



BANK OF ENGLAND

**THE SCOTTISH AND NORTHERN IRELAND
BANKNOTE RULES
2017**

(These Rules are effective from 3 April 2017)



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INTRODUCTION

Enabling provisions etc

- a) The following Rules are made under Part 6 of the Banking Act 2009 (c. 1) and the Scottish and Northern Ireland Banknote Regulations 2009 (S.I. 2009/3056).
- b) By virtue of section 11 of the Interpretation Act 1978 (c. 30), expressions used in Part 6 of that Act or in those Regulations have, unless the contrary intention appears, the same meaning in the Rules. Other defined terms are set out at the back of these Rules in the Citation, Commencement, Interpretation and Conditions section.
- c) The Backgrounds do not form part of the Rules and are not intended to have any legal effect.



FUNDAMENTAL RULES OF THE S&NI REGIME

Background

The Bank has implemented two overarching Rules that apply across all aspects of the S&NI Regime to embed institutional behaviours that are fundamental to the S&NI Regime. These Rules are consequently termed by the Bank as being 'Fundamental Rules' albeit that they have the same status as all other Rules in the S&NI Regime.

FUNDAMENTAL RULE 1

An authorised bank must act with due skill, care and diligence in relation to any aspect of the treatment, holding or issuing of Banknotes that could impact noteholder protection.

FUNDAMENTAL RULE 2

An authorised bank must deal with the Bank in an open and co-operative way, and must disclose appropriately to the Bank anything of which the Bank could reasonably expect notice in relation to any aspect of the treatment, holding or issuing of Banknotes that could impact noteholder protection.



RULE 1

Calculating the Value of Backing Assets to be Held

Background

This Rule states the level of Backing Assets that must be held by each authorised bank and defines both Notes In Circulation and Notes With Potential To Enter Circulation.

Relevant Legislation

The Banking Act 2009

Section 208 - Banknote

Section 217 – Backing Assets

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 6 – Backing Assets

Regulation 7 – Value of Backing Assets to be held by an authorised bank

1. 1 An authorised bank must hold Backing Assets to the Value of all its Notes, whether those Notes are issued or not, except Excluded Notes.
1. 2 Notes that must be backed fall into two categories: Notes In Circulation, and Notes With the Potential to Enter Circulation. For the purposes of these Rules, these must be calculated according to the following provisions.
1. 3 Once a note being printed satisfies the definition of “Banknote” in section 208 of the Act, it is a Note in Circulation unless:
 - a. the print location is a designated location for the purposes of Rule 4 and the requirements of that Rule and any relevant conditions are satisfied (in which case the note is an Excluded Note); or
 - b. the person contracted to print the Notes is an Approved Agent under Rule 5, but the print location is not designated (in which case the note can be treated as a Note With the Potential to Enter Circulation).

Notes With the Potential to Enter Circulation

1. 4 A Note With the Potential to Enter Circulation is a note of an authorised bank which it holds and which is not an Excluded Note.
1. 5 An authorised bank may treat its Notes held by an Approved Agent not as bearer as Notes With the Potential to Enter Circulation, provided that the authorised bank has not received any value in respect of those Notes.
1. 6 An authorised bank may treat as Notes With the Potential to Enter Circulation Notes that it has received within a deposit of mixed Notes which have been processed through a note counting machine to verify authenticity and Value, but which have not yet been sorted from the other Notes in the deposit (the ‘Deposit Forecast’).



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1. 7 In order to estimate the Deposit Forecast for the purposes of Rule 1. 6, an authorised bank must use the following formula:

Total Value of the deposit * Y/Z, where:

Y = Value of the authorised bank's Notes In Circulation (in Scotland or Northern Ireland, as the case may be) as last reported, in £ millions.

Z = Value of total of all authorised banks' Notes In Circulation (in Scotland or Northern Ireland, as the case may be) as provided by the Bank, in £ millions.

Notes In Circulation

1. 8 A Note In Circulation is a note of an authorised bank which is not a Note With the Potential to Enter Circulation or an Excluded Note.

1. 9 An authorised bank must use the following formula to determine the value of its Notes In Circulation ("**NIC**") as at the commencement of Part 6 of the Act:

$$\mathbf{NIC} = \mathbf{P} - \mathbf{D} - \mathbf{N} - \mathbf{E}$$

P is the Value of all its Notes ever printed.

D is the Value of all its Notes ever destroyed by the authorised bank or on its behalf.

N is the Value of its Notes With the Potential to Enter Circulation (as calculated for the purposes of these Rules).

E is the Value of its Excluded Notes (as calculated for the purposes of these Rules).

1. 10 Thereafter, Notes in Circulation must be calculated as follows:

$$\mathbf{NIC}_n = \mathbf{NIC}_{(n-1)} + \mathbf{P}_n - \mathbf{D}_n +/- \mathbf{N}_n +/- \mathbf{E}_n$$

NIC_(n-1) is the Value of the **NIC** at the end of the previous period.

P_n is the Value of Notes printed during the period of calculation.

D_n is the Value of Notes destroyed during that period.

N_n is the Value of the change in Notes With the Potential to Enter Circulation during that period (decrease to be added/increase to be deducted).

E_n is the Value of the change in other Excluded Notes during that period (decrease to be added/increase to be deducted).



RULE 2

Backing Asset Eligibility

Background

The Regulations specify that at least 60% of an authorised bank's Notes In Circulation must be backed by Bank of England Notes and UK coin and that the remainder, plus all Notes With the Potential to Enter Circulation, must be backed either by such Notes and coin or by way of funds placed on deposit in an interest bearing account at the Bank.

This Rule outlines which Bank of England Notes are eligible as Backing Assets and the requirements for holding Backing Assets at the Bank.

Relevant Legislation

The Banking Act 2009

Section 217 – Backing Assets

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 3 – Rules

Regulation 6 – Backing Assets

Regulation 7 – Value of Backing Assets to be held by an authorised bank

Eligibility requirements for Backing Assets

- 2.1 The specified denominations and series of Bank of England Notes for the purpose of Regulation 6(2)(a)(Backing Assets) are:
- a. where the note is held by the Bank for the purpose of regulation 6(3)(a), any series and any denomination of note;
 - b. where the note is held at an approved location in accordance with regulation 6(3)(b), the series from time to time being issued by the Bank of any denomination which is legal tender in England and Wales under section 1 of the Currency and Bank Notes Act 1954 (c. 12).

