

# Governance of the Bank of England including Matters Reserved to Court

Approved by Court in April 2024

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# Governance of the Bank of England

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## The Court of Directors

The Court of Directors (Court) manages the affairs of the Bank of England as a corporation, while specific policy responsibilities are reserved to the statutory policy committees (see below). Court's responsibilities are set out in the Bank of England Act 1998 as amended from time to time (the 1998 Act). 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 statutory policy committees, whose meetings the members of Court are entitled to attend as observers. It is supported by an Independent Evaluation Office; 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, Banking and Resolution; and Prudential Regulation. The Bank's Chief Operating Officer (COO) also attends meetings of Court. 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**

### **Monetary Policy Committee (MPC)**

The MPC consists of the Governor, the Deputy Governors for Monetary Policy, Financial Stability and Markets, Banking and Resolution, 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 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.

### **Financial Policy Committee (FPC)**

The 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 member from HM Treasury. The FPC contributes to the achievement by the Bank of its Financial Stability Objective primarily 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 FCA. As noted in [Section 6](#) of the Matters Reserved to Court, Court is required, at least every three years, to review the Bank's strategy in relation to the Financial Stability Objective; Court has delegated this function to the FPC.

### **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, Markets, Banking and Resolution, and Prudential Regulation, the Chief Executive of the FCA, a member appointed by the Governor with the approval of the Chancellor and at least six external members appointed by the Chancellor. 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 objectives it must act, so far as reasonably possible, to facilitate (i) effective competition in the relevant markets; and (ii) international competitiveness of the UK and its growth in the medium to long term, subject to aligning with relevant international standards. The PRA has a duty to maintain arrangements to supervise PRA-authorized firms.

## Financial Market Infrastructure Committee (FMIC)

The FMIC consists of the Governor, the Deputy Governor for Financial Stability, together with a number of other Bank members (including the Executive Director for FMI) and at least three independent members appointed by Court. The FMIC has responsibility within the Bank for exercising certain of the Bank's functions in relation to FMI, including rule- and policy-making relating to such entities, and their supervision. In exercising these functions in a way that advances the Financial Stability Objective the Bank must, so far as reasonably possible, act in a way which, as a secondary objective, facilitates innovation in the provision of FMI services with a view to improving the quality, efficiency and economy of the services.

## 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, among 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, the COO, Executive Directors and external members of the statutory policy committees). (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.](#))

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

## Other Committees

The Bank has formed an **Enforcement Decision Making Committee (EDMC)** 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; (3) Resolution and (4) the Scottish and Northern Ireland banknote issuance regime. The EDMC is a committee of the Bank, but members are 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 Sterling Overnight Index Average (SONIA) 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 COO, and has external as well as internal members.

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 live operation of the RTGS infrastructure and CHAPS payment system. The Governor has also constituted a **Renewal Executive Board (REB)**, a senior-level executive group responsible for the delivery of the RTGS Renewal Programme. REB is chaired by the Deputy Governor for Markets and Banking, and includes as members the COO, Chief Financial Officer, Chief Information Officer and the Executive Director for Payments. REB is responsible for overseeing the delivery, overall scope and financial management (within an overall budget determined by Court) of the RTGS Renewal Programme. REB works closely with the RTGS/CHAPS Board, and both report regularly to the Governor and Court.

The Governor has constituted a **Resolution Committee** to provide advice on the discharge of the Bank's responsibilities for resolution: decision-making authority rests with the Deputy Governor for Markets, Banking and Resolution unless explicitly reserved to the Governor (see [Section 6](#) of the Matters Reserved to Court).

## Indemnities

Members of the RTGS/CHAPS Board, the EDMC 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 11](#) of the Matters Reserved to Court.

## Pension fund

The Bank of England Staff Pension Fund was established by a Trust Deed dated 22 February 1934 and is now governed by a corporate Trustee, BE Pension Fund Trustees Ltd. Directors of the Trustee company are appointed by the Bank, and the Chair of Trustees by Court. Terms of Reference of the Trustee Board are in [Annex F](#).

## 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 they have been absent from meetings of Court for more than three months without consent, becomes bankrupt, or is 'unable or unfit to discharge their functions as a member' of Court.

## **Indemnities for members of Court**

Members of Court and the COO 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 have been 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 of interest**

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 statutory 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 His 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 and COO, 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 Regime](#).

## **Financial dealings**

The Governors, COO and non-executive directors are subject to the Bank’s rules on personal financial transactions. This includes making an annual disclosure of all assets and liabilities, and obtaining the Bank’s consent before undertaking relevant transactions.

