

**GOVERNANCE OF THE BANK
INCLUDING
MATTERS RESERVED TO COURT**

Approved by Court on 10 December 2018

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GOVERNANCE OF THE BANK

The Court of Directors

The Court of Directors manages the affairs of the Bank as a corporation, while specific policy responsibilities are reserved to the policy committees (see below). Court's responsibilities are set out in the Bank of England Act 1998 (the 1998 Act)¹. They include determining the Bank's objectives and strategy, and ensuring the effective discharge of the Bank's functions and the most efficient use of its resources. The Bank also has a statutory objective to "protect and enhance the stability of the financial system of the United Kingdom" and Court is responsible for the Bank's strategy in relation to that objective. Court also keeps under review the Bank's performance in relation to its objectives, the exercise of the Bank's statutory functions and the processes of the policy committees, whose meetings the members of Court are entitled to attend as observers. It is supported by an Independent Evaluation Office (IEO); it may commission external performance reviews (including, retrospectively, into policy decisions); and it has responsibility for monitoring the Bank's response to recommendations arising from such reviews.

The members of Court are appointed by the Crown. There are five executive members: the Governor, and the four Deputy Governors. The Deputy Governors have designated responsibilities respectively for Monetary Policy, Financial Stability, Markets and Banking and Prudential Regulation. A further Deputy Governor, acting as the Bank's Chief Operating Officer (COO), has been appointed by the Court and attends its meetings. The remaining members of Court are Non-executive directors. Up to nine Non-executive directors may be appointed, but normally there are seven. From among these the Chair and Deputy Chair of Court are appointed by the Chancellor of the Exchequer. Court itself appoints a Senior Independent Director and the Chairs of Court Committees.

Court delegates to the Governor the day-to-day management of the Bank, including the discharge of statutory functions, while reserving certain key decisions to itself. These "matters reserved to Court" are set out in this document.

The Policy Committees

The Monetary Policy Committee (MPC) consists of the Governor, the Deputy Governors for Monetary Policy, Financial Stability and Markets and Banking, the Bank's Chief Economist, and four external members appointed by the Chancellor. The MPC has responsibility within the Bank for formulating monetary policy. The 1998 Act requires the Bank to maintain

¹ References in this document to the 1998 Act include amendments introduced by subsequent legislation including the Bank of England and Financial Services Act 2016.

price stability and, subject to that, to support the Government's economic policy, including its objectives for growth and employment. At least once a year the Government specifies the price stability target, and the MPC must meet at least eight times a year (and at least once in any 10-week period) to set interest rates and other monetary conditions so as to meet that target.

The Financial Policy Committee (FPC) consists of the Governor, the four Deputy Governors, the chief executive of the Financial Conduct Authority (FCA), the Bank's Executive Director responsible for Financial Stability, five external members appointed by the Chancellor, and a non-voting Treasury member. The FPC contributes to the achievement by the Bank of its Financial Stability Objective by identifying, monitoring and taking action to remove or reduce risks to the UK financial system: subject to that, like the MPC, it is required to support the Government's economic policy, including its objectives for growth and employment. The Committee may make recommendations and, in relation to macroprudential measures prescribed by secondary legislation, give directions to the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

The Prudential Regulation Committee (PRC)

The Bank's functions as PRA must be exercised through the PRC, which consists of the Governor, the Deputy Governors for Financial Stability and Markets and Banking, the CEO for Prudential Regulation, the Chief Executive of the FCA, a member appointed by the Governor with the approval of the Chancellor and at least six members appointed by the Chancellor (the "external members"). The PRA's general objective is to promote the safety and soundness of the banks, insurers and investment companies that it authorises. In relation to insurance it must contribute to protecting the interests of policyholders. And as a secondary objective it must act, so far as reasonably possible, to facilitate effective competition in the relevant markets. The PRA has a duty to maintain arrangements to supervise PRA-authorized firms.

Court Committees

Court has formed sub-committees to help discharge its responsibilities, including:

Audit and Risk Committee (ARCo), which assists Court in meeting its responsibilities for an effective system of risk management, internal control and financial reporting, amongst other duties. (See Annex A)

Remuneration Committee (RemCo), which determines or advises Court on pay and other remuneration of the Bank's most senior executives; Governors, Executive Directors and external members of the FPC, the MPC and the PRC. (See Annex B)

Nominations Committee, which advises Court on appointments to senior positions within the Bank and advises Court on recommendations to be

made by Court to HM Treasury as to appointments and reappointments as members of Court. (See Annex C)

Transactions Committee, which may be consulted by the Governor about any loan, commitment or other transaction which is not in the ordinary course of the Bank's business, and where it is not practicable for the Governor to consult the full Court. (See Annex D)

RTGS Renewal Committee, which includes members of the RTGS Chaps Board (see below), oversees the RTGS renewal programme and authorises spending and procurement within the overall budget set by Court. (See Annex F)

A fuller explanation of the roles played by these and other Committees is set out in this document.