Designated Backing Account at the Bank

- 2.2 The authorised bank may submit an application for the Bank to open a sterling account in the name of the authorised bank and to designate it as a backing account (a “designated backing account”). Any such designated backing account will be subject to the Bank's terms and conditions for such accounts (as amended from time to time).
- 2.3 The authorised bank may only make a request to withdraw funds from its designated backing account:
- a. where permitted by the Bank, through the Notes IT System portal in accordance with the Bank's procedures; or



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- b. in the event that the authorised bank cannot use the portal (whether because it lacks permission or because the portal is unavailable), using the Alternative Processing Procedures specified in Rule 6.17.
- 2.4 An authorised bank may not withdraw funds from its designated backing account where the Bank has notified it that the Bank is of the opinion that a withdrawal would result in the authorised bank failing fully to back its note issue.

Backing Assets held at the Bank in the form of Notes

- 2.5 An authorised bank may only hold Backing Assets in the form of Notes at the Bank if it has a designated backing account.
- 2.6 Where an authorised bank holds Backing Assets in the form of Notes at the Bank, the Value of the Notes must be a multiple of £5.
- 2.7 An authorised bank wishing to acquire Notes from the Bank to be held at the Bank as Backing Assets or return such Notes to the Bank must:
 - a. make the relevant request on a day which is a Business Day for the Bank, by 2pm on the day in question;
 - b. instruct the Bank to fund the transaction by debiting or (as the case may be) crediting its designated backing account; and
 - c. where permitted by the Bank:
 - i. use the Notes IT system portal in accordance with the Bank's procedures; or
 - ii. in the event that the authorised bank cannot use the portal (whether because it lacks permission or because the portal is unavailable) make requests using the Alternative Processing Procedures specified in Rule 6.17.



RULE 3

Excluded Notes

Background

This Rule sets out which types of Notes are eligible to be classed as Excluded Notes, including requirements specific to the treatment of these Notes, e.g. the destruction of Excluded Notes.

Relevant Legislation

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 7 – Value of Backing Assets to be held by an authorised bank

Excluded Notes

- 3.1 Notes of an authorised bank are Excluded Notes provided that:
- a. they are held at a location designated in accordance with Rule 4 (a “designated location”);
 - b. all conditions which the Bank specifies as applicable to the Notes are complied with; and
 - c. the Notes are:
 - i. New Notes;
 - ii. Notes Awaiting Destruction;
 - iii. Notes Held by the Printer;
 - iv. Returned Notes;
 - v. Working Stock;
- 3.2 Notes which are not in a category specified in Rule 3.1 are Excluded Notes if:
- a. the Bank has specified conditions for the purpose of this Rule 3.2; and
 - b. those conditions are complied with.
- 3.3 Notes held by the Bank for the purposes of operating the Scottish and Northern Ireland Machine Testing Framework are Excluded Notes but authorised banks may declare these Notes as Notes In Circulation or Notes With Potential to Enter Circulation.

Destruction of Excluded Notes

- 3.4 When an authorised bank destroys its Notes, it must ensure that they are granulated or shredded using appropriate machinery so as to make it impossible to reconstruct an individual Banknote.
- 3.5 Bulk Destruction may take place at the authorised bank’s own premises or elsewhere.
- 3.6 An authorised bank must, within one month of a request by the Bank, provide the Bank with such certificates for on-line destruction as the Bank may from time to time require.



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- 3.7 An authorised bank must retain records relating to on-line destruction for a period of no less than two years from the date of destruction taking place.
- 3.8 If the note destruction machinery breaks down during the destruction process, so as to prevent an authorised bank from completing the destruction in time for the reporting deadline, the authorised bank must:
- a. before the relevant reporting deadline, notify the Bank that there has been such a breakdown;
 - b. confirm to the Bank its best estimate of the Values of Notes destroyed and Notes not yet destroyed;
 - c. ensure that the Notes which were due for destruction but are not yet destroyed are held as Excluded Notes;
 - d. retain CCTV footage of the event until such time as agreed with the Bank.
- 3.9 For the purposes of reporting under Rule 3:
- a. for any report due within 24 hours of the breakdown, the authorised bank may report based on figures calculated as if no Notes have been destroyed as part of the process;
 - b. for any report due more than 24 hours after the breakdown, the authorised bank must count the Notes which were due for destruction but are not yet destroyed and report on the actual value of Notes not yet destroyed.



RULE 4

Application for Approved and Designated Locations

Background

This Rule covers the requirements for a location to become approved for the holding of Backing Assets and/or designated for the holding of Excluded Notes.

Relevant Legislation

The Banking Act 2009

Section 217 – Backing assets

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 6 – Backing assets

Regulation 7 – Value of Backing Assets to be held by an authorised bank

Regulation 8 – Interest on a designated account

Rules applicable to approved locations and designated locations

- 4.1 An application by an authorised bank for the Bank to approve a location for the holding of its Backing Assets (an “approved location”) or designate a location for the holding of its Excluded Notes (a “designated location”) must include the following information:
- a. full address of the property;
 - b. legal and beneficial owner of the property;
 - c. freehold/leasehold status of the property;
 - d. mortgages, liens and any other charges against the property;
 - e. details of all other persons with a legal or beneficial interest in the property;
 - f. OS 1:1250 scale map of the location marked with the boundaries of the property;
 - g. floor plan of the buildings forming part of the location;
 - h. details of the insurance policy/ies of the location including the risk covered, any excess and any limits;
 - i. any further information that the Bank may reasonably require.
- 4.2 If facilities at the location are to be operated by a third party on behalf of the authorised bank the following information must also be provided:
- a. legal name of the third party;
 - b. a copy of an outsourcing agreement in writing between the authorised bank and the third party;
 - c. any further information that the Bank may reasonably require.
- 4.3 An authorised bank applying for the approval of a location for the holding of its Backing Assets or designation of a location for the holding of Excluded Notes must arrange for any inspections of the location by the Bank’s appointee necessary or desirable to establish whether it is appropriate to grant approval or to designate (as applicable).



- 4.4 Where the Bank grants an authorised bank approval of a location for the holding of its Backing Assets or designation of a location for the holding of Excluded Notes subject to conditions, the authorised bank must ensure that the approved location or designated location (as applicable) meets those conditions.
- 4.5 Where the Bank has refused to grant an authorised bank approval of a location for the holding of its Backing Assets or designation of a location for the holding of its Excluded Notes, any subsequent application by the authorised bank in respect of that location must include details of those deficiencies previously identified by the Bank that are capable of remedy and any steps taken to remedy any deficiencies previously identified by the Bank.
- 4.6 An authorised bank must permit the Bank's appointees to inspect its approved locations and/or designated locations, or ensure that he or she can do so, for the purpose of monitoring continued compliance with the relevant Regulations, Rules and conditions. Such inspections may take place unannounced and may include the opening of cages, parcels or packets of Notes and bags or rolls of coin.

