

COMMITTEE OF TREASURY

MINUTE BOOK

83

COMMITTEE OF TREASURY

THURSDAY 5 JANUARY 1984

Present

THE GOVERNOR
SIR JASPER HOLLON
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved.

Sec 1
CT 70.03
Office file

The Governor spoke to the Committee about the announcement to be made later that day about three appointments and a reappointment to the Court. He acknowledged his own, and the Court's, particular debt to Sir Jasper Hollon.

Sec 1
CT 70.03
CT 229
CT 60.01
Office file

Referring to the new Directors, he mentioned that it was the intention that Mr Galpin should become an Executive Director and assume Mr Blunden's existing responsibilities for Operations and Corporate Services, but not for Banking Supervision: Mr W P Cooke would have full directorial responsibility to the Governors for that subject. As an Associate Director, he would attend Court regularly (with effect from 1 March), as would Mr J S Flemming. The status of Mr Brian Quinn, an Assistant Director, would also be clarified by the proposal to entitle him formally as Head of the Banking Supervision Division.

CT 60.01
Office file

The Committee concurred with the Governor's suggestion that Mr Blunden should join their Meeting at this point, and he explained the proposals for three senior staff appointments that were consequential on Mr Galpin's elevation to the Court.

Sec 1
CT 70.03
Office file

It was accordingly agreed to recommend to the Court of Directors, pursuant to Clauses 11(2) and 12 of the Charter of 1 March 1946 and with effect from 1 March 1984 -

[Signature]

(1) That the exclusive services of Mr R D Galpin be engaged during his term of office as a Director and that he be entitled to the benefit, insofar as it may apply to his case, of the Scheme approved by the Court on 23 November 1978 for the payment of pensions etc to those Members of the Court rendering it exclusive service.

(2) That the remuneration payable to Mr Galpin in respect of his exclusive services be at the rate of £52,000 a year.

It was also agreed to recommend to the Court that the responsibilities to be assumed by Mr Galpin should cover, broadly, Operations and Corporate Services; that the responsibilities of Mr W P Cooke, an Associate Director, should be extended to cover those at present undertaken by Mr Blunden in respect of Banking Supervision; and that Mr Brian Quinn, an Assistant Director, should also hold the title of Head of the Banking Supervision Division.

It was further agreed to recommend to the Court that the following appointments be made with effect from 1 March 1984 -

H C E HARRIS	to be Chief of Corporate Services,
A Deputy Chief of	on Point A
Corporate Services,	
Scale 11b	

J A PENNY	to be Divisional Chief of Corporate
The Auditor,	Services for the Premises Division,
Scale 9	on Point C

L G LLOYD	to be The Auditor
An Adviser,	
Financial Supervision -	
General Division,	
Scale 9	

In relation to Mr Penny's appointment to succeed Mr Harris, the question was raised of the Managing Directorship of B E Services Ltd. It was explained that the matter had not yet been resolved.



In further discussion, the availability of suitable industrialists as candidates for the Direction was mentioned, and it was suggested that a Panel of Industrial Consultants might be established by the Bank on broadly the same lines as the existing Panel of Academic Consultants, but meeting less frequently. Such an arrangement could in itself be of use to the Bank, but it would also help the Governors to identify potential Directors. It was agreed that consideration should be given to the proposal.

A. J. L. Llanes

Secretary of the Bank

COMMITTEE OF TREASURY

THURSDAY 12 JANUARY 1984

Present

THE DEPUTY GOVERNOR
 LORD NELSON
 SIR JASPER HOLLON
 SIR ADRIAN CADBURY
 SIR HECTOR LAING
 SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved.

With reference to a Minute of 23 June 1983, the Deputy Governor spoke to the Committee about a note from Deloittes setting out terms of reference and estimated costs for trial runs of "value for money auditing" in the Bank. It was proposed that these would be carried out in the Financial Statistics Division and the Dividend Office, as being reasonably self-contained areas and thus suitable for the experiment. After a discussion about the value of such audits to the Bank over and above the arrangements already in existence for audits, internal and external, and for ensuring efficiency and budgetary control, the Committee consented to the experiment being conducted as proposed.

The Deputy Governor also gave a brief explanation of two matters which he might wish to discuss with Court in more detail at a later stage. One concerned an impending meeting with the Chancellor of the Exchequer about monetary targets; the other was the question of British bank lending to Argentina.