Other Boards and Committees

The Bank is the United Kingdom's Resolution Authority. Resolution is the process by which the authorities can intervene to manage the failure of banks, building societies, central counterparties and certain investment firms. The Governor has constituted a **Resolution Committee** to provide advice on the discharge of the Bank's responsibilities: decision-making authority rests with the Deputy Governor for Financial Stability (DGFS) unless explicitly reserved to the Governor. Other members include the Deputy Governors for Prudential Regulation and Markets and Banking, the Executive Directors for Resolution, Markets and Prudential Policy and the Directors of Financial Market Infrastructure and Banking.

The FMI Board is an executive committee constituted by the Governor to exercise the Bank's powers in relation to the three main types of financial market infrastructure (FMI) overseen by the Bank (recognised payment systems, central securities depositories and recognised clearing houses). It is chaired by the Deputy Governor for Financial Stability and includes as members the Deputy Governor for Prudential Regulation, the Director of FMI, and the Executive Directors for Markets, Prudential Policy and Resolution.

The Bank has formed an **Enforcement Decision Making Committee** to take decisions in contested enforcement cases within the statutory regimes that the Bank operates in relation to: (1) Prudential Regulation; (2) Financial Market Infrastructure (FMI); (3) Resolution and the Scottish and Northern Ireland banknote issuance regime. The EDMC will be a committee of the Bank, but members will be wholly independent of the Bank's current executive.

The Governor has constituted a **SONIA Oversight Committee** as a committee of the Bank. Its role is to review and provide challenge on all aspects of the SONIA (Sterling Overnight Index Average) benchmark determination process, and provide scrutiny of the administration of SONIA.

In doing so, it is a key tool in the management of the Bank's conflicts of interest as SONIA administrator. The Committee is chaired by the Bank's Chief Operating Officer.

The Bank operates the United Kingdom's Real-Time Gross Settlement (RTGS) infrastructure for the settlement of electronic sterling transfers and the CHAPs high value payment system. The **RTGS/CHAPS Board** provides strategic leadership for the RTGS infrastructure and CHAPS payment system, including the RTGS renewal programme. The Board reports to the Governor and Court.

Indemnities

Members of the FMI Board, the RTGS/CHAPS Board, the Enforcement Decision Making Committee and the SONIA Oversight Committee are indemnified by the Bank against all costs, charges, losses, expenses and liabilities incurred in carrying out or purporting to carry out any of their functions, or otherwise in connection with or in relation to such functions, provided that they have acted honestly and in good faith and have not acted recklessly. The governance arrangements for indemnities are set out in section 10 of 'Matters Reserved to Court'.

Court Procedures

Chair of Court

The Chancellor of the Exchequer appoints the Chair of Court and one or more Non-executive Directors as Deputy Chairs.

In the absence of any member so appointed, Court may elect a Non-executive Director to chair its meetings.

Quorum

Court has determined that its quorum is five members, provided that at least three Non-executive Directors are present.

Removal from office

The 1998 Act provides that a member of Court must resign on becoming a Minister of the Crown, or a civil servant, and a Non-executive Director must resign on becoming an officer or employee of the Bank. (A person who serves on the FPC is not regarded as an officer or employee of the Bank for this purpose.) Court may, with the consent of the Chancellor, remove a person from office as a director if s/he has been absent from meetings of Court for more than 3 months without consent, becomes bankrupt, or is "unable or unfit to discharge [his/her] functions as a member" of Court.

Indemnities for Members of Court

Members of Court have been indemnified by the Bank against personal civil liability arising out of the carrying out or purported carrying out of their functions, provided they have acted honestly and in good faith and have not acted recklessly. These indemnities were first granted in 2000 by way of two resolutions, one passed by Court (for the Governors) and the other by the Governors' Committee on Non-executive Directors' Remuneration (for the Non-executive Directors), and approved by HM Treasury in accordance with the practice of the Government in relation to board members of Non-Departmental Public Bodies.

Court Code on Business Ethics and Conflicts

Members of Court are appointed by the Crown. Governors are required to give exclusive services to the Bank, while Non-executive Directors have other roles outside. As members of Court all have privileged access to the papers and meetings of the Bank's policy committees as well as to the proceedings of Court it is essential that they conduct themselves appropriately and have no material conflicts that might call into question their suitability for the roles they occupy. The Bank is not a UK listed company, but the Court expects to follow to the extent practicable the Corporate Governance Code, as well as the principles set out by the Committee on Standards in Public Life.

Impartiality

On taking up the appointment, and in accordance with a long-standing provision of the Bank's Charter, Directors are required to make a declaration that they will be:

“indifferent and equal to all manner of persons...will give my best advice and assistance for the support and good Government of the said Corporation; and in the execution of the said office I will faithfully and honestly demean myself according to the best of my skill and understanding”.

Confidentiality

Directors additionally sign an undertaking to:

“keep secret during my service with the Bank of England, and after the termination thereof, all matters with which I may become acquainted relating to the affairs and concerns of the Bank, of Her Majesty's Government, of other customers, or of other persons with which the Bank has dealings or may be concerned; ..I will not seek to profit myself, my family or any other person financially or otherwise by making use, either directly or indirectly, of information acquired by me in the course of my duties”.