Rules specific to holding Backing Assets at an Approved location

- 4.7 An authorised bank may only apply for a location to be approved by the Bank of England for the holding of its Backing Assets if the location is within the United Kingdom.

Rules specific to holding Excluded Notes at a Designated location

- 4.8 An authorised bank may apply for any location to be designated by the Bank for the holding of its Excluded Notes. If the location is not within the United Kingdom then Rules 4.9 – 4.12 also apply. For designated locations outside the United Kingdom, the same or equivalent information listed in Rule 4.1 for the jurisdiction of the designated location must be provided.
- 4.9 If the facilities at the location are operated by a third party and are outside the United Kingdom, the agreement between the authorised bank and the third party must include provisions which entitle the Bank in the event either party enters insolvency, liquidation, winding-up, receivership, administration, administrative receivership or any similar proceedings or if any application is made seeking any reorganisation, arrangement, moratorium, composition, readjustment, dissolution or similar relief (or any analogous procedure or step is taken in any jurisdiction) and notwithstanding any non-performance by either party under the agreement to:
- a. enter the premises at the location whose facilities are operated on behalf of the authorised bank (whether by licence or otherwise) and take immediate control of the authorised bank's Unissued Banknotes at that location; and/or
 - b. issue directions in relation to the authorised bank's Unissued Banknotes at that location (including, but not limited to the destruction of the Unissued Banknotes), with which the third party must comply; and/or



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- c. such other provisions as the Bank in its sole discretion requires.
- 4.10 If the location whose facilities are operated by a third party is outside the United Kingdom, the agreement between the authorised bank and the third party must include provisions which:
- a. prevent either party from encumbering the Notes without the prior written consent of the Bank;
 - b. confirm that any Notes held as Excluded Notes at the location are held by the third party not as bearer; and
 - c. ensure that the provisions which benefit the Bank survive any termination upon an event set out in Rule 4.9 (or any analogous procedure or step taken in any jurisdiction).
- 4.11 If the location whose facilities are operated by a third party is outside the United Kingdom, the Bank requires an independent legal opinion from an appropriately qualified lawyer, in a form acceptable to the Bank, to cover such matters as the Bank considers appropriate, including but not limited to the enforceability of the agreement between the authorised bank and the third party and/or the Bank's rights over the Notes in the event of the insolvency of the authorised bank and/or the third party's insolvency.
- 4.12 If the location is outside the United Kingdom, the following may also be requested of the authorised bank at the sole discretion of the Bank:
- a. undertakings from the authorised bank in favour of the Bank which include:
 - i. an undertaking not to encumber the Notes without the prior written consent of the Bank;
 - ii. an undertaking entitling the Bank in the event the authorised bank enters insolvency, liquidation, winding-up, receivership, administration, administrative receivership or any similar proceedings or if any application is made seeking any reorganisation, arrangement, moratorium, composition, readjustment, dissolution or similar relief (or any analogous procedure or step is taken in any jurisdiction) to (a) enter the location and take immediate control of the authorised bank's Unissued Banknotes at that location; and/or (b) issue directions in relation to the authorised bank's Unissued Banknotes at that location (including, but not limited to the destruction of the Unissued Banknotes); and/or
 - iii. any further information, undertakings or documentation as the Bank may reasonably require.

Backing assets and Excluded Notes in transit

- 4.13 A location is a designated location for the holding of Excluded Notes and/or, if located within the United Kingdom, an approved location for the holding of Backing Assets if it satisfies the following conditions:
- a. it is being used for the temporary storage of Backing Assets and/or Excluded Notes, or movement between vehicles whilst those Backing Assets and/or Excluded Notes are in transit between locations approved and/or locations designated following an application under Rule 4, or it is a vehicle used for transporting Backing Assets and/or Excluded Notes between locations approved or locations designated following an application under Rule 4;



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- b. the Backing Assets and / or Excluded Notes are held securely at all times;
 - c. the Backing Assets and / or Excluded Notes are insured for full Value whilst in transit;
 - d. the Backing Assets and / or Excluded Notes are not in a location specified in a. above for longer than 48 hours (or any other period of time agreed with the Bank in advance in the case of Excluded Notes only) before being delivered to an approved location (for Backing Assets) and/or a designated location (for Excluded Notes) which is approved and/or designated following an application under Rule 4, save upon the occurrence of a Force Majeure Event or in exceptional circumstances (as determined by the Bank in its sole discretion);
 - e. any vehicle transporting the Backing Assets and/or Excluded Notes must be an Armoured vehicle unless transit arrangements are in compliance with the transit arrangements agreed in advance by the Bank, save in exceptional circumstances;
 - f. the Backing Assets or Excluded Notes are reported as specified in Rule 3.1 and Rule 3.2 and Rule 4.15 and Rule 6; and
 - g. such further conditions as the Bank may specify in writing.
- 4.14 For Backing Assets, any vehicle in which the Notes or coin are transported must remain within the United Kingdom at all times.
- 4.15 Where an authorised bank intends to move Backing Assets and/or Excluded Notes in accordance with Rule 4.13 between 4pm on a day and 6am on the following day:
- a. in the report it gives as of 4pm, it must report those Backing Assets and/or Excluded Notes as in transit during that period; and
 - b. if the Backing Assets and/or Excluded Notes are delivered to a (non-vehicular) approved location (for Backing Assets) or a (non-vehicular) designated location (for Excluded Notes) of the authorised bank during that period, it must hold them as Backing Assets or Excluded Notes (as applicable) under the appropriate conditions at that location until 6am the next Business Day.
- 4.16 Where an authorised bank reports Notes as held at one of its (non-vehicular) approved locations (for Backing Assets) or (non-vehicular) designated locations (for Excluded Notes) in the report it gives as of 4pm on a day, it must continue to hold those Notes as Backing Assets or Excluded Notes (as applicable) at that location until 6am the next Business Day.



RULE 5

Agents

Background

The Bank may approve an agent of an authorised bank, such as another commercial bank, cash handler or Printer of Notes, to hold Notes of the authorised bank not as bearer, and thereby enable those Notes to be backed as Notes With the Potential to Enter Circulation.

This Rule sets out the requirements that must be met by an authorised bank in relation to such an agent both when seeking approval from the Bank on an ongoing basis.