A. J. R. Williams
 Secretary of the Bank

COMMITTEE OF TREASURY

THURSDAY 19 JANUARY 1984

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

—

The Minutes of the last meeting, having been circulated, were approved.

A Report of the Staff Committee covering the Chief of Corporate Services' Review of Salary Policy and Fringe Benefits was laid before the Committee but was passed forward without discussion to the Court.

CT 57
Alma Gle

With reference to a Minute of 23 June 1983 the Deputy Governor gave a detailed exposition of the research project on the site and neighbourhood of the Bank, as being part of a wider series of historical investigations into particular areas of the City that were being undertaken by Dr Derek Keene under the auspices of the Institute of Historical Research of the University of London. The Deputy Governor confirmed his belief, and reported that the Governor shared his view, that it was right for the Bank, exceptionally, to take a prominent role in supporting the project and to encourage its neighbours to do so too. That course could also be appropriately associated with the Bank's forthcoming celebration of its 250 years on the Threadneedle Street site. Agreement had been reached with the promoters of the project on the 19 institutions in the area which it seemed worthwhile to approach for financial contributions to

sh

the target sum of about £110,000. The aim would be to limit the Bank's own contribution to no more than one-fifth or one-sixth of the total, and it might well be possible to come through with a lower figure of, say, £10,000 as a lump sum. It would be the intention to seek to graduate the contributions of the other institutions to their relative size and importance. The Deputy Governor added that he proposed to send letters supporting the project to each of the 19 institutions, and that the Bank would also assist by receiving and investing the contributions on behalf of the Institute. After a short discussion, the Committee agreed with the Deputy Governor's proposals for the Bank's participation in financing the project.

The Deputy Governor spoke further to the Committee about two matters he had raised the previous week. He noted that since the outcome of the meeting with the Chancellor of the Exchequer had been satisfactory, he would not wish to take that matter with the Court until a later stage; and, as regards the question of the participation of British banks in a loan to Argentina, he proposed to explain developments to the Court later that morning.

P. E. J. J. J. J.
Assistant Secretary.

COMMITTEE OF TREASURY

THURSDAY 2 FEBRUARY 1984

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLON
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved.

CT 60 01
The Deputy Governor said that he wished to raise with the Committee a matter of concern expressed by Scale 12s over the introduction of Salary Points for senior staff and mentioned that the Governor was aware of what he was going to say and had agreed that the matter might be raised in his absence. The Committee concurred with the Deputy Governor's suggestion that Mr Blunden should join the Meeting.

CT 60 01
The Deputy Governor recalled that three fixed Salary Points had been introduced some months ago to replace the existing Scales 11a, 11b and 12. He had written to all those on the existing Scales and they had been invited to transfer to the new Points. A letter had subsequently been received from the senior Scale 12, Mr M J Balfour, expressing concern on behalf of those affected, on three counts -

- 1 There had been a lack of adequate consultation over the introduction of the new arrangements.
 - CT 60 01
2 There was a loss of financial benefit by the removal of the discretionary biennial increases available for those on Scale maxima.
 - 3 Fixed Salary Points were inappropriate for the senior staff concerned.
- L*

CT 60.01

Mr Balfour had indicated that he wished his letter to be laid before the Committee and before the Court.

CT 60.01


The Deputy Governor now accepted that it would have been appropriate for those on Scale 12 to have been given an opportunity to express their views on the new arrangements before they were announced, and the Deputy Governor had apologised to the Scale 12s for this omission.

CT 60.01

On the second point, he had explained to them that the intention embodied in the 1979 reclassification was that the granting of biennial increases to those at the top of their salary Scales should be discretionary. He accepted that some confusion over this had been created by a Notice issued in 1981 by the Corporate Services Department which failed to mention the discretionary element. Nevertheless he did not accept that prospects had been materially affected since the new arrangements retained the possibility of giving personal supplements. This applied to those remaining on the existing Scales as well as to those on the new Points; this, though always intended, had not been made explicitly clear in the announcement of the new scheme, and the ambiguity might have contributed to the dissatisfaction expressed in Mr Balfour's letter.