Statutory Disqualifications

A person is disqualified for appointment if a Minister of the Crown, a member of the Bank's staff, or if serving in a government department in respect of which remuneration is payable from funds voted by Parliament.

Senior Managers Regime

The Governors, the Chair of Court, the Senior Independent Director, the Chair of ARCo, the Chair of Remco and the Secretary of the Bank (the Secretary) have specific responsibilities under the Bank's Senior Managers Regime².

Financial Dealings

Both Governors and Non-executive Directors are subject to the Bank's rules on personal financial transactions. This entails making an annual disclosure of all assets, and obtaining the Bank's consent before undertaking any transaction.

Gifts and Entertainment

A Director should advise the Secretary of any gifts or entertainment received from a firm that the Bank regulates or with which it has regular dealings.

External Appointments

Appointment to the Court presupposes that an individual has no financial or other interests that could substantially restrict his/her ability to discharge the functions required of a member of the Court. These include financial interests significant enough to conflict with the member's duty to the Bank, and conflicts of duty arising from employment or other relationships that could prevent the individual concerned from being wholly independent, disinterested and impartial.

A Director should not accept or retain any directorship, trusteeship, advisory post or other interest, whether or not remunerated, that is in conflict with membership of the Court.

A Director of the Bank should not be associated with a PRA- or other Bank-regulated firm as director, employee or adviser.

A Director should not be involved in the management of investments in capital or money markets or their derivatives, or in the provision of market infrastructure through regulated firms.

² <http://www.bankofengland.co.uk/-/media/boe/files/about/human-resources/smr.pdf>

A Director should have no involvement with the management of funds, any part of whose business is investing in PRA-regulated institutions or trading in such investments.

To the extent that conflicts arising from external appointments do exist, a Director will be unable to participate fully in the work of Court. In particular, specific conflicts may preclude a Director from observing meetings of the MPC, FPC or PRC, or receiving papers prepared for such meetings.

Relationships

A Director should advise the Secretary of any close family member associated with a firm that the Bank regulates or with which it has regular dealings.

Procedure in meetings

The Bank of England Act³ provides as follows:

“If a member of Court has any direct or indirect interest in any dealing or business with the Bank they shall disclose the interest to Court at the time of the dealing or business being negotiated or transacted, and they shall have no vote in relation to the dealing or business, unless Court has resolved that the interest does not give rise to a conflict of interest”.

“A member of Court shall have no vote in relation to any question arising which touches or concerns them but shall withdraw and be absent during the debate on any matter in which they are concerned.”

A reference to Court in this section is taken to include any of the Committees of Court.

Annual List, and new Appointments

On appointment, and subsequently at the end of May each year, Non-executive Directors must provide to the Secretary details of all their relevant Directorships and appointments, and must consult the Chair of Court and notify the Secretary at least fourteen days before committing to become a member of the Board of any company or to undertake any duty or assume any post or engagement which may affect their position as a Member of Court. This enables the Chair to consult with the Governor on any questions they may have and, if necessary, the Nominations Committee.

³ 1998 Act Schedule 1 paras 13(4)&(5)

Effectiveness of Court

The Chair of Court will undertake an annual review of Court's effectiveness, and with the approval of Court may commission external advice.

Matters Reserved for Court

1 General Delegation

Subject to such matters:

- as are conferred by statute on sub-committees of Court;
- as may now or hereafter be reserved by a resolution of Court to itself; and
- as Court may now or hereafter decide by resolution to delegate to a sub-committee of Court,

the affairs of the Bank shall be managed by the Governor.

The “affairs of the Bank” here include the discharge of any statutory functions given to the Bank other than the formulation of monetary policy, which is outside the remit of Court, the functions of the FPC, and the Bank’s functions as Prudential Regulation Authority, which must be exercised by the PRC⁴.

2 Strategy and Management

The following matters are reserved to Court (with advice from Court committees where appropriate):-

- approval of the Bank’s objectives (including its objectives for financial management) and strategy;
- approval of the Bank’s financial framework⁵ as updated from time to time;
- approval of the Bank’s annual operating and capital expenditure budgets and any material changes to them;
- within the budget framework, approval of any individual capital project with a budget in excess of £10mn, and any subsequent change to that budget;
- approval of the Bank’s risk tolerance statement and of its frameworks for monitoring and managing risk.

⁴ 1998 Act: S2(1) and S2A(2)

⁵ The financial framework describes how the Bank’s sources of income and capital support the Bank’s activities, and forms the basis for the statutory cash ratio deposits.

3 Structure and Organisation

The following decisions are reserved to Court:

- significant changes in the Bank's operations and organisation, including the opening and closing of Agencies, and the contracting out of significant business functions;
- statements of responsibilities within the Bank of designated persons under the Senior Managers Regime
- approval of the Bank's high-level succession plan including any recommendations in relation to Crown appointments;
- the formation or disposal of a subsidiary company or its business or assets and the appointment of directors of any such company, except where the matter falls within the terms of reference of the Transactions Committee (see Annex D);
- setting or changing any Codes of Conduct for Bank staff and members of the Policy Committees. (See section 13 below.)