Relevant Legislation

The Banking Act 2009

Section 218 – Information

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 10 – Unissued Banknotes

- 5.1 For the purposes of this Rule, an Approved Agent is a person for the time being approved by the Bank for the purpose of holding an authorised bank's Banknotes other than as bearer on behalf of that authorised bank ("Approved Agent").
- 5.2 The Bank of England is an Approved Agent as defined by Rule 5.1 when holding any authorised bank's Banknotes other than as bearer. Rules 5.6, 5.7, 5.9, 6.15(b), 6.29(c) and 6.33 do not apply to the Bank in its capacity as an Approved Agent.
- 5.3 A person is an Approved Agent if they are holding an authorised bank's Notes other than as bearer and:
- all Notes held other than as bearer by that person are Notes in Circulation or are Notes with the Potential to Enter Circulation declared as Notes in Circulation; and
 - that person is not a Printer or a person that destroys Notes for an authorised bank.
- 5.4 An authorised bank may apply for persons other than those in Rules 5.2 and 5.3 to be approved as an agent.
- 5.5 Subject to Rules 5.2 and 5.3, an application by an authorised bank for a person to be an Approved Agent must include the following information:
- full legal name of the agent;
 - details of the usual business of the agent;
 - specific tasks the agent will carry out on behalf of the authorised bank;
 - location(s) where the authorised bank's Notes, not being held as bearer, will be held by the agent;
 - details of the insurance policy of such location(s), including the risk covered, any excess and any limits;



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- f. evidence that the agent holds any licences required by relevant national legislation;
 - g. any further information that the Bank may reasonably require.
- 5.6 Subject to Rule 5.2, an authorised bank must, in respect of any Approved Agent that prints Notes for it, ensure that the Approved Agent, within one month of any print order being completed, provides the Bank with certificates relating to the printing, specifying the exact series, denomination and number of Notes printed for the issuing bank.
- 5.7 Subject to Rule 5.2, an authorised bank with an Approved Agent must authorise and instruct the agent to cooperate with the Bank in relation to any enquiry that the Bank makes to verify the Value and denominations of the authorised bank's Notes that the agent holds or has held other than as bearer.
- 5.8 It is a condition of an approval under Rule 5.4 that upon request by the Bank:
 - a. the authorised bank must provide a demonstration or explanation of the procedures that are in place for the Approved Agent to report to it when Notes are issued by the agent;
 - b. the authorised bank must submit its records relating to Notes held by an Approved Agent, other than as bearer, to the Bank for audit.
- 5.9 Subject to Rule 5.2, an authorised bank must, in respect of any Approved Agent that destroys Notes for it, ensure that the Approved Agent:
 - a. provides the Bank with a destruction certificate for any Bulk Destruction carried out on behalf of the authorised bank within one month of the destruction being completed;
 - b. provide such certificates for on-line destruction as the Bank may from time to time require within one month of a request being made;
 - c. retains records relating to on-line destruction for a period of no less than two years from the date of destruction taking place.



RULE 6

Reporting and Provision of Information

Background

This Rule contains the regulatory reporting requirements that an authorised bank must comply with.

Relevant Legislation

The Banking Act 2009

Section 218 – Information

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 13 – Provision of information to the Bank of England

Regulation 14 – Reports as to Banknotes and Backing Assets

Regulation 15 – Independent reports

Reporting Deadlines

6.1 An authorised bank must report to the Bank in respect of the Notes listed in column 1 of Table 1 at the frequency in column 2 by the deadline in column 3 in accordance with Rules 6.2 to 6.14.

Column 1 Data to be Reported	Column 2 Reporting Frequency	Column 3 Reporting Deadline (subject to Rule 6.4)
Excluded Notes: value by denomination held, by each category of Excluded Note, at each designated location (as applicable) as at 4pm on the day.	Report for every day (including non-Business Days).	4.30pm on each day.
Backing assets held in the form of Notes: value by denomination held at each approved location as at 4pm on the day.	Report for every day (including non-Business Days).	4.30pm on each day.
Backing assets held in the form of coin: total value held at each approved location as at 4pm on the day.	Report for every day (including non-Business Days).	4.30pm on each day.



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Notes In Circulation: total value	Report for every day (including non-Business Days).	5pm on each Thursday in respect of each day of the preceding week.
Notes With the Potential to Enter Circulation: total value.	Report for every day (including non-Business Days).	5pm on each Thursday in respect of the days of the preceding week.
Destruction of Notes: value by denomination.	Report for each day of the preceding week (including non-Business Days) on which destruction took place.	5pm on each Thursday.

- 6.2 A reporting week runs from midnight at the start of Thursday to midnight at the end of the following Wednesday.
- 6.3 The authorised bank must report its data by using the Notes IT System in accordance with Rule 7 or such other reporting system as the Bank may require.
- 6.4 Where an authorised bank does not intend to make a report on a non-Business Day:
- it must report information required on a daily basis by 4.30pm on the preceding Business Day;
 - it may report information required on a weekly basis by 5pm on the next Business Day.
- 6.5 Before the deadline in column 3, a signatory listed on the authorised bank's authorised signatories list must approve the reporting data entered in the system.
- 6.6 If a signatory listed on the authorised bank's authorised signatories list does not approve the data entered into the reporting system before the deadline, the data is not considered to have been reported.
- 6.7 An authorised bank may report some or all of:
- its Excluded Notes as Notes With the Potential to Enter Circulation or Notes in Circulation;
 - its Notes With the Potential to Enter Circulation as Notes in Circulation.
- 6.8 When an authorised bank calculates the Value of Excluded Notes, Notes in Circulation and Notes With the Potential to Enter Circulation for its daily reporting, each of its Notes must appear in only one of those categories on any given day.
- 6.9 The authorised bank must provide the Bank with a breakdown by denomination of Notes in Circulation and Notes with the Potential to Enter Circulation on a quarterly basis as at the first day of March, June, September and December and on an ad hoc basis at the Bank's request.



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This information should be e-mailed to the Bank within one week of the reporting date or request.

