EXPLANATORY MEMORANDUM TO

THE NORTHERN IRELAND BANKNOTE (DESIGNATION OF AUTHORISED BANK) REGULATIONS 2020

2020 No. 658

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The purpose of this instrument is to transfer the statutory authority for Ulster Bank Limited to issue commercial banknotes in Northern Ireland to a different legal entity, National Westminster Bank plc, which is part of the same banking group, the Royal Bank of Scotland Group plc (RBS Group). Ulster Bank Limited is currently authorised (in addition to other banks) under section 213 of the Banking Act 2009 to issue commercial banknotes in Northern Ireland. The change is necessary as the RBS Group will be unable to issue banknotes as Ulster Bank Limited following a restructuring of its business, pursuant to which the business activities of Ulster Bank Limited will be transferred to National Westminster Bank plc and the Ulster Bank Limited legal entity wound up. Ulster Bank Limited will surrender its banking licence and become a trading name of National Westminster Bank plc in Northern Ireland. The RBS Group anticipates that customers in Northern Ireland will continue to be served under the Ulster Bank Limited brand with all assets and liabilities transferred to National Westminster Bank plc.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

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

3.2 The territorial application of this instrument is limited to Northern Ireland.

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 Northern Ireland.

5. European Convention on Human Rights

5.1 The Economic Secretary to HM Treasury, John Glen, has made the following statement regarding Human Rights:

"In my view the provisions of the Northern Ireland Banknote (Designation of Authorised Bank) Regulations 2020 are compatible with the Convention rights."

6. Legislative Context

6.1 This is the second use of this power. Section 38 of the Bank of England and Financial Services Act 2016 made amendments to Part 6 of the Banking Act 2009 that enable the statutory authority to issue commercial banknotes to be transferred between legal entities within the same banking group, subject to an affirmative statutory instrument.

6.2 The first use of this power was The Scottish Banknote (Designation of Authorised Bank) Regulations 2017. This transferred the statutory authority for the Royal Bank of Scotland plc to issue commercial banknotes in Scotland from its existing legal entity (renamed as NatWest Markets plc) to a different legal entity (Adam & Company plc, renamed as The Royal Bank of Scotland plc).

6.3 This instrument can only be made following the consent of the Bank of England. This is because the Bank of England has a regulatory role with respect to the issuance of commercial banknotes, the primary objective of which is to ensure that holders of commercial banknotes are protected by equivalent means to holders of Bank of England banknotes. This consent has been granted by the Bank of England and is confirmed in an exchange of letters, a copy of which has been placed in the Libraries of both Houses (reference DEP2020-0223).

6.4 This instrument includes a provision for a designation date to be determined by HM Treasury and publicised through publication of a notice by HM Treasury in the London Gazette and the Belfast Gazette. It also includes a provision for a new designation date to be determined and publicised in the same way. This is to provide flexibility in case there is a need to update the designation date.

6.5 This instrument includes a provision for the transfer of any rights and liabilities in relation to commercial banknotes in circulation, and issued by Ulster Bank Limited prior to the designation date, from Ulster Bank Limited to National Westminster Bank plc. From the beginning of the designation date, all such banknotes will be treated as having been issued by National Westminster Bank plc.

6.6 This instrument provides for any banknotes of Ulster Bank Limited that are not in circulation to be deemed to record an engagement by National Westminster Bank plc to pay money to the bearer on demand. This permits National Westminster Bank plc to issue or reissue those banknotes following the transfer. The rights and liabilities in relation to those banknotes also transfer to National Westminster Bank plc.

7. Policy background

What is being done and why?

7.1 In the UK, seven banks have the authority to issue commercial banknotes. Four of these banks have statutory authority to issue commercial banknotes in Northern Ireland and three in Scotland. Part 6 of the Banking Act 2009 provides these banks (known as the 'authorised banks') with the statutory authority to issue commercial banknotes.

7.2 The existing legislation gives Ulster Bank Limited the statutory authority to issue commercial banknotes in Northern Ireland. Following a planned restructuring, the RBS Group will be unable to issue commercial banknotes as Ulster Bank Limited. To continue to issue commercial banknotes in Northern Ireland, it will therefore be necessary to transfer the statutory authority to issue commercial banknotes to another company in the RBS Group, National Westminster Bank plc. The Bank of England agrees with this assessment.

7.3 This instrument allows for this change in the statutory authority to issue commercial banknotes in Northern Ireland to take place at the same time as wider restructuring changes occur in the RBS Group.

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 and does not trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 This instrument does not amend another instrument. As such, consolidation is not applicable.

10. Consultation outcome

10.1 HM Treasury have consulted closely with the RBS Group and the Bank of England in advance of laying this instrument. RBS Group and the Bank of England are both fully supportive of this instrument and its policy intent.

11. Guidance

11.1 As this instrument is limited in its effect to the RBS Group and the Bank of England, both of whom have been closely involved in its development, HM Treasury are not planning to issue any additional guidance.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies, other than supporting the RBS Group and its plans to restructure. This instrument does not introduce any new regulatory burdens.

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 no, or no significant, impact on the private, voluntary, or public sectors is foreseen.

13. Regulating small business

13.1 This instrument does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 A review provision is not appropriate for this instrument as it is designed to support a structural and permanent change to the RBS Group's business. This instrument does not introduce any new regulatory burdens.

15. Contact

15.1 Robin Brown at HM Treasury (Telephone: 020 7270 4419 or email: robin.brown@hmtreasury.gsi.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Mario Pisani, Deputy Director for Debt and Reserves Management at HM Treasury, can confirm that this Explanatory Memorandum meets the required standard.

15.3 The Economic Secretary to HM Treasury, John Glen, can confirm that this Explanatory Memorandum meets the required standard.