4 Monetary Stability

The 1998 Act created the MPC. The Bank's monetary stability objective is set by the Chancellor and communicated to the Bank under the provisions of the 1998 Act.

5 Financial Stability

Under the 1998 Act the Bank has as an objective to protect and enhance the stability of the financial system of the United Kingdom. Court, consulting HM Treasury, is required, at least every 3 years, to review and if necessary revise the Bank's strategy in relation to the Financial Stability Objective. This function may be delegated, and Court has delegated it to the FPC.

6 Market Operations

Court approves the objectives of the Sterling Monetary Framework (SMF) and also any amendment to that framework that increases the risk exposure of the Bank. Court receives and approves for publication an annual report on the operation of the SMF.

7 Appointments

The Governors are appointed by the Crown and external FPC, MPC and PRC members are appointed by the Chancellor.

The appointment of Non-executive Directors is a matter for the Crown. The designation of the Chair of Court and one or more deputies is a matter for the Chancellor.

The following matters are reserved to Court:

- appointment of the COO, Executive Directors, the Secretary and the Internal Auditor;
- appointment of any Deputy Chief Executive of the PRA;
- the removal from office of a member of Court or an external member of a policy committee in the circumstances specified in the 1998 Act⁶ (which requires the consent of the Chancellor);
- the appointment of the Chair of the Trustees of the Houblon-Norman Fund;
- the appointment of the Chair of the corporate trustee of the Staff Pension Fund;
- appointments to Court Committees, and approval of their terms of reference.

Appointment of Advisers to the Governor, and of staff at the rank of Director, are reported to Court by the Governor.

Any Directorship or other significant external engagement accepted by the COO or an Executive Director requires the prior approval of Court.

8 Remuneration

Remuneration Committee (RemCo) determines the remuneration of the Governors⁷ and other senior executives, including the COO and the Executive Directors, and advises Court on the remuneration of external members of the FPC, the MPC and the PRC.

Terms of Reference of RemCo are at Annex B.

The remuneration of the Non-executive Directors is subject to the approval of Court, having first obtained the approval of the Chancellor of the Exchequer⁸.

Additionally, the following matters are subject to Court's approval:

⁶ 1998 Act: Schedule 1, para 8; Schedule 2A, para 9; Schedule 3, para 9; and Schedule 6A, para 9 .

⁷ 1998 Act: Schedule 1, para 14(A1)

⁸ 1998 Act: Schedule 1, para 15

- significant changes in the management structure of the Bank, the adoption of salary schemes for staff, and significant changes to personnel policy;
- significant changes in the Bank's pension schemes and other staff benefits;
- the agreement to contributions to the Bank's Pension Fund.

9 Transactions outside the normal course of business

Subject to the exception below, Court is responsible for approving any loan, commitment or other transaction which is not in the ordinary course of the Bank's business.

The exception is where the Governor determines that it is not practical (for example, for reasons of short notice) to seek approval from Court in relation to the transaction in question. In such circumstances the Governor will consult the Transactions Committee and report any decision made to Court at its next meeting. Terms of Reference of the Transactions Committee are at Annex D.

10 Court Indemnities

Court confirms that the terms of the indemnities granted by resolutions of Court in favour of current and former Governors, Non-executive Directors, and members of the MPC, FPC or PRC are met in the individual circumstances of each case.

Court approves any material terms or limitations which the Bank may seek to agree, where relevant, relating to such an indemnity.

Court approves the subsequent payment or reimbursement of monies to any person under such an indemnity.

11 Memoranda of Understanding and Service Level Agreements

The Bank enters into a number of operational agreements with public and private sector bodies. Routinely, these are reported to ARCo. Memoranda of Understanding (**MOUs**) or Service Level Agreements (**SLAs**) require approval by Court before signature where:

- They involve the Bank in significant potential risk or expenditure; or
- They represent a major element or change in the Bank's relations with Government or constitutional position.

Additionally Court should be informed of MOUs or SLAs that define a key operational relationship of the Bank.

12 Secretarial

The Seal

The Bank's Seal may be applied only in accordance with the 1998 Act⁹ and subject to the approval of Court. The power to authorise the sealing of documents has been delegated to the Sealing Committee.

Terms of Reference of the Sealing Committee are at Annex E.

13 Policies

The following policies and rules are reviewed periodically and are subject to the approval of Court:

- Health and Safety Policy;
- Internal Codes rules or orders relating to business practice, conduct and the management of conflicts of interest;
- Financial Dealing Rules for staff and Committee members;
- Diversity and Equality;
- Corporate Social Responsibility; and
- Bank Staff Indemnities

14 Review

This document is reviewed annually by Court and is circulated to senior management and the Internal Auditor.

Approved by Court 10 December 2018

⁹ 1998 Act: Section 5

Annex A**AUDIT AND RISK COMMITTEE**

Court resolved on 10 December 2018 to delegate powers and responsibilities to the Audit and Risk Committee (ARCO) and to specify other terms of reference in the terms set out below in substitution for all former powers, responsibilities and terms of reference of the Committee. Court sees ARCO's functions as having two separate areas of focus (risk matters and audit matters) with two separate meetings which are handled sequentially.