- 6.10 Where an authorised bank does not have historic data for the Value of Notes In Circulation by denomination, it may report the Value of Notes for which denomination is unknown as 'denomination unknown'.
- 6.11 For reporting Notes With the Potential to Enter Circulation,:
- a. the breakdown by denomination must be by:
 - i. actual denomination; or
 - ii. a reasonable estimate of the breakdown of denomination, provided that the authorised bank has first notified the Bank of its method of calculation;
 - b. the Value for 'Deposit Forecast' may be entered without a breakdown by denomination;
 - c. the Value of Notes held in its branches, excluding Notes held in ATMs, may be estimated, subject to Rule 6.13;
 - d. the Value of Notes held in ATMs may be estimated for non-Business Days, subject to Rule 6.14.
- 6.12 Where an authorised bank reports a Value for 'Deposit Forecast' it must deduct this from the Value of Notes in Circulation and, for this purpose, it may estimate the resulting change to the denominations of Notes in Circulation.
- 6.13 Where an authorised bank wishes to estimate the Value of its Notes held in its branches (excluding ATMs):
- a. it must calculate the actual Value of its Notes held in its branches for at least one day per week and report the actual Value for that day;
 - b. for any other day, it may report an estimate, which must be at least five percentage points lower than $N * P$ where:
 - i. **N** is the total actual Value of all Notes held in its branches for the day in question;
 - ii. **P** is the average percentage of the authorised bank's own Notes in its branches, calculated as the average figure over the preceding three months of the days for which actual Values were obtained, compared to the actual total Value of all Notes held in its branches for each such day.
- 6.14 Where an authorised bank estimates the Value of Notes held in ATMs for the purpose of reports for non-Business Days, it must base its estimate on the change in the actual Value from the report for the preceding Business Day to the report for the following Business Day, taking into account any additional funds loaded into the ATMs and distributing the change evenly over the period between the reports on the two Business Days.

Records

- 6.15 An authorised bank must ensure:
- a. that at each of its approved locations a record is maintained of the denominational breakdown of Backing Assets held in the form of coin at that location.
 - b. where the location is managed by an Approved Agent, that the Approved Agent maintains such a record.



- 6.16 The authorised bank must provide to the Bank such of this information as the Bank may from time to time request.

Alternative Processing Procedures

- 6.17 In the event that any of the standard processing or reporting systems are not available or the authorised bank is not permitted to use them, the following procedures must be used (and which may not be used if the standard systems are available and their use is permitted):
- a. an authorised bank must complete such forms as the Bank may require;
 - b. all such forms must be signed by an authorised signatory and where required contain a valid random security number from a list of random security numbers provided to the authorised bank by the Bank;
 - c. deadlines for reporting using these procedures are the same as for standard procedures.

Provision of Information

- 6.18 An authorised bank must provide such additional information as the Bank may from time to time require for the purpose of exercising its functions under the Regulations or the Rules or verifying or monitoring an authorised bank's compliance with a provision of the Regulations, Rules or conditions.

Other Reporting Requirements

- 6.19 An authorised bank must provide to the Bank such additional information on its Notes held by Approved Agents other than as bearer as the Bank may from time to time require.
- 6.20 Where the authorised bank's Banknote printing is not undertaken by an Approved Agent, the authorised bank must provide the Bank with certificates relating to the printing of Notes within one month of the print order being completed. The certificate must specify the exact series, denomination and number of Notes printed for the issuing bank.
- 6.21 Where an authorised bank undertakes its own Bulk Destruction of its Banknotes, it must provide the Bank with a destruction certificate within one month of the destruction being completed.
- 6.22 An authorised bank must notify the Bank and provide it with full details without delay in the event that it becomes aware of any of the following circumstances having an impact on it in relation to its Notes or Backing Assets, except where the matter relates to counterfeiting:
- a. commencement of civil proceedings;
 - b. prosecution for an offence involving fraud or dishonesty;
 - c. any alleged acts of fraud;
 - d. reporting or recording irregularities, whether or not there is evidence of possible fraud;



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- e. any matter that could have a serious regulatory impact on the authorised bank, including affecting the authorised bank's reputation or ability to provide adequate service and protection to its noteholders.
- 6.23 An authorised bank must notify the Bank and provide it with relevant information without delay if any of the following circumstances occur:
- a. a transaction or linked transactions results in a change in ownership of shares with aggregate voting rights of 30% or more in:
 - i. the authorised bank; or
 - ii. a parent undertaking of the authorised bank, within the meaning of section 1162 of the Companies Act 2006;
 - b. a change of legal or trading name of the authorised bank;
 - c. a change in the address of its registered office.

Reporting Print Orders and Printing

- 6.24 An authorised bank must, at least one month before the commencement of a print run, notify the Bank of the print order, providing details of the estimated date of completion and the Values of each denomination to be printed.
- 6.25 An authorised bank must provide the Bank with a reconciliation of each print order for the printing of its Notes:
- a. within two months of the completion of a print order, associated verification checks in respect of the storage of Specimens and Retained Notes and the destruction of any spoilage; and
 - b. containing sufficient information to enable the Bank to establish that the total of New Notes, Specimens, Retained Notes and spoilage destroyed equals the total Value of Notes which could have been printed from the declared opening notional value of paper used in the printing process.

Annual Reports

- 6.26 An authorised bank must, for each Financial Year, provide the Bank with a report prepared by a suitably qualified and experienced independent auditor appointed by the authorised bank (the "annual report").
- 6.27 The authorised bank must provide the annual report within three months of the relevant Accounting Reference Date or such other date as the Bank may agree.
- 6.28 The auditor's report must:
- a. state the scope of the auditor's work and any limitations that the auditor faced in completing its work or providing its opinion;
 - b. include a signed statement of the auditor's opinion as to the design and operational effectiveness of the authorised bank's control environment for reporting accurate and timely data to the Bank.
- 6.29 The scope of the auditor's work must include but is not limited to:
- a. evaluation of controls over the collation, calculation, validation, input and approval of the data reported to the Bank,



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- b. evaluation of the compliance of the authorised bank with the Bank's NIPS Security Code of Connection;
- c. evaluation of controls over the accuracy of data provided by Approved Agents and other third parties which is used to determine the figures reported to the Bank;
- d. evaluation of any estimations and assumptions used to determine the figures reported to the Bank;
- e. evaluation of procedures established by the authorised bank to ensure compliance at all times with the Regulations, Rules and conditions;
- f. validation of the accuracy of data reported to the Bank, using appropriate sampling techniques. The auditor's testing should cover the entire Financial Year and each of the following types of data:
 - i. Value of Notes In Circulation;
 - ii. Value of Notes With the Potential to Enter Circulation;
 - iii. Value by denomination of Excluded Notes held at designated locations;
 - iv. Value by denomination of Backing Assets held at approved locations.

6.30 The auditor's report may include such matters as the auditor considers relevant in addition to those specified in Rule 6.29.

6.31 The costs associated with providing the annual report are to be borne by the authorised bank.

Insurance Reporting Requirements

6.32 An authorised bank must provide annually to the Bank details of the insurance policy, including the risk covered, any excess, any limits, and any further information the Bank may reasonably require, covering each of the authorised bank's approved locations and designated locations which are:

- a. approved or designated by the Bank following an application under Rule 4.1; or
- b. approved locations or designated locations by virtue of meeting the conditions in Rule 4.14.

