

Scottish & Northern Ireland Banknote Issuance Annual Report 2025

**Report on the Bank of England's work
under the Scottish & Northern Ireland
Banknote Regulations 2009**

Notes Operations 02 October 2025



Contents

Executive Summary	3
--------------------------	----------

Report	
Introduction	4
Historical background	4
Legislative framework	4
Noteholder protection	5
Compliance framework	7
Compliance failures and penalties	8
Other developments	10
Appendix 1: Legislative Documents	11

Executive Summary

- Six commercial banks in the United Kingdom are authorised to issue their own banknotes, three in Northern Ireland and three in Scotland (the “authorised banks”). The six banks are required to hold ring-fenced assets that always back their note issuance. The aggregate backing requirement of the authorised banks at end-February 2025 was £7.97 billion (compared to £7.84 billion at end-February 2024).
- At end-February 2025, the authorised banks in Scotland had an aggregate backing requirement of £5.35 billion, comprising £5.15 billion of Notes in Circulation and £0.2 billion of Notes With the Potential to Enter Circulation (as defined in paragraph 11). The authorised banks in Northern Ireland had an aggregate backing requirement of £2.62 billion, comprising £2.47 billion of Notes in Circulation and £0.15 billion of Notes With the Potential to Enter Circulation.
- The Bank of England (“the Bank”) is responsible for the regulation of note issue by the six authorised banks. The Bank undertakes a range of supervisory and compliance activity throughout the year as well as analysis of daily regulatory reporting provided by all authorised banks. Where regulatory requirements were not met during the period, the Bank investigated, and remedial actions were agreed with the authorised banks.
- There was a satisfactory level of compliance with the regime during the year to end-February 2025. During the twelve-month period, the Bank assessed three ‘Notable’ compliance failures, there were no ‘Serious’, or ‘Underbacking’ compliance failures (the categories of failures are defined in the Statement of Penalty Policy (“SPP”)).¹

¹ <https://www.bankofengland.co.uk/-/media/boe/files/banknotes/scottish-northern-ireland/scottish-and-northern-ireland-statement-of-penalty-policy-2018.pdf>

Report

Introduction

1. The Bank assumed responsibility for the regulation of note issue by the six authorised banks (3 Scottish and 3 Northern Irish) on 23 November 2009.

2. Regulation 18 of the Scottish and Northern Ireland Banknote Regulations 2009 (“the Regulations”) requires the Bank to publish an annual report on the discharge of its functions under the Regulations. This is the sixteenth such report and covers the Bank’s activities from 1 March 2024 to 28 February 2025 (the Bank’s 2024/25 financial year).

Historical background

3. The six authorised banks (or their predecessors) have been regulated with regard to the backing of their banknotes since 1845. Part 6 of the Banking Act 2009 (“the Act”), which came into effect on 23 November 2009, repealed the legislation under which banknote issuance in Scotland and Northern Ireland was previously regulated and passed regulatory responsibility to the Bank. Part 6 of the Act updated and modernised the framework for commercial note issuance to provide enhanced noteholder protection.

4. The authorised banks are:

- Bank of Ireland (UK) plc;
- Bank of Scotland plc;
- Clydesdale Bank plc;
- Northern Bank Limited (trades as Danske Bank in Northern Ireland);
- The Royal Bank of Scotland plc; and
- National Westminster Bank plc (trades as Ulster Bank in Northern Ireland).

Legislative framework

5. The Act and the Regulations set out the framework for the Bank’s responsibilities for regulating the authorised banks’ note issuance. The primary objective of the legislation is noteholder protection. The provisions in the legislation are designed to ensure that

holders of genuine banknotes issued by the authorised banks receive a level of protection similar to that provided to holders of Bank of England notes, through the full backing of notes at all times (see Noteholder Protection section below for more detail). The Bank is not responsible for the design of the authorised banks' banknotes or their robustness against counterfeiting.

6. The authorised banks' note issuance is governed by the Act, the Regulations and the related Scottish and Northern Ireland Banknotes Rules ("the Rules"). These came into force in November 2009 together with a Statement of Penalty Policy ("the SPP"). Both the Rules and SPP are revised periodically; the current Rules have been in effect since April 2017 and the current SPP has been in effect since August 2018.

7. In addition, the authorised banks must comply with conditions, known as General Conditions and Specific Conditions that set out the requirements for the holding of backing assets and Excluded Notes (see Noteholder Protection section below for more detail). As the General Conditions and Specific Conditions include sensitive material, such as the security standards that sites holding backing assets must meet, they are not published.

8. The Bank has the authority to impose financial penalties on the authorised banks for non-compliance with the Regulations and the Rules.