1 Constitution

A sub-committee of Court (to be known as the "Audit and Risk Committee") is created and constituted for the purposes set out below.

2 Membership

The Committee shall comprise not less than three Non-Executive Directors of Court. Court shall satisfy itself that at least one member of the Audit and Risk Committee has recent and relevant financial experience. Court shall appoint one of the members as Chair. If he/she is not present at any meeting, the members present shall elect one of their number to chair the meeting.

The Secretary of the Bank or a Deputy Secretary shall be the Secretary of the Committee.

3 Quorum

A quorum shall normally be three members. However, if only two members are present, the meeting will be quorate if the Chair of Court is present and supportive of the relevant decisions.

4 Meetings

Meetings shall be held at least four times a year. The Chair of Court (if not a member) shall normally be invited to attend all meetings. The Deputy Governors and the COO should attend meetings as required by the Chair of the Committee. The Finance Director, the Executive Director Markets, the Executive Director, Banking, the Executive Director, Risk and the Internal Auditor shall have access to the Committee at any time and shall normally attend the meetings. The Committee may invite other persons to attend or be present for particular agenda items as and when required.

One meeting each year will be arranged to tie in with the publication of the Annual Financial Report, allowing a reasonable period prior to a Court Meeting where accounts or financial statements are to be approved.

At least once a year the Committee shall also meet separately with the external auditors and, separately, with the Internal Auditor, and with the Executive Director, Risk, without any executive management present.

Once a year the Committee shall meet the Governor for a bilateral discussion and separately, if required by the Chair of the Committee, with the Deputy Governors.

The External Auditors and representatives of the National Audit Office (NAO) may attend those parts of the meeting that relate to audit matters, as set out in paragraph 6 below.

Any member of the Committee, or the Internal or External Auditors, may request a meeting if they consider it necessary.

5 Risk matters

The responsibilities of the Committee shall be to consider, and to report its conclusions and recommendations to Court as appropriate¹⁰.

The duties of the Committee shall be:

In relation to the risk management framework, and risk and control processes:

- (a) To review and report on the effectiveness of the Bank's risk management framework, risk management policies and systems of internal control, and to receive associated executive management attestations prior to their submission to Court;
- (b) To review regular reports on the Bank's risk profile, covering strategic, conduct, financial, operational and reputational risks, and that the Bank's risk profile is consistent with ensuring the delivery of its objectives. To evaluate the actions being taken by management to bring these risks within tolerance;
- (c) To assess reports from external and internal auditors in order to ensure that necessary standards of risk management are being applied and that appropriate action is being taken in relation to significant incidents.

In connection with fraud detection and reporting by staff of irregularities:

¹⁰ The Prudential Regulation Committee is responsible for monitoring any risks to meeting the PRA's statutory objectives. Operational risks will be shared with the Bank and will be incorporated within the Bank's risk reporting.

To review the Bank's arrangements for detecting and deterring fraud; and to review and approve the Bank's arrangements for its employees to raise concerns, in confidence, about possible fraud, breach of Bank rules and Codes, malpractice or misconduct in financial reporting or other matters ("speaking up") and to ensure that these arrangements allow proportionate and independent investigation and appropriate follow up action.

Other responsibilities

The Committee shall scrutinise a summary of the annual expenses of the members of Court.

6 Audit matters

The responsibilities of the Committee shall be to consider, and to report its conclusions and recommendations to Court as appropriate.

The duties of the Committee shall be:

In relation to the Annual Financial Report:

To monitor the integrity of the financial statements by:

- (a) reviewing the accounting policies and practices adopted in the preparation of the annual financial statements, including any proposed exercise of the power contained in s7(4) of the Bank of England Act 1998 to disregard relevant Companies Act requirements, and to satisfy itself that, where applicable, the appropriate policy has been adopted;
- (b) reviewing the annual financial statements before submission to Court, with particular attention to: the major judgmental areas and estimates; findings of the external auditors, including significant adjustments resulting from the audit; and the adequacy of the disclosures made.

In relation to the external auditor:

- (a) To oversee the selection process for new external auditors; to consider and approve the letter of appointment of the external auditor;
- (b) To consider and make recommendations to Court on the appointment, reappointment, removal, terms of engagement and audit fee of the external auditor;
- (c) To keep under review the relationship with the external auditors, ensuring that key partners are rotated at appropriate intervals and taking into account relevant UK professional and regulatory requirements and ethical guidance;

- (d) To resolve any disagreements between management and the external auditors regarding financial reporting;
- (e) To review and approve the Bank's proposed Letter of Representation to the auditors before final approval by and signature on behalf of Court;
- (f) To discuss with the external auditor, before the audit commences, the nature and scope of the audit and confirm that the scope reflects the terms of the engagement letter;
- (g) To review the findings of the audit with the external auditor, in the absence of management where necessary.
- (h) To review the external auditor's management letter and any other findings together with management's response;
- (i) To pre-approve any non-audit services to be delivered by the external auditor (subject to any delegation to the Finance Director) and the related remuneration; to assess the extent to which non-audit services are provided by the external auditor to the Bank and the associated fees and to judge whether there is an appropriate balance;
- (j) To consider any appointments which the external audit partner may be invited to take up to ensure that there is no conflict with the Bank; to agree with Court and monitor the Bank's policy for the employment of former employees of the external auditor;
- (k) To investigate the issues and to recommend to Court appropriate actions in the event that the external auditor resigns;