## **Gifts and entertainment**

A Director must 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 their 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.

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 statutory policy committees, or receiving papers prepared for such meetings.

## **Personal relationships**

A Director must 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 in relation to conflicts of interest**

The 1998 Act<sup>[1]</sup> 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.

### **New appointments & reporting**

On appointment, and subsequently in January 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 14 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.

In the interests of transparency, the Bank maintains a [public register of interests for members of Court and the statutory policy committees](#).

### **Effectiveness of Court**

The Chair of Court will undertake periodic reviews of Court's effectiveness, and with the approval of Court may commission external advice.

# Matters Reserved to Court

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## 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, the FMI functions of the FMIC,<sup>[2]</sup> and the Bank's functions as the Prudential Regulation Authority, which must be exercised by the PRC.<sup>[3]</sup>

## 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 framework<sup>[4]</sup> as updated from time to time;
- approval of the Bank's annual operating and capital expenditure budgets (including any associated business plans) and any material changes to them;
- within the budget framework, approval of any individual project or contract with a budget in excess of £10 million, and of any subsequent material increase to that budget; and
- approval of the Bank's risk tolerance and of its framework for monitoring and managing risk.

### 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 any regional branches, agencies, and other offices, 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](#)); and
- setting or changing any Codes of Conduct for Bank staff and members of the Committees. (See [Section 14](#).)

### 4: Monetary policy

The 1998 Act established the MPC and the Bank's monetary policy objectives, including in relation to price stability. The price stability objective is set by the Chancellor of the Exchequer 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 three 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 (although Court retains its responsibility for this function).<sup>[5]</sup>

Court may also specify certain functions of the Bank are discharged by the FMIC, and has specified that the functions of the Bank related to the supervision of FMI are discharged by the FMIC.

### 6: Resolution

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. Decision-making authority rests with the Deputy Governor for Markets, Banking and Resolution, as advised by the Resolution Committee, unless explicitly reserved to the Governor. Any commitment of the Bank's resources to support a resolution requires the approval of Court.

## 7: Market and balance sheet operations

Court approves the objectives of the Sterling Monetary Framework (SMF) and also any change to the frameworks for monetary policy or liquidity insurance that may result in a material increase in the risk exposure of the Bank. Court receives and approves for publication an annual report on the operation of the SMF.

Court has separately agreed and published a set of [principles of engagement](#) which set out when it will be engaged with operations concerning the Bank's balance sheet (including the role of the Transactions Committee).

## 8: Appointments

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

Non-executive directors are appointed by the Crown. The designation of the Chair of Court and one or more Deputies from among the appointed members is a matter for the Chancellor.

The following matters are reserved to Court:

- the appointment of the chair, the additional Bank members, and at least three independent members, of the FMIC;
- the appointment of the COO, Executive Directors, the Secretary and the Internal Auditor;
- the removal from office of a member of Court or an external member of a policy committee in the circumstances specified in the 1998 Act<sup>[6]</sup> (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; and
- 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.

## 9: Remuneration

Remuneration Committee (RemCo) determines the remuneration of the Governors,<sup>[7]</sup> the COO and the Executive Directors, and advises Court on the remuneration of external members of the FPC, the MPC, the PRC and FMIC.

For Terms of Reference of RemCo, see [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 Exchequer.<sup>[8]</sup>

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

- the efficacy and equity of employment grading and reward practices within the Bank, including pension benefits;
- 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 and other staff benefits; and
- the agreement to contributions to the Bank's Pension Fund.

## **10: 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. For Terms of Reference of the Transactions Committee, see [Annex D](#).

## **11: 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, the COO, members of the MPC, FPC, PRC, FMIC, RTGS/CHAPS Board, EDMC and SONIA Oversight Committee 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.

## **12: 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.

## **13: Secretarial**

### **The Seal**

The Bank's Seal may be applied only in accordance with the 1998 Act<sup>[9]</sup> and subject to the approval of Court. The power to authorise the sealing of documents has been delegated to the Sealing Committee.

For Terms of Reference of the Sealing Committee, see [Annex E](#).

## **14: 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;
- Personal financial transactions policy for staff and committee members;
- diversity and equality;
- corporate social responsibility; and
- Bank staff indemnities.

## **15: Review**

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



# Committees of Court, Terms of Reference

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## Annex A: Audit and Risk Committee

Court has resolved 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 they are not present at any meeting, the members present shall elect one of their number to chair the meeting.

The Secretary of the Bank (or an alternate designated by the Secretary) shall be present and take minutes of each meeting of the committee which shall be recorded in such manner as the Secretary may decide.

