Sturgeon knew EU membership could ruin currency plan

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The release of secret SNP documents suggest they deliberately misled the public in their 2014 whitepaper on independence – because they knew the EU could trash their plans.

The 2014 whitepaper repeatedly said an independent Scotland would keep the pound and use the Bank of England as its central bank, with a Scottish Monetary Institute (SMI) created to work under the Bank. It also said that an independent Scotland would be a member of the EU.

But a Freedom of Information request has revealed the details of a proposed SMI, and that the SNP knew that their plans could break EU rules.

Countries joining the EU have to sign up to the full body of EU law. This includes the requirement for all member states to aim to adopt the Euro.

Under a heading of 'hot issues' that could cause problems, the paper admits one such issue would be *'Continued use of Sterling and the EU requirement for new member states to aim for convergence to adopt the euro. Role of the SMI will depend on negotiations with the EU.'*

The EU joining criteria also includes the requirement for member states to have their own, independent national central banks.

The paper recognises this might ruin the SNP's proposals, stating *'This would require negotiation and agreement with the EU, should Scotland be required to have a separate central bank the functions of the SMI can be expanded to fulfil the requirements.'*

The paper also reveals that:

- The EU may have opposed the SNP's plans for an independent Scotland to keep using the Bank of England for wider roles, such as guaranteeing deposits and regulating banks.
- The traditional system of Scottish banks issuing bank notes may have ended, with one option being 'to consider the introduction of a single Scottish issuer.
- The recruitment of a governor of the institute was 'being undertaken' at the time of the paper's writing and was due to be complete by September 2014.

- The institute would have an estimated running cost of up to £50m and a staff of up to 400 people, spending £60m on consultancy fees, and face total transition costs of up to £69m.

Scottish Conservative shadow finance secretary Murdo Fraser MSP said:

"This is an astonishing revelation. At the same time as Nicola Sturgeon was confidently preaching that we could keep the pound and share the Bank of England's functions, she knew the EU could ruin those plans.

"The SNP can't even confirm whether they want to be part of the EU any more. If this is the level of their attempts to face two ways, then no wonder.

"Not only that, but their plans for a separate Scottish Monetary Institute would be extortionate, with hundreds of staff needed even if the Bank of England maintained responsibility for a 'large' number of functions.

"Given how damaging these documents are, it's not surprising that the SNP Government covered them up for years and ended up releasing them on Easter weekend.

"We already knew the SNP's economic plans were built on sand. Now we have clear proof they were actively misleading the public."

The full FOI release can be found here: https://beta.gov.scot/publications/scottish-monetary-institute-foi-release/

Under a heading of 'hot issues', the paper admits one such issue would be *'Continued use of Sterling and the EU requirement for new member states to aim for convergence to adopt the euro. Role of the SMI will depend on negotiations with the EU.'*

It goes on to explain that *'New Member States are also committed to complying with the criteria laid down in the Treaty in order to be able to adopt the euro in due course after accession.'*

The EU joining criteria includes the requirement for member states to have their own, independent national central banks, and the paper recognises this might ruin the SNP's proposals, stating '*The Treaty of the Functioning of the European Union sets out requirements for each country's National Central Bank. Under the proposed framework the Bank of England would continue to operate as the central bank for Scotland. However this would require negotiation and agreement with the EU, should Scotland be required to have a separate central bank the functions of the SMI can be expanded to fulfil the requirements.'*

With regards to staffing costs, the papers state:
'A significant number of staff would be required for the negotations with the UK and for establishing the SMI. Based on the current transition plan, with the Bank of England retaining responsibility for a large number of functions it is estimated that from 2017-18 onwards between 300 and 400 staff would be

required. If no agreement is reached with the UK government and the Bank of England does not undertake a large number of central banking functions on behalf of the SMI, then the remit of the SMI would need to be significantly expanded and the number of staff required would be considerably larger – in addition these staff would need to be experts with international reputations recruited from other central banks, the renumeration packages required to attract such individuals are likely to be expensive.'

With regards to the issuers of bank notes in an independent Scotland, the papers say:
'[one option would be] To consider the introduction of a single Scottish issuer (to replace issue by commercial banks). The Scottish Monetary Institute would then be responsible for both management and issue of banknotes, with backing assets held at the Bank of England