In relation to the internal auditor:

- (a) To consider and approve the remit and resources of the internal audit function and disclose in the Annual Report whether the Audit & Risk Committee is satisfied that the internal audit function has appropriate resources;
- (b) To ensure that the internal audit function has adequate standing and sufficient access to information to perform its function effectively and in accordance with the relevant standards;
- (c) To ensure that the Head of Internal Audit has direct access to the Committee;
- (d) To review and approve the annual internal audit plan and any material change or delay in the plan;
- (e) To consider any major findings arising from internal audit's work and to review and monitor management's responsiveness to the internal auditor's findings and recommendations;

- (f) To monitor and review the effectiveness of the internal audit function;
- (g) To approve the appointment or dismissal of the Head of Internal Audit;
- (h) The Chair of the Committee is accountable for setting the objectives and appraising the performance of the Head of Internal Audit taking account of the views of Executive Management;
- (i) The Chair of the Committee is responsible for recommending the remuneration of the Head of Internal Audit to the Remuneration Committee.

In relation to the National Audit Office (NAO):

- (a) To liaise with the NAO as auditor the Bank of England Asset Purchase Facility (BEAPF) and any other Bank subsidiaries indemnified by HM Treasury;
- (b) To monitor and implement the arrangements set up in relation to the NAO under S7ZA of the Bank of England Act 1998 (as amended by the Bank of England and Financial Services Act 2016), including those set out in the 2016 MoU between the NAO and the Bank and any successor document, and any Letter of Understanding relating to the NAO's audit functions.

7 Reporting procedures

The Committee's recommendations shall be reported to Court by the Chair or in his/her absence by another Committee member at relevant meetings.

Except with the agreement of the Committee, all meetings of the Committee shall be minuted. The Committee shall produce an annual report for Court and shall report on its activities in the Bank's Annual Report and Accounts.

8 Conflicts of interest

If any Committee member has any direct or indirect interest (including any reasonably likely future interest) in any business of the Committee, the member must disclose that interest to the Committee, and the Committee must decide whether the member is to be permitted to participate in any proceedings in Committee regarding the matter, and if so to what extent and subject to what conditions

9 Reviews of the Committee's terms of reference and effectiveness

The Committee shall, on at least an annual basis, review its terms of reference and its own effectiveness, recommending any changes it considers necessary to Court for approval.

Annex B**REMUNERATION COMMITTEE**

Court resolved on 10 December 2018 to delegate powers and responsibilities to the Remuneration Committee and to specify other terms of reference in the terms set out below in substitution for all former powers, responsibilities and terms of reference of the Committee.

1 Constitution

A sub-committee of Court (to be known as the “Remuneration Committee”) shall be created and constituted for the purposes set out below.

2 Responsibilities

It is the Committee’s responsibility to determine the remuneration of the Governor and Deputy Governors¹¹.

The Committee determines all matters relating to the remuneration, including pension benefits, of the COO and the Executive Directors.

The other responsibilities of the Committee shall be to consider, and – as appropriate – to report its conclusions and recommendations to Court:

- (a) all matters relating to the remuneration of external members of the MPC appointed under section 13(2)(c) of the 1998 Act;
- (b) all matters relating to the remuneration of external members of the FPC appointed under section 9B of the 1998 Act;
- (c) all matters relating to the remuneration of external members of the PRC appointed under Section 30(2)(g) of the 1998 Act;
- (d) major changes in remuneration structures within the Bank, including pension benefits, and other remuneration matters specifically referred to it by the Governor or by Court.

The Committee shall also approve in draft the remuneration report submitted to Court for inclusion in the Bank’s Annual Report.

3 Membership

The Committee shall comprise not less than four Non-executive Directors of Court. The Chair of Court (if not a member) shall be invited to attend all meetings. The Committee may invite other parties to attend meetings when appropriate.

¹¹ 1998 Act Schedule 1, para 14 (A1)

4 Quorum

Two or more members of the Committee shall constitute a quorum.

5 Meetings

Meetings shall be held as required, but at least once a year.

A member who is not present at a meeting but is in communication with a meeting is to be treated as present at it.

The Secretary (or a Deputy) shall be present and take minutes of each meeting of the committee which shall be recorded in such manner as the Secretary may decide.

6 Chair

Court shall appoint one of the members as Chair. If he/she is not present at a meeting for any reason the members present shall elect one of their number to chair the meeting.

7 Voting

Each member present or treated as being present at the meeting shall have one vote and all matters shall be decided on a simple majority vote. In the event of a tie, the chair of the meeting shall have a second casting vote.

8 Reporting Procedures

The Committee's recommendations shall be reported to Court by the Chair or, in his/her absence, by another Committee member at relevant meetings.

Annex C**NOMINATIONS COMMITTEE**

Court resolved on 10 December 2018 to delegate powers to the Nominations Committee, the constitution, membership, and responsibilities of which are as set out below.