6.33 Subject to Rule 5.2, where an authorised bank has an Approved Agent that is approved following an application under Rule 5.4, the authorised bank must provide annually to the Bank details of the insurance policy, including the risk covered, any excess, any limits, and any further information the Bank may reasonably require, covering each of its Approved Agent's locations where the authorised bank's Notes, not being held as bearer, are held by the Approved Agent.

Report by a Skilled Person

6.34 An authorised bank must provide a report to the Bank prepared by a person nominated or approved by the Bank (a "nominated skilled person") where:

- a. the Bank has notified the authorised bank that it has nominated or approved the person in accordance with regulation 15(3);
- b. the notice confirms the matter about which the Bank requires a report; and
- c. the notice specifies the period to which the report must relate.



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- 6.35 In such circumstances, the authorised bank must:
- a. appoint and instruct the nominated skilled person to prepare a report in accordance with the notice; and
 - b. provide the nominated skilled person with such access, assistance, information and explanations as the nominated skilled person requires in order to prepare the report.
- 6.36 The costs associated with providing a report by a nominated skilled person are to be borne by the authorised bank.

Note series

- 6.37 An authorised bank must provide the Bank with the detailed specifications of all the series of its Notes currently in issue and, where it intends to issue a new series, prior to issuing any such new series. Specifications are to include all security features (overt, machine-readable, and others).
- 6.38 An authorised bank must provide the Bank with details of the detection equipment on its sorting machines for its Notes.
- 6.39 An authorised bank must provide the Bank with a copy of its mutilated notes policy and procedures and any update or revision to the policy.

New Denominations

- 6.40 An authorised bank intending to issue a denomination of note other than £1, £5, £10, £20, £50 or £100 must notify the Bank at least six months before the new denomination is first issued.

Authorised Signatures

- 6.41 An authorised bank must provide the Bank with an authorised signatures list including a specimen signature of each person authorised by that bank to sign documents for the purposes of these Rules (an “authorised signatures list”).
- 6.42 An authorised bank must notify the Bank of any changes to its authorised signatures list and, where appropriate, provide an updated authorised signatures list.



RULE 7

Reporting System

Background

This Rule concerns access to the Notes IT System by an authorised bank for inputting data relating to Scottish and Northern Ireland banknotes. It should be read in conjunction with the NIPS Code of Connection.

Relevant Legislation

The Banking Act 2009

Section 218 – Information

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 14 – Reports as to Banknotes and Backing Assets

General Technical Requirements

- 7.1 The authorised bank must comply with the NIPS Code of Connection (as provided by the Bank from time to time). Each year the authorised bank must complete an annual self-certification of compliance, as set out in Appendix B of the NIPS Code of Connection.

User Management

- 7.2 An authorised bank must ensure that:
- only those of its staff which are confirmed by the Bank as users of the Notes IT Systems for the time being use the system;
 - each of its users of the Notes IT system has been Security Cleared by the authorised bank within the past five years; and
 - every such user complies with the Bank's Acceptable Usage Policy as amended from time to time.
- 7.3 An authorised bank must:
- ensure that all of its staff who access the Notes IT System sign an "Acceptable Usage Policy Form" provided by the Bank;
 - ensure the form is signed by at least two signatories in accordance with its authorised signatures list and includes a valid random security number from a list of random security numbers provided to the authorised bank by the Bank;
 - submit each completed form to Notes Accounting at the Bank by fax or secure e-mail.
- 7.4 Where an authorised bank wishes the Bank to add, amend, suspend or revoke a member of the authorised bank's staff as a user of the Notes IT System it must:
- use an "S&NI – User Access Request form" provided by the Bank;



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- b. ensure that the application is signed by at least two signatories in accordance with its authorised signatures list and includes a valid random security number from a list of random security numbers provided to the authorised bank by the Bank; and
- c. submit the application to Notes Accounting at the Bank by fax or secure e-mail.

Personnel

- 7.5 An authorised bank must inform the Bank at least three Business Days in advance of any staff member with access to the Notes IT System ceasing to work for the authorised bank, so as to allow for access to be revoked at the time of leaving.
- 7.6 An authorised bank must request the suspension of a member of its staff as a user of the Notes IT System:
- a. within two Business Days, if disciplinary proceedings are commenced in relation to the member of staff, unless the disciplinary proceedings are for a matter with no security implications (for example, time-keeping or attendance);
 - b. if the member of staff is on an extended absence (such as maternity leave or long-term sick leave); or
 - c. if there is no current business need for the member of staff to have access.

Unlock Approved Data

- 7.7 Where an authorised bank requires approved data to be unlocked by the Bank, it must:
- a. use a “Request to Unlock Data form”, provided by the Bank;
 - b. include information on both the data to be amended and the revised data;
 - c. ensure the application is signed by at least two signatories in accordance with its authorised signatures list and includes a valid random security number from a list of random security numbers provided to the authorised bank by the Bank; and
 - d. submit the request to Notes Accounting at the Bank by fax or secure e-mail.
- 7.8 Where a “Request to Unlock Data form” which complies with the requirements set out in Rule 7.7 is received before the reporting deadline (as per Rule 6.1), the revised data that has been subsequently submitted are to be treated as the reported data.

Static Data Changes

- 7.9 A request by an authorised bank for the Bank to make a change to the parts of the recorded data in the Notes IT System which the Bank controls (such as drop down menus and categories) must be made in writing.



RULE 8

Business Continuity Plans

Background

This Rule governs the business continuity plans that an authorised bank must have in place.

Relevant Legislation

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 3 – Rules

Regulation 13 – Provision of information to the Bank of England

- 8.1 An authorised bank shall prepare and maintain a robust Business Continuity Plan (BCP) which identifies threats or risks to the authorised bank's ability to comply with the S&NI Regime, details how such threats and risks may be mitigated, and how the authorised bank's obligations under the S&NI Regime will be maintained in the event of any such identified threats or risks materialising. This BCP, as a minimum, shall include:
- a. A business impact analysis and risk assessment;
 - b. A business continuity strategy for the authorised bank;
 - c. An incident response structure;
 - d. A testing and performance evaluation strategy; and
 - e. Any ongoing actions which need to be undertaken by the authorised bank to ensure the BCP is deemed fit for purpose by the Bank.
- 8.2 The authorised bank must submit to the Bank a draft of the BCP annually on any such date as the Bank may require.
- 8.3 The authorised bank must incorporate into the BCP such amendments to the draft as the Bank may reasonably require.
- 8.4 The authorised bank must carry out an Annual Scenario Test.
- 8.5 The authorised bank must confirm to the Bank details of the results of its Annual Scenario Test within one month of the test being carried out.



