



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Status: This is the original version (as it was originally enacted).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