### 3: Quorum

A quorum shall normally be three members.

### 4: Meetings

Meetings shall be held at least five times a year. The Chair of Court shall normally be invited to attend all meetings. The Deputy Governors and the Bank's Chief Operating Officer (COO) should attend meetings as required by the Chair of the Committee. The Finance Director, the Executive Director, Risk and the Internal Auditor shall attend the meetings as required by the Chair of the Committee. The Committee may invite other persons to attend 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 the Internal Auditor, the Executive Director, Risk, and the Chief Financial Officer 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, the Deputy Governors and COO.

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 [Section 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 appropriate.<sup>[10]</sup>

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

- a. To review and report on the effectiveness of the Bank's risk management framework, risk management policies and internal control systems, and to receive associated executive management attestations prior to their submission to Court;
- b. To review regular assessments of the Bank's risk profile, covering emerging and principal risks, and to assess whether the Bank's risk profile is consistent with ensuring the delivery of its objectives;
- c. To evaluate the actions being taken by management to manage or mitigate risks or bring them within tolerance;
- d. To review reports from the external and internal auditors in order to assess 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:**

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.

### **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 section 7(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; and
- 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; the adequacy of the disclosures made; and whether the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable.

### **In relation to the external auditor:**

- a. To oversee the selection process for the external auditors; to consider and approve their letter of appointment;
- 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; the external auditor's independence and objectivity; and the effectiveness of the external audit process;
- d. To resolve any disagreements between management and the external auditors regarding financial reporting;
- e. 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;
- f. To review and approve the Bank's proposed Letter of Representation to the auditors before final approval by and signature on behalf of Court;

- 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 Chief Financial Officer) 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 approve the appointment of any member of staff to the Bank who was previously employed by the external auditor and directly or indirectly involved in the Bank audit;
- 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 and 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 Head of Internal Audit is a direct report to the Chair of the Committee. In this regard, 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; and
  - 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 and any other Bank subsidiaries indemnified by HM Treasury;
- b. To monitor and implement the arrangements set up in relation to the NAO under section 7ZA 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 Memoranda of Understanding 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 their 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 has resolved 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 Governors.[11]

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. all matters relating to the remuneration of independent members of the FMIC appointed under section 30F(2)(b) of the 1998 Act;
- e. any proposals to be made to Court that fall under **Section 9** of the Matters Reserved to Court[12] and any other matters specifically referred to it by the Governor or by Court;
- f. the terms of the Bank's redundancy scheme; and as part of that, the agreement of the Committee is required for any payment on leaving the Bank in excess of £95,000; and
- g. matters relating to pay and total reward for Bank staff.

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 three 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.

### **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 an alternate designated by the Secretary) 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 they are 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 their absence, by another Committee member at relevant meetings.

## **Annex C: Nominations Committee**

Court has resolved 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 Bank's Chief Operating Officer (COO), the Secretary, the independent members of the FMIC, 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 reappointment 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 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 [Section 8](#) of the Matters Reserved to Court); and
- i. matters relating to the Bank's culture, such as Diversity, Equity and Inclusion, and aspects of the Bank's strategy for people (e.g., Employee Value Proposition, Leadership Development and Skills).



### **3: Membership**

All Court non-executive directors are members of NomCo. 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 three times a year, and as required. 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 an alternate designated by the Secretary) 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.

### **6: Chair**

The Chair of the Committee shall be the Chair of Court or in their 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 their absence by another Committee member.

## **Annex D: Transactions Committee**

Court has resolved to delegate powers and responsibilities to the Transactions 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 '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 Transactions 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.

Court has separately agreed and published a set of [principles of engagement](#) which set out when it will be engaged with operations concerning the Bank's balance sheet (including the role of the Transactions Committee).

### **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 an alternate designated by the Secretary) 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 12 July 2022 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.

### **1: 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.

### **2: 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, the Deputy Secretary, or the Adviser in the Court Secretariat; or
  - any two of the Secretary, the Finance Director, the General Counsel, the Deputy Secretary and the Adviser in the Court Secretariat;
- 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; and
- 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.

### **3: Membership**

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

# **Annex F: Bank of England Staff Pension Fund – The Trustee Board**

## **1: Constitution**

The Bank of England Staff Pension Fund (the Fund) is a defined benefit scheme established under trust and with a Corporate Trustee, Bank of England Pension Fund Trustees Ltd (the Trustee Company). Directors of the Trustee Company have the same responsibilities toward the Fund as they would have if they were individual trustees and are referred to in this document as Trustees, and collectively as the Trustee Board.

