immediately before the Banking Act 2009 came into force. They are Bank of Scotland plc, Clydesdale Bank plc, The Royal Bank of Scotland plc, AIB Group (UK) plc, Bank of Ireland (UK) plc, Northern Bank Limited (trades as Danske Bank) and Ulster Bank Limited. More information on the regulation of these authorised banks can be found on the Bank of England's website: http://www.bankofengland.co.uk/banknotes/Pages/about/scottish_northernireland.aspx.

² See the Scottish and Northern Ireland Banknote Rules 2017 (or any other rules made under Regulation 3 of the Regulations), and the Scottish and Northern Ireland Banknotes General Conditions 2017 (or any other conditions made under Regulation 4 of the Regulations) and Specific Conditions relating to approvals and designations.

³ Section 2B Financial Services and Markets Act 2000.

⁴ As set out in Schedule 6 of the Financial Services and Markets Act 2000.