CT 60.01

On the third matter it was perfectly reasonable for the staff concerned to question the appropriateness of the fixed point salary system. An argument could doubtless be mounted on both sides. But the new proposals could be represented as a return to the practice of the recent past. Scales had been introduced at these levels only a few years ago. The Committee of Treasury and the Court, advised by Sir Adrian Cadbury and Lord Benson, had taken the view that the existing scales were unsatisfactory and that fixed points were more appropriate at this level and fitted better between the remuneration of Executive Directors, who were on fixed scales, and those on Scale 9. He saw no reason to ask the Committee of Treasury to change that view.




CT 60.01
He had benefited from Mr Blunden's comments on Mr Balfour's letter, and Mr Blunden confirmed his agreement with the Deputy Governor's comments. At the Deputy Governor's invitation he advised the Committee that a number of those on Scales 11a and 11b had exercised the option offered to them to transfer to the new Points and that the dissatisfaction expressed was not being manifested in the current discussions on this year's Annual Review.

CT 60.01
After further discussion, during which the point was made that expectations could not be considered to be rights, Members of the Committee said that they did not wish to read Mr Balfour's letter, nor papers commenting on it. It was agreed, however, that the letter and the associated papers should remain on the Secretary's confidential files so that they could be consulted at some future stage should the need arise. It was considered that the matter was one for the Bank's internal administration and seemed now to have been concluded satisfactorily; it was therefore agreed that there was no need to raise the matter with the Court.

CT 219
CT 73
Office file
The Deputy Governor then introduced a Report of the Securities Committee and, with the agreement of Members, Sir Robert Clark attended for this item. It was also agreed that Mr Blunden should remain.

CT 219
CT 73
Office file
Sir Robert Clark explained that the Securities Committee had considered the question of the management of the Pension Fund's investments and whether the investments should continue to be managed in the Bank or not. The Committee had concluded that the present in-house system should continue, but that the management should be strengthened. Although there was no criticism of the present Manager and the present investments, too much responsibility was vested in one man in view of the size of the Pension Fund. There was a need to build up the staff of, and the expertise in, the Investment Unit and to increase senior supervision of it. He explained how the Committee thought this should be done.



CT 219
CT 73
Office file

The Deputy Governor reported that the Securities Committee's recommendations commended themselves to the Governor and it was proposed to seek the recruitment of an experienced investment manager who would be Co-Manager with the existing Manager and would succeed him in due course. Consideration would also be given to the training of a suitable No 3, who, it was hoped, would be drawn from the Bank's existing staff and who would be expected to make his career in this work. Closer overall management of the Fund's investments would be achieved by the formation of an Advisory Committee, to be chaired by Mr Blunden, with Mr Drake (the Chief Registrar) and two representatives from Merchant Banks (instead of three, as now) as Members, in addition to the management. The Committee would supervise performance as well as act in an advisory capacity and would meet monthly. It was felt that the composition of the Committee would obviate the problems associated with insider dealings. The Merchant Bank advisers would be paid a fee.

CT 219
CT 73
Office file

In the ensuing discussion, the difficulty of securing the right man to act as Co-Manager with the Investment Manager was stressed. There could be problems over salary levels and it was recognised that it might be necessary to introduce special scales for those employed in the Investment Unit.

CT 219
CT 73
Office file

The Committee were content with the proposals and it was agreed that the Report of the Securities Committee should be submitted to the Court.

P. E. Townshend
Assistant Secretary.

COMMITTEE OF TREASURY


THURSDAY 9 FEBRUARY 1984

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

CT 60.01
The Minutes of the last Meeting, having been circulated, were approved and it was agreed that an extract of the item concerning the introduction of Salary Points for senior staff should be circulated to those on Scale 12.

CT 60.01
Arising from the Minutes, and at the Governor's invitation, the Deputy Governor explained that it was proposed to issue a briefing note to management about the changes. This would indicate the underlying principle that future appointees to senior management jobs should not expect to be necessarily appointed to the same three fixed points as their predecessors. The briefing would contain a list of the present jobs in the senior management category and would show the minimum level at which the posts would be filled; some posts at present held by people on senior scales might carry a minimum level below that of Senior Official. Nevertheless, new appointments would not necessarily be made at the minimum level and consideration would be given to -


- CT 60.01
- (a) the need to provide an increase in salary on promotion;
 - (b) the hierarchical structure which the individual would be administering;
 - (c) the age, particular qualities and experience of the individual;
 - (d) the current demands of the job.
- 