Noteholder protection

9. Under the Regulations, the authorised banks are required to hold backing assets for their notes at all times. In the event of an authorised bank entering an insolvency process as defined in the Regulations, those assets will be ring-fenced for one year or any longer period that HM Treasury may determine after consulting the Bank, for the sole purpose of reimbursing noteholders through a note exchange programme.

10. To back their note issue, authorised banks may use a combination of Bank of England notes, UK coin and funds placed on deposit in sterling in an interest-bearing bank account at the Bank. Bank of England notes held as backing assets may be held at locations approved by the Bank or at the Bank. Notes held as backing assets at the Bank

may include £1 million notes (Giants) and £100 million notes (Titans), which in physical terms are permanently held at the Bank.

11. For backing requirements, notes issued by an authorised bank are always considered to be one of three mutually exclusive classes, as set out below.

- **Notes In Circulation (“NIC”)**: notes that have been issued by the authorised bank and are now in general circulation, e.g. notes in wallets and purses.
- **Notes With the Potential to Enter Circulation (“NWPEC”)**: notes that are held by or on behalf of the authorised banks but which are available to be issued, e.g. notes held in ATMs or in bank branches.
- **Excluded Notes**: notes which do not need to be backed. These notes are held by or on behalf of the authorised banks, which fulfil specific requirements and conditions (the General Conditions and Specific Conditions) imposed by the Bank, e.g. are stored in a banknote cage in a secure vault. This includes notes which have been printed but which have not yet been collected from the printer.

12. NIC and NWPEC must be fully backed with backing assets. At least 60% of NIC must be backed by backing assets in the form of Bank of England notes or UK coin. The remaining 40% of NIC and 100% of NWPEC must be backed by backing assets in the form of Bank of England notes, UK coin, or funds placed on deposit in sterling in an interest-bearing account at the Bank. Excluded Notes are not required to be backed.

13. At end-February 2025, the aggregate NIC and NWPEC of all six banks was £7.62 billion and £0.35 billion, respectively. Consequently, the total backing requirement of all six banks was £7.97 billion, the breakdown of which is shown in Table 1, an increase of 1.58% from £7.84 billion in 2024. In comparison, Bank of England NIC increased by 4.26% from £82.36 billion to £85.87 billion in the same period².

² Bank of England figures do not include Giants and Titans, see paragraph 10.

14. **Table 1** Breakdown of backing requirement and comparison with previous year³

	28 February 2025	29 February 2024
Scotland authorised banks	£5.35 billion	£5.37 billion
NIC	£5.15 billion	£5.13 billion
NWPEC	£0.2 billion	£0.24 billion
Northern Ireland authorised banks	£2.62 billion	£2.47 billion
NIC	£2.47 billion	£2.3 billion
NWPEC	£0.15 billion	£0.18 billion
Aggregate backing requirement	£7.97 billion	£7.84 billion

15. Over the twelve-month reporting period the average NIC of the authorised banks increased from £7.55 billion in 2024 to £7.67 billion.

Compliance framework

16. The Bank has a team of staff within its Notes Directorate to monitor compliance with the regime. The team analyses the daily and weekly data reported by the authorised banks to ensure that both the total value and the composition of backing assets held are always in accordance with the legislation. The Bank undertakes a range of other supervisory and compliance activity throughout the year, including checks to verify the value of backing assets and Excluded Notes held, and to confirm that the necessary conditions (e.g., security standards of sites storing backing assets and/or Excluded

³ Figures included in this report have been rounded to the nearest million.

Notes) are met. The Bank regularly re-evaluates its supervisory activity to ensure that risks to noteholders are adequately mitigated.

Compliance failures and penalties

17. Compliance breaches under the regime are classified into four categories.

“Underbacking” is the most severe, occurring when a bank’s backing assets fall below the value of notes required to be backed. “Serious” breaches involve a significant risk to noteholder protection or a shortfall in high-quality backing assets. “Notable” breaches present a risk or potential risk that is not considered serious. “Minor” breaches pose negligible or no risk to noteholder protection.

18. During the year to end-February 2025, the Bank did not impose any financial penalties. Three Notable compliance failures were assessed during the reporting period. None of these failures was considered serious enough to justify referral to the Bank’s internal decision-making committees. They were laid on file for future reference. The Bank can also issue a Private Warning for a Minor or, in exceptional circumstances, a Notable compliance failure; however, these are not included in the Annual Reports.

19. As shown in **Table 2** and **Chart 1**, the number of assessed compliance failures has varied but overall averaged two failures over the last ten years.

