

## EXPLANATORY MEMORANDUM TO

### THE BANK FOR INTERNATIONAL SETTLEMENTS (INTERNATIONAL DEVELOPMENT ACT 2002 AND IMMIGRATION (EXEMPTION FROM CONTROL) ORDER 1972) (AMENDMENT) ORDER 2021

2021 No. 21

#### 1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Foreign, Commonwealth & Development Office and is laid before Parliament by Command of Her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

#### 2. Purpose of the instrument

- 2.1 The Bank of England has made a successful bid to host a Bank for International Settlements' (BIS) Innovation Hub in the UK. In order for the BIS to operate in the UK it is necessary to grant certain immunities and privileges to the BIS and its governors, directors, executive-directors or alternates, officers and employees (officials).
- 2.2 This instrument makes provision to enable the grant of immunities and privileges to the BIS and its officials. It adds the BIS to the list of international financial institutions in section 12(3) of the International Development Act 2002 (IDA 2002) and amends the Immigration (Exemption from Control) Order 1972 in order to exempt officials of BIS from immigration control.

#### 3. Matters of special interest to Parliament

##### *Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 This is the first use of the power under section 12(5) of IDA 2002.
- 3.2 There is an associated draft affirmative Order in Council, the Bank for International Settlements (Immunities and Privileges) Order 2021, which will confer certain immunities and privileges on the BIS and its officials based on the amendment made in this instrument. The draft Order is laid at the same time as this instrument.

##### *Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)*

- 3.3 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

#### 4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the United Kingdom.
- 4.2 The territorial application of this instrument is the United Kingdom.

#### 5. European Convention on Human Rights

- 5.1 The Minister has made the following statement regarding Human Rights:

“In my view the provisions of the Bank for International Settlements (International Development Act 2002 and Immigration (Exemption from Control) Order 1972) (Amendment) Order 2021 are compatible with the Convention rights.”

## **6. Legislative Context**

- 6.1 Section 12(1) of the IDA 2002 allows Her Majesty by Order in Council to make such provision as She considers reasonably necessary to give effect to any relevant provision of the agreement establishing an international financial institution. Section 12(3) of the IDA 2002 lists the international financial institutions for the purpose of section 12(1) and section 12(5) provides a power for the Secretary of State, by order, to amend subsection (3) by adding to or deleting the institutions listed.
- 6.2 Article 2 of this instrument adds the Bank for International Settlements to the list of international financial institutions in subsection (3). This addition will enable the exercise of the power in section 12(1) of the IDA 2002 set out above.
- 6.3 There is an associated draft Order in Council which confers certain immunities and privileges on BIS officials. That Order relies on the amendment to the IDA 2002 made in article 2 of this instrument.
- 6.4 Section 8 of the Immigration Act 1971 allows the Secretary of State, by order, to exempt any person or class of persons, either unconditionally or subject to such conditions as may be imposed by or under the order, from all or any of the provisions of the Act relating to those who are not British citizens (i.e. to exempt them from immigration control). The Immigration (Exemption from Control) Order 1972 (the 1972 Order) is made under this section and is being amended in order to exempt officials of BIS from immigration control.
- 6.5 Officials of the other international financial institutions listed in section 12(3) of the IDA 2002 are already exempt from immigration control under the 1972 Order by reference to Orders in Council made under repealed Acts. These Orders in Council continue to have effect by virtue of the IDA 2002 and the International Monetary Fund Act 1979 which replace the repealed legislation. The new provisions update legislative references, replacing references to repealed Acts with the IDA 2002 and the International Monetary Fund Act 1979 in order to continue to give effect to existing exemptions, and to grant exemption from immigration control to officials of BIS when the associated draft Order in Council comes into force.

## **7. Policy background**

### *What is being done and why?*

- 7.1 The Bank of England has made a successful bid to host the Bank for International Settlements' (BIS) Innovation Hub in the UK. In order to operate in the UK it is necessary to grant immunities and privileges which are reflected in the Host Country Agreement (CP 368) between the UK and the BIS when it is signed. The immunities and privileges will be granted under powers in the IDA 2002 and, as set out above, this instrument amends that Act by adding the BIS to the list of international financial institutions to which immunities and privileges may be granted to the institution and its officials.
- 7.2 This instrument also amends the Immigration (Exemption from Control) Order 1972. This will exempt BIS officials and their families from immigration control. This gives effect to the Host Country Agreement, and is in line the exemptions currently granted

to the staff and families of the other international financial institutions as well as other international bodies.

- 7.3 The BIS is an international financial institution, headquartered in Basel, serving central banks in pursuit of global monetary and financial stability. Its main activities are fostering discussion between central banks, producing research and supporting central banks financial operations. Its membership currently includes 62 central banks and monetary authorities from both advanced and developing economies.
- 7.4 The BIS Innovation Hub will support the global central banking and finance community through the development of digital public goods - addressing issues of critical importance for the global financial system and act as a focal point for sharing best practices with regulators in developing countries. The UK is a world leader in innovation and technology in financial services (the Fintech sector is worth nearly £7 billion annually to the UK economy). This success is largely due to the UK's expertise in policy and regulation, and London being selected to host the BIS Hub is an opportunity to reinforce our strengths on a global platform.
- 7.5 Safeguarding financial stability is an international public good and is an important factor in international economic development. The Hub will support efforts of the UK to share regulatory expertise on Fintech with developing countries, similar to an existing FCDO-funded scheme with the Bank of England to build financial and monetary stability capacity in central banks in developing countries.

## **8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union**

- 8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

## **9. Consolidation**

- 9.1 Not applicable.

## **10. Consultation outcome**

- 10.1 No external consultation was undertaken. The amendments are necessary to implement provisions of an international agreement with the BIS to which the United Kingdom will be obliged to give effect as a matter of international law once the agreement enters into force.

## **11. Guidance**

- 11.1 No Guidance will be published.

## **12. Impact**

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

- 12.2 There is no, or no significant, impact on the public sector.
- 12.3 An Impact Assessment has not been prepared for this instrument as it has no, or no significant impact on business, charities or voluntary bodies or the public sector.

**13. Regulating small business**

- 13.1 The legislation does not apply to activities that are undertaken by small businesses.

**14. Monitoring & review**

- 14.1 This instrument is not time limited. Monitoring of the implementation of this instrument is not intended.
- 14.2 The instrument does not include a statutory review clause.

**15. Contact**

- 15.1 Ronald Bohlander (telephone: 07880300201 or email: [ronald.bohlander@fcdo.gov.uk](mailto:ronald.bohlander@fcdo.gov.uk)), or Gillian Ormiston (telephone: 07785608279 or email: [gillian.ormiston@fcdo.gov.uk](mailto:gillian.ormiston@fcdo.gov.uk)) at the Foreign, Commonwealth & Development Office can be contacted with any queries regarding the instrument.
- 15.2 Victoria Busby, Director, Protocol Directorate, at the Foreign, Commonwealth & Development Office can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Parliamentary Under Secretary of State (Minister for Africa), James Duddridge MP, at the Foreign, Commonwealth & Development Office can confirm that this Explanatory Memorandum meets the required standard.