1 Constitution

A sub-committee of Court (to be known as the “Nominations Committee”) shall be created and constituted for the purposes set out below.

2 Responsibilities

The responsibilities of the Committee shall be to consider and as appropriate make recommendations to Court on:

- (a) the appointment of the Chief Operating Officer, the Secretary, and the Internal Auditor, the latter after taking due account of the recommendations of the Chair of the Audit and Risk Committee;
- (b) the removal from office of a member of Court (which requires the consent of the Chancellor of the Exchequer);
- (c) whether likely conflicts of interest are sufficiently severe to prevent a Member of Court continuing to serve as such;
- (d) nominations to HM Treasury of suitable candidates for appointment or re-appointment as Members of Court;
- (e) appointment of individuals to represent the Bank on the Board of the Corporate Trustees of the Staff Pension Fund and the appointment of the Chair of that Board;
- (f) any recommendations to be made to the Chancellor of the Exchequer as to who should chair meetings of Court in the absence of the Chair;
- (g) appointment to Court Committees;
- (h) succession plans prepared by the Bank with particular regard to those appointments for which Court approval is required (see above).

3 Membership

The Committee shall comprise the Chair of Court and not less than two other Non-executive Directors. The Governor is entitled to attend all meetings. No Member of Court shall attend the Committee when matters for discussion relate to themselves.

4 Meetings

Meetings shall be held as required but at least once a year. The Committee may invite other parties to attend when appropriate.

A member who is not present at a meeting but is in communication with a meeting is to be treated as present at it.

The Secretary (or a Deputy) shall be present and take minutes of each meeting of the Committee which shall be recorded in such manner as the Secretary may decide.

5 Quorum

The quorum shall be two members present. A member who is not present at, but is in communication with a meeting is to be treated as present.

6 Chair

The Chair of the Committee shall be the Chair of Court or in his/her absence a Non-executive Director selected from any of those present.

7 Voting

Each member present or treated as being present at the meeting shall have one vote and all matters shall be decided on a simple majority vote. In the event of a tie, the Chair of the meeting shall have a second casting vote.

8 Conflicts of interest

If any member of the Committee has any direct or indirect interest (including any reasonably likely future interest) in any dealing or business which falls to be considered by the Committee he or she may be required to withdraw and be absent during the debate on any such dealing or business if the chair of the meeting decides that in the circumstances this is necessary or desirable.

9 Reporting Procedures

The Committee's recommendations shall be reported to Court by the Chair or in his/her absence by another Committee Member.

ANNEX D**TRANSACTIONS COMMITTEE**

Court resolved on 10 December 2018 to delegate powers and responsibilities to the Transactions Committee and to specify other terms of reference in the terms set out below in substitution for all former powers, responsibilities and terms of reference of the Committee.

1 Constitution

A sub-committee of Court (to be known as the “Transactions Committee”) is created and constituted for the purpose set out below.

2 Responsibilities

To advise the Governor, where the Governor determines that it is not practical to consult Court or seek Court’s approval, about any loan, commitment or other transaction which is not in the ordinary course of the Bank’s business.

As part of these responsibilities, the Transaction Committee is to advise the Governor about the formation, acquisition or disposal of a subsidiary of the Bank and the appointment of directors or officers to any such subsidiary either in connection with the exercise of the Bank’s powers and functions under Part 1 of the Banking Act 2009 or in connection with compliance by the Bank with any direction given to the Bank by HM Treasury under Part 4 of the Financial Services Act 2012.

3 Membership

The Committee shall comprise any two Non-executive Directors, one of whom must be the Chair of Court or a Non-executive Director designated by the Chair of Court.

4 Procedure

The Governors shall be entitled to attend all meetings of the Transactions Committee.

A member who is not present at a meeting but is in communication with a meeting is to be treated as present at it.

Subject to the foregoing, the Committee shall determine its own procedure.

The Secretary (or a Deputy) shall be present and take minutes of each meeting of the committee which shall be recorded in such manner as the Secretary may decide.

5 Conflicts of interest

If any member of the committee has any direct or indirect interest (including any reasonably likely future interest) in any dealing or business which falls to be considered by the committee he or she may be required to withdraw and be absent during the debate on any such dealing or business if the chair of the meeting decides that in the circumstances this is necessary or desirable.

6 Reporting Procedures

The proceedings of the Committee must be reported to Court no later than the next scheduled meeting.

Annex E**SEALING COMMITTEE**

Court resolved on 10 December 2018 to delegate powers and responsibilities to the Sealing Committee and to specify other terms of reference in the terms set out below in substitution for all former powers, responsibilities and terms of reference of the Committee.

Constitution and Membership

A sub-committee of Court (to be known as the Sealing Committee) be created and constituted for the purposes set out below.