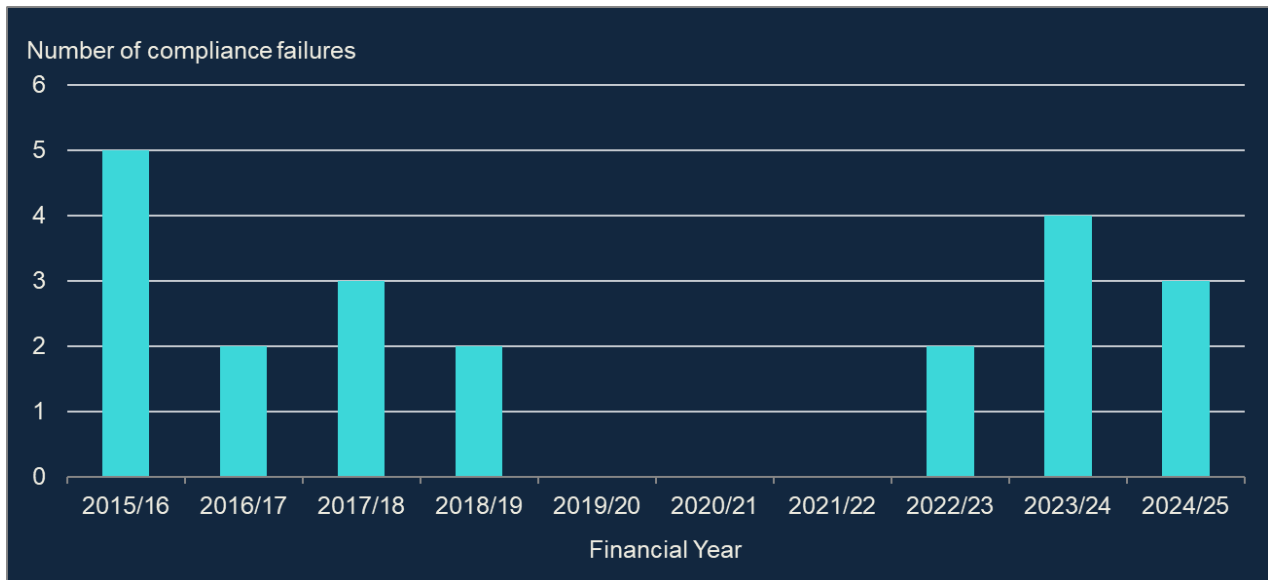
20. Between the commencement of the regime and end-February 2025, 28 compliance failures have been penalised, and penalties amounting to £119,700 have been issued and paid.⁴ Once received, penalties are passed to HM Treasury. No penalties were issued in the year to end-February 2025.

⁴ Penalties are published in this Annual Report in accordance with Regulation 16 of the Scottish and Northern Ireland Banknote Regulations 2009. Whilst 28 compliance failures were penalised from the commencement of the regime, for the purpose of this report the table only displays figures starting from 2015-2025.

Table 2 Number of compliance failures assessed.

Number of compliance failures	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Investigated by the Bank's Committees	1	0	1	1	0	0	0	0	0	0
(of which penalised)	(1)	(0)	(1)	(1)	(0)	(0)	(0)	(0)	(0)	(0)
Laid on file	4	2	2	1	0	0	0	2	4	3
Total	5	2	3	2	0	0	0	2	4	3

Chart 1 Assessed compliance failures by date: March 2015 – February 2025



Note: Reporting periods align with the Bank's financial year, which runs from 1 March. Any compliance failures in the process of being assessed at the end of the reporting period are shown as occurring in the subsequent financial year.

Other developments

19. As part of wider routine contingency preparations in 2024/25, authorised banks participated in a business continuity exercise, which focused on a scenario involving unusual space weather patterns impacting operations.

Appendix 1: Legislative Documents

- **The Banking Act 2009, Part 6** (“the Act”), which received Royal Assent in February 2009 and came into force on 23 November 2009:
http://www.opsi.gov.uk/RevisedStatutes/Acts/ukpga/2009/cukpga_20090001_en_1
- **The Scottish and Northern Ireland Banknote Regulations 2009** (“the Regulations”), which were made by Parliament on 18 November 2009 and came into force on 23 November 2009: [The Scottish and Northern Ireland Banknote Regulations 2009](#)
- **The Scottish and Northern Ireland Banknote Rules** (“the Rules”) (3 April 2017):
<https://www.bankofengland.co.uk/-/media/boe/files/banknotes/scottish-northern-ireland/scottish-and-northern-ireland-banknote-rules-2017.pdf>
- **The Scottish and Northern Ireland Banknote SPP** (28 August 2018):
<https://www.bankofengland.co.uk/-/media/boe/files/banknotes/scottish-northern-ireland/scottish-and-northern-ireland-statement-of-penalty-policy-2018.pdf>
- **The Scottish and Northern Ireland Banknote Approach Document** (March 2017):
<https://www.bankofengland.co.uk/-/media/boe/files/banknotes/scottish-northern-ireland/scottish-and-northern-ireland-regime-approach.pdf>