RULE 9

Cessation of Note Issue

Background

An authorised bank may choose to cease issuing Banknotes. Once an authorised bank has voluntarily ceased issuing it loses its right to rely on section 213 of the Act (saving for existing issuers).

It may also lose the right to rely on section 213 by virtue of a Treasury determination to that effect (see section 223(1) and (4)), a loss of Part 4 permission under the Financial Services and Markets Act 2000 (see section 223(5)) or by virtue of insolvency (see section 220(5)). This Rule 9 relates to the circumstances other than insolvency.

This Rule sets out the requirements on an authorised bank under both of these scenarios.

Relevant Legislation

The Banking Act 2009

Section 219 – Ceasing the business of issuing Notes

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 11 – Cessation of note issue

Regulation 13 – Provision of information to the Bank of England

Notification

- 9.1 An authorised bank must, subject to any overriding legal obligation to make a disclosure, notify the Bank of an intention to cease issuing Notes at least three months before any public announcement of such an intention is made.
- 9.2 The notification must contain:
- the date on which it intends to make public announcement of its intention to cease issuing Notes;
 - the date it intends to cease issuing Notes (which must be no earlier than two months after the public announcement);
 - the reason for its decision to cease issuing Notes.

Public Announcement

- 9.3 Before voluntarily ceasing to issue Notes, an authorised bank must make a public announcement containing at least the following information:
- the date of cessation of issue;
 - the arrangements, including timetable, for the withdrawal of the authorised bank's Notes In Circulation;
 - information on the alternative arrangements for future note provision to depositors and other customers; and



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- d. that Backing Assets will only be maintained for two years from the date of cessation of issue.
- 9.4 The authorised bank must make its public announcement from at least two months before the date of cessation, as a minimum, by:
- a. displaying notices at each of its branches;
 - b. making leaflets containing the announcement available at each of its branches; and
 - c. publishing the announcement in media likely to be seen by its noteholders.
- 9.5 The authorised bank must publish the announcement at least one month prior to the date of cessation of issue:
- a. in the Edinburgh Gazette, if it issues Notes in Scotland; or
 - b. in the Belfast Gazette, if it issues Notes in Northern Ireland.

Loss of Issuing Rights of the Authorised Bank

- 9.6 The following Rules 9.7 to 9.10 apply where an authorised bank:
- a. loses the right to rely on section 213 of the Act (saving for existing issuers) by virtue of:
 - i. a determination made by the Treasury under section 223(1)(b) (termination of right to issue);
 - ii. section 223(5) (loss of permission under Part 4 of the Financial Services and Markets Act 2000); or
 - b. becomes aware that it has reason to consider that it might lose that right by virtue of such circumstances.
- 9.7 The authorised bank must immediately;
- a. notify the Bank that it has lost the right to rely on section 213 or (as the case may be) that it has reason to consider that it might do so; and
 - b. provide details of the circumstances by virtue of which it has lost or that it has reason to consider that it might lose that right.
- 9.8 The authorised bank must apply to the Bank if it wishes the Bank to permit the authorised bank to issue Notes for a transitional period in accordance with regulation 12, confirming the date on which it wishes the transitional period to start and end.
- 9.9 Upon losing the right to rely on section 213 of the Act in the circumstances referred to in Rule 9.6, the authorised bank must make a public announcement containing at least the following information:
- a. the fact that the authorised bank has lost the right to issue Notes by virtue of such circumstances;
 - b. the date of the end of any transitional period;
 - c. the arrangements, including timetable, for the withdrawal of the authorised bank's Notes In Circulation;
 - d. information on the alternative arrangements for future note provision to depositors and other customers;
 - e. that Backing Assets will only be maintained for two years from the date that the authorised bank lost its right under section 213 of the Act;



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- f. such other information as may assist the public with obtaining Value in exchange for Notes of the authorised bank.
- 9.10 The authorised bank must make the public announcement, as a minimum, by:
- a. displaying notices at each of its branches;
 - b. making leaflets containing the announcement available at each of its branches; and
 - c. publishing the announcement:
 - i. in media likely to be seen by its noteholders; and
 - ii. in the Edinburgh Gazette, if it issues Notes in Scotland; or
 - iii. in the Belfast Gazette, if it issues Notes in Northern Ireland.

Following Cessation

- 9.11 The authorised bank must promptly destroy or arrange for destruction of its Notes which are:
- a. in its possession on the date of cessation of issue; or
 - b. subsequently returned to its possession.
- 9.12 The authorised bank must make suitable arrangements with other financial institutions, representatives of the cash handling industry and major retailers for the withdrawal from circulation of the authorised bank's Notes from the date of cessation of issue.
- 9.13 If, during the two year period following the date of cessation of issue, the authorised bank enters an insolvency process the requirements of this Rule 9 shall cease to apply.



RULE 10

Note Exchange Programme

Background

In the event of an authorised bank entering an insolvency process (see Part 6 of the Regulations) the Bank is responsible for managing a note exchange programme.

The requirements of this Rule will provide the Bank with the information it needs to run the programme and to help maintain confidence in the remaining authorised banks' Notes.

The Bank will require the information detailed in Rules 6.37 – 6.39 in order to run an orderly note exchange programme.

Relevant Legislation

The Banking Act 2009

Section 220 – Insolvency, &c.

The Scottish and Northern Ireland Banknote Regulations 2009

Regulation 3 – Rules

Regulation 21 – Note exchange programme

Regulation 22 – Rights of noteholders

Regulation 23 – Backing Assets

Regulation 24 – Note exchange programme: commencement and duration

Regulation 25 – Unissued Banknotes

Regulation 26 – Rules relating to a note exchange programme and destruction of Banknotes

Regulation 27 – Temporary continuation of note issuing after insolvency

Regulation 28 – Notes issues after loss of note issuing rights

- 10.1 The provisions of Rules 10.2 to 10.4 apply to an authorised bank which enters an insolvency process.
- 10.2 The authorised bank must cooperate with and facilitate the arrangements of the note exchange programme to be administered by the Bank.
- 10.3 The authorised bank must provide the Bank with immediate access to all its Backing Assets and unissued Banknotes.
- 10.4 The authorised bank must not use, move or otherwise deal with or permit any use of, movement of or other dealing with its Backing Assets or Unissued Banknotes without the consent of the Bank.