## **2: Membership**

Trustees may be appointed by the Bank as sponsoring employer, but at least one third of the Trustees must be member-nominated, selected in accordance with the provisions of section 242 of the Pensions Act 2004.

## **3: Chair and Deputy Chair**

The Bank's Court of Directors appoints one of the Bank-appointed Trustees as Chair of the Trustee Board. The Trustee Board may appoint a Deputy Chair to act in the Chair's absence. In the absence of both Chair and Deputy Chair the Trustees may select one of their number to chair a meeting.

## **4: Meetings**

Meetings shall be held as required but at least four times a year.

## **5: Procedure at meetings**

The Trustee Board may determine its own quorum, and has determined that the quorum is three members to include at least one member-nominated Trustee.

A Trustee joining a meeting by telephone shall be treated as being present.

The Secretary (or an alternate designated by the Secretary) shall be present and take minutes at each meeting, which shall be recorded in such manner as the Secretary may decide.

Each member present at a meeting shall have one vote and all matters are to be decided on a simple majority vote. In the event of a tie the chair of the meeting shall have a second casting vote.

## **6: Sub-committees**

The Trustees may appoint sub-committees to help the Trustee Board to discharge its responsibilities.

Two such sub-committees have been formed – the Investment sub-committee and the Administration and Governance sub-committee.

## **7: Responsibilities of Trustees**

Trustees must act within the framework of the law – both the general law of trusts and specific law applying to pension schemes, including the 1995 and 2004 Pensions Act. These are supported by guidance and codes of practice issued by the Pensions Regulator.

The main responsibilities of the Trustees are:

- To act in accordance with the Trust Deed and Rules of the Fund.
- To act prudently, impartially and honestly in the best interests of all scheme beneficiaries – active members, pensioner members, deferred members and contingent members – and subject to that, of the employer.
- To appoint a Secretary, suitable professional advisers, custodians and operational contractors, and to keep their performance under annual review.
- To ensure that accurate records are maintained of all members and to meet the Pension Regulator's standards for data compliance.
- To ensure that benefits are paid in accordance with the Fund's Rules when due with appropriate accounting to HM Revenue and Customs for tax liabilities.
- To ensure that all Fund levies are paid and all annual returns (to the Pensions Regulator and Companies House) within the stipulated deadlines.
- To formulate and implement an appropriate investment strategy for the Fund's assets, in consultation with the Bank as principal employer.
- To ensure that full and proper accounts are prepared, audited and approved within the statutory time frames.

## **8: Conflicts of interest**

If any member has any direct or indirect interest in a matter to be discussed or decided by the Trustee Board they must declare it and if the chair of the meeting thinks it desirable they should withdraw from the meeting.

The fact that a Trustee is also a beneficiary or prospective beneficiary of the Fund is not in itself a conflict of interest.

## 9: Indemnity

Under a provision of the Trustee Company's Articles of Association, Trustees have been indemnified against any liability loss or expenditure incurred by them in defending any civil or criminal proceedings in relation to anything done or not done as a Trustee, provided there is no finding of negligence, default, breach of trust or breach of duty.

## 10: Review

At least once every three years, the Trustee Board must appoint a person (who may be a Trustee other than the Chair) to review and report on its own performance.

These terms of reference should be reviewed by the Trustees at the same time as it receives such a report.

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1. 1998 Act Schedule 1 paragraphs 13(4) and (5).
  2. Sections 30D(3) and 30G(1)(a) of the 1998 Act.
  3. Sections 2(1) of the 1998 Act and 2A(2) of the Financial Services and Markets Act 2000.
  4. 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.
  5. 1998 Act Schedule 1 paragraph 11(3).
  6. 1998 Act Schedule 1, paragraph 8; Schedule 2A, paragraph 9; Schedule 3, paragraph 9; and Schedule 6A, paragraph 9.
  7. 1998 Act Schedule 1, paragraph 14(A1).
  8. 1998 Act Schedule 1, paragraph 15.
  9. Section 5 of the 1998 Act.
  10. The Prudential Regulation Committee is responsible for monitoring any risks to meeting the Prudential Regulation Authority's statutory objectives. Operational risks will be shared with the Bank and will be incorporated within the Bank's risk reporting.
  11. 1998 Act Schedule 1, paragraph 14 (A1).
  12. '...the efficacy and equity of employment grading and reward practices within the Bank, including pension benefits; 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 and other staff benefits; and the agreement to contributions to the Bank's Pension Fund.'