CT-60.01 All appointments, and promotions from one fixed point to another, would be subject to the agreement of Committee of Treasury and Court. The new fixed salary points would be paid without the addition of the Town Allowance and would not attract increments. Nevertheless, over and above the possibility of promotion to a higher fixed point, in another or the same job, personal salary might be awarded to those markedly qualified by merit and worth to the Bank. Such awards would be a matter of discretion with no element of entitlement attached to them, would coincide with the Annual Review and would require the specific sanction of Committee of Treasury. The salaries of Senior Officials would continue to be reviewed in conjunction with any annual settlement within the bargaining unit.

CT-60.01 It was not intended to promulgate movements from one fixed salary point to another or awards of personal salary. Nevertheless, new appointments to the Senior Management Structure would be formally announced to the Staff, as would any other changes of title.

CT-60.01 There had been full consultation with the Executive Directors and with the Scale 12s over the proposals and, with the exception of the minimum salary scale proposed for the Head of the Industrial Finance Division, there had been general agreement. It was recognised that the new structure contained the potential for reducing the level of remuneration for senior jobs although it was agreed that there would be an increase in salary on promotion.

CT-60.01 The Committee expressed their agreement with the arrangements and the Deputy Governor went on to describe the proposals for the Annual Review, based on the new system.



It was agreed to recommend to the Court of Directors that the following appointments be made with effect from 1 March 1984:

██████████
A Deputy Head of
Banking Supervision,
on Scale 11a

to Point B

B S P GENT (52)
A Deputy Head of
Banking Supervision,
on Scale 11a

to Point B

CT 60-01

R H GILCHRIST (52)
An Adviser,
Territorial Division,
on Scale 11a

to be a Senior Adviser, Territorial
Division on Point B

IAN PLENDERLEITH ██████████
Head of Gilt-Edged
Division,
on Scale 11a

to Point B

██████████
An Assistant Chief
of the Banking
Department,
on Scale 9

to be a Chief Manager in the
Banking Department, on Point C

██████████
Adviser, Industrial
Finance Division,
on Scale 9

to Point C

██████████
Assistant Chief of
Corporate Services
(Personnel),
on Scale 9

to be Divisional Chief of Corporate
Services for Personnel, on Point C

CT 60-01

██████████
On Secondment to the
National Economic
Development Office
on Scale 8

to Scale 9, at a basic salary
of ██████████

██████████
On Secondment to the
Hong Kong Government,
on Scale 8

to Scale 9, at a basic salary
of ██████████

L

CT 60.01

The Committee then agreed with the following recommendations for Personal Awards of Salary -

<u>Scale 12</u>	<u>Personal Award</u>	<u>Total Basic Salary at 1. 3.84</u>
M J BALFOUR	£2,000	£48,634
C A E GOODHART		
L A DICKS-MIREAUX	1,000	42,571

CT 60.01

CT 223

CT 221

CT 224

CT 213

Office file

The Governor spoke to the Committee about certain changes in the proposed composition of the Bank's subsidiary companies etc, and it was agreed to recommend to the Court of Directors that with effect from 1 March 1984 -

CT 223.
Office file

1 MR GEORGE BLUNDEN shall replace SIR JASPER HOLLOM as a Director of Bank of England Nominees Limited. The Board will then be MR C W McMAHON and MR BLUNDEN.

CT 221

2 MR BLUNDEN, who is already a Director, shall become Chairman of Slater, Walker Limited, in place of SIR JASPER HOLLOM, and MR D J MALLETT shall become a Director. The Board will then be MR BLUNDEN, MR A L COLEBY, MR MALLETT and MR D J THOMASON (Hambros Bank).

CT 224

3 MR BLUNDEN shall retire from the Board of BE Services Limited and MR J A PENNY shall become a Director. The Board will then be SIR HECTOR LAING (Chairman), MR R D GALPIN, MR H C E HARRIS, MR J G DRAKE, MR PENNY (Managing Director), and MR B T WATTS.

CT 213
Office file

4 MR BLUNDEN shall retire from the Council of the Foundation for Management Education and be replaced by MR GALPIN.

CT 223

CT 221

CT 224

CT 213

Office file

It was also agreed to recommend to the Court of Directors that with effect from 1 March 1984 and pursuant to Section 139 of the Companies Act 1948, and until otherwise resolved by the Court of Directors -

CT 223.
Office file

1 MR C W McMAHON or failing him MR GEORGE BLUNDEN be authorised to act as the representative of the Governor and Company of the Bank of England at any Meeting of Bank of England Nominees Limited.