Loss of Issuing Rights of Another Authorised Bank

- 10.5 Where an authorised bank has lost issuing rights because it has become insolvent, other authorised banks must (upon the Bank making arrangements for reimbursement for the face Value of Notes collected):



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- a. give such assistance as the Bank may reasonably request in operating a note exchange programme;
- b. if requested by the Bank, exchange the Notes of the affected bank:
 - i. subject to them having sufficient of their own Notes available to comply, for their own Notes; or
 - ii. otherwise, for Value in such form as the Bank reasonably requests, and
- c. if requested by the Bank and in accordance with such reasonable instructions as the Bank may give, dispose of the Notes it receives.



Citation, Commencement, Interpretation and Conditions

Citation and Commencement

- i. These Rules:
 - a. are made on 30 March 2017;
 - b. shall come into effect on 3 April 2017 and
 - c. may be cited as the Scottish and Northern Ireland Banknote Rules-2017.
- ii. The Scottish and Northern Ireland Banknote Rules 2015 are revoked.

Interpretation

- iii. In these Rules:
 - “Accounting Reference Date” has the meaning given in section 391 of the Companies Act 2006 (c. 46);
 - “Alternative Processing Procedures” means the procedures to be used in the event that any of the standard processing or reporting systems are not available or an authorised bank is not permitted to use them.
 - “Annual Scenario Test” – A business continuity test will be conducted on an annual basis in order to test responses to a pre-agreed business continuity incident. The authorised banks may undertake such a test individually or with other authorised banks. Other relevant parties may participate at the request of the authorised banks.
 - “Approved Agent” has the meaning given in Rule 5.1;
 - an “Armoured” vehicle means that the vehicle is armoured to provide protection to the personnel and to resist attempts to take control of the vehicle, and that there are at least two independent communication systems within the vehicle;
 - “Authorised Signatures List” has the meaning given in Rule 6.41;
 - “the Bank” means the Bank of England;
 - “the Bank’s appointee” means an officer or servant of the Bank or such other person as the Bank may appoint for the purposes of these Rules;
 - “Backing Assets” means assets of a kind specified by Regulation 6(2).
 - “Banknote” has the meaning given in section 208 of the Act;
 - “Bulk Destruction” means destruction of notes by a separate process of granulation/shredding following completion of the sorting process;
 - “Business Day” means a day other than:
 - (a) a Saturday or Sunday;
 - (b) Christmas Day or Good Friday; or
 - (c) a day which, in England and Wales, is a bank holiday under the Banking and Financial Dealings Act 1971 (c. 80); or
 - (d) subject to iv, below (elected Business Days), a day which, in the relevant authorised bank’s territory of issue is a bank holiday under that Act;



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“Deposit Forecast” has the meaning given in Rule 1. 6;

“Excluded Notes” means notes excluded from the Backing Assets requirements by virtue of Rule 3;

“Financial Year” has the meaning given in section 390 of the Companies Act 2006;

“Force Majeure Event” means any cause or event affecting or delaying the performance by an authorised bank of its obligations arising from acts, omissions, events, happenings or non-happenings beyond its reasonable control including (but without limiting the generality thereof): (i) any act of war (whether declared or undeclared), invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, civil commotion, sabotage, terrorism or threat thereof; (ii) any act of state or other exercise of sovereign, judicial or executive prerogative by any competent government authority; or (iii) any act of God, earthquake, tempest, cyclone, hurricane, typhoon, tidal wave, whirlwind, storm and other extreme adverse weather conditions. Any act, omission, event, happening or non-happening will only be considered a Force Majeure Event if it is not attributable to the wilful act, neglect or failure to take reasonable precautions of the authorised bank, its agents or employees;

“Note” means a Banknote within the meaning of section 208 of the Act;

“New Notes” means uncirculated notes of an authorised bank held in unopened parcels, as packed by the Printer (as defined below);

“Notes Awaiting Destruction” means notes of an authorised bank awaiting destruction, having been deemed by the authorised bank as unfit to return to circulation, or being of a design that the authorised bank is no longer issuing;

“Notes Held by the Printer” means notes which are held by the Printer in that capacity and which satisfy the definition of “banknote” in section 208 of the Act, including spoilage but not including notes which have completed all stages of the printing process;

“Security Cleared” means Security vetting to standard BPSS/SC/CTC

“On Line Destruction” means destruction of notes by a note sorting machine as part of the sorting process;

“Retained Note” means a note which does not satisfy the definition of a Specimen but is retained at the completion of a print run for the purposes of use as a master machine proof, laboratory testing sheet or colour sheet and which (although of a design which could circulate as money) is not intended for circulation;

“Returned Notes” means notes of an authorised bank that have been returned to the authorised bank after being processed through a note sorting machine by another commercial issuer, to verify authenticity and confirm Value, and for which Value has been given;

“S&NI Regime” means the Scottish and Northern Ireland Banknote regime under which the Bank of England has responsibility for regulating the treatment, holding and issuance of commercial Banknotes in Scotland and Northern Ireland;

“Specimen” means Notes of an authorised bank which have been stamped with the word ‘specimen’, or have been hole punched, and are not intended for circulation;



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“the Printer” means a person contracted by the authorised bank to print the notes;

“the Notes IT System” means the Bank’s information technology system for reporting data and for certain other matters under these Rules;

“the Regulations” means the Scottish and Northern Ireland Banknote Regulations 2009 and “Regulation” is to be construed accordingly;

“Unissued Banknote” means a note which satisfies the definition of “banknote” in section 208 of the Act but which has never been issued as described in section 209 of the Act;

“Value” means the face value of the notes or coin;

“Working Stock” means notes of an authorised bank that have previously been issued, are not issued, but are being held by the authorised bank awaiting reissue.

Elected Business Days

- iv. An authorised bank may, by notice to the Bank, elect to treat as a Business Day any day which under the Banking and Financial Dealings Act 1971 is a bank holiday in its territory of issue and which is not a bank holiday in England and Wales.
- v. Where an authorised bank makes an election, that day is a Business Day for the purposes of the application of the Rules to that authorised bank until such time as the authorised bank gives notice to cancel the election.

Notices

- vi. All applications made and notifications given under these Rules must be in writing.

Conditions

- vii. Where the Bank imposes conditions relating to approved locations, Excluded Notes or Approved Agents, an authorised bank must not disclose conditions imposed by the Bank, except:
 - a. where the Bank has given written consent to the disclosure; or
 - b. to the extent required by law; or
 - c. so long as the disclosure is in circumstances where a duty of confidentiality applies and the disclosure is only:
 - i. to the extent required to give effect to those conditions;
 - ii. to another authorised bank; or
 - iii. to a legal or professional advisor.