1 Responsibilities

The Committee shall be empowered to make Orders for the affixing of the Seal of the Corporation of the Governor and Company of the Bank of England to any instrument requiring to be executed under seal which the Committee is satisfied should be so executed:

- (a) the affixing of the Seal shall be attested by the signature of:
 - any two Members of Court;
 - any Member of Court and any one of the Secretary, the Finance Director, the General Counsel, a Deputy Secretary, or the Manager of the Court Administration Section; or
 - any two of the Secretary, the Finance Director, the General Counsel, a Deputy Secretary and the Manager of the Court Administration Section
- (b) a record of all Orders of the Committee shall be kept in a book which shall be produced to Court at least twice yearly for inspection;
- (c) responsibility for the safe custody of the Bank's Seal is delegated to the Secretary of the Bank, who shall keep it in a secure place under lock and key.

2 Membership

Membership of the Sealing Committee shall comprise one or more Members of Court and any one of the Secretary, a Deputy Secretary, the Finance Director or the General Counsel.

Annex F**RTGS RENEWAL COMMITTEE**

Court resolved on 10 December 2018 to delegate powers and responsibilities to the RTGS Renewal Committee and to specify other Terms of Reference in the terms set out below.

1 Constitution

A sub-committee of Court, to be known as the RTGS Renewal Committee (“the Committee”), is created and constituted for the purposes set out in these Terms of Reference.

2 Responsibilities

The Committee will have responsibility for:

- (a) all matters, on behalf of Court, relating to the oversight of the RTGS Renewal Programme’s (“the Programme”) delivery, as a capital project in excess of £10mn which is reserved to Court under “Matters Reserved to Court”;
- (b) decisions on the overall scope of the Programme;
- (c) decisions on the financial management of the Programme, including the authorisation of funds for specific phases of the Programme, within the overall budget set by Court and taking account of value for money; and
- (d) decisions on the design and implementation of the procurement process for, and the appointment of, key suppliers for the RTGS Renewal Programme.

The Committee will report progress to Court on the Bank’s delivery of the Programme.

The Committee will make recommendations to Court on the overall budget for the Programme.

The RTGS/CHAPS Board (“the Board”), as a committee of the Bank, has delegated authority from the Governor for strategic decisions for the management and operation of the RTGS system and the CHAPS system. It is also responsible for ensuring that the CHAPS system meets the supervisory responsibilities of a systemically important payment system, as supervised by the Bank’s Financial Market Infrastructure Directorate. In the exercise of its responsibilities, the Committee will take into account the strategic decisions made by the Board, including the risk tolerance set for the RTGS system and the CHAPS system.

The Board has the right to escalate directly to Court any issue where it believes the Committee’s proposals or decisions would negatively impact the

Board's responsibilities, including for the end-to-end risk management of the CHAPS system.

The Committee will take, jointly with the Board, the final decision to go live with the implementation of, and transition to, the new RTGS system.

As part of its oversight of the Programme's delivery, the Committee will receive reports from the RTGS/CHAPS Board's Risk Committee, which has a complementary role to the Bank's first and second line oversight of programme risks and will monitor the delivery risks of the Programme relevant to its objectives.

3 Membership

The Committee shall comprise: two Court Non-Executive Directors (Court NEDs); Deputy Governor Markets & Banking (DGM&B); Chief Operating Officer (COO); and two independent members of the RTGS/CHAPS Board (one of whom is Chair of the RTGS/CHAPS Board Risk Committee), as nominated by DGM&B.

4 Quorum

The quorum shall be three members present, one of whom shall be DGM&B or the COO, one shall be a Court NED, and one shall be an independent member of the RTGS/CHAPS Board. A member who is not present at, but is in communication with a meeting is to be treated as present at it.

5 Meetings

The Chair may summon a meeting at any time on giving such notice as in their judgement the circumstances may require.

6 Attendance at Meetings

The following will attend and contribute to the Committee meetings, in non-decision-making capacity: Executive Director-Banking, Payments & Financial Resilience; Executive Director-Chief Information Officer; Executive Director-Finance; CEO CHAPS; the Programme Director and a representative of Legal Directorate. Others may attend by invitation.

7 Chair

The Chair of the Committee will be a Court NED. If the Chair is not present at any meeting for any reason, the deputy chair will be the other Court NED.

8 Voting

The person chairing the meeting must seek to secure that decisions of the Committee are reached by consensus wherever possible. Where that person forms the opinion that consensus cannot be reached, a decision is to be taken by a vote of all those members present at the meeting. If a vote is necessary, each member present or treated as being present at the meeting shall have one vote and all matters shall be decided on a simple majority vote. In the event of a tie, the Chair of the meeting shall have a second or casting vote.

9 Conflicts of Interest

If any member of the Committee has any direct or indirect interest (including any reasonably likely future interest) in any dealing or business which falls to be considered by the Committee, he or she must disclose that interest to the Chair and may be required to withdraw and be absent during the debate on any such dealing or business if the Chair of the meeting decides that in the circumstances this is necessary or desirable.

10 Minutes

The Secretary of the Bank or one of their Deputies shall be present and take minutes of each meeting of the Committee which shall be recorded in such manner as the Secretary may decide.

11 Reporting

Following Committee meetings a report on its proceedings will be made to the next meeting of Court. DGM&B will provide a report on its proceedings to the RTGS/CHAPS Board, which will also receive copies of the Committee's minutes.