- CT 221 2 MR GEORGE BLUNDEN or failing him MR A L COLEBY or failing him MR D J MALLETT or failing him MR D J THOMASON (Hambros Bank) be authorised to act as the representative of the Governor and Company of the Bank of England at any Meeting of Slater, Walker Limited.
- CT 224 3 SIR HECTOR LAING or failing him MR R D GALPIN or failing him MR H C E HARRIS or failing him MR J G DRAKE or failing him MR J A PENNY or failing him MR B T WATTS be authorised to act as the representative of the Governor and Company of the Bank of England at any Meeting of BE Services Limited.
- CT 213
Office Use 4 MR R D GALPIN be authorised to act as the representative of the Governor and Company of the Bank of England at any Meeting of the Foundation for Management Education.

P. S. Thomason

Assistant Secretary

COMMITTEE OF TREASURY

THURSDAY 16 FEBRUARY 1984

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLUM
SIR HECTOR LAING
SIR DAVID STEEL

The Minutes of the last Meeting having been circulated were approved.

At the Governor's invitation, Sir Jasper Hollum spoke to the Committee about a proposed change in the assumptions adopted by the actuarial advisers in valuing the assets and liabilities of the Court Pension Scheme and on the action to be taken to deal with a deficit which had emerged from the valuation made as at 1 March 1983. Continuance of the present level of contributions, at 38% of the relevant payroll, was judged sufficient to cover future service liabilities, the valuation deficit reflecting changed commitments arising out of past service which it had been agreed that the Scheme should assume. The Trustees believed that on grounds of principle and presentation alike it would be best to deal with the deficit by way of a lump sum payment to the Scheme, without any change in the percentage contribution level.

The Committee agreed to recommend to Court that -

A special, single, lump sum contribution of £851,337 be made to the Court Pension Scheme in order to cover the deficiency shown in the actuarial valuation made as at 1 March 1983.

pm

See file

The Deputy Governor then raised with the Committee, with the Governor's agreement, the question of a portrait of Sir Jasper Hollom. After a short discussion it was agreed that a portrait should be commissioned and Sir Jasper was invited to choose an artist.

*forward
for Secretary.*

COMMITTEE OF TREASURY

THURSDAY 23 FEBRUARY 1984

Present

THE DEPUTY GOVERNOR
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved.


The Quarterly Report of the Audit Committee, incorporating the Annual Review of the Committee's work and the Audit Division's programme for the year beginning 1 March 1984, was laid before the Committee and passed without discussion to the Court.

CT.57
Other files

At the Deputy Governor's invitation, Sir Jasper Hollom explained the background to a Minute from the Charitable Appeals Committee recommending that a donation of £3,000 be made to the Huguenot Heritage Appeal. Although this was not strictly a charitable appeal, it nevertheless came within the purview of the Charitable Appeals Committee. He suggested that any donation made might be treated as outside the Committee's normal charitable budget, and proposed that the Minute be passed to Court on this basis. The Committee agreed.

CT.72.01
Other files

The Deputy Governor then introduced a Paper concerning pensions to be granted to certain Members of the Court Pension Scheme and, at his invitation, Sir Jasper Hollom commented on the alternative options in respect of each of the three Members of the Scheme. After some discussion, it was agreed that, as far as the Committee of Treasury's



CT 70.01
Alma Cole

recommendations were concerned, the principle which had been followed in the past should be observed in this case: namely that each member should be granted the most favourable pension that the rules of the Scheme allowed, reduced, where relevant, only by the limits imposed by the Inland Revenue. This yielded unambiguous figures for Mr Dow and Mr Fforde. In the case of Mr Blunden, the Inland Revenue's limits would permit a significantly higher pension than the rules of the Scheme would normally provide. The Committee felt that if advantage were to be taken of this leeway it would have to be by a decision of the Court in response to a specific recommendation by the Governors.

CT 70.01
Alma Cole

The Deputy Governor also noted that, under the Rules of the Court Pension Scheme, the Trustees may, in the case of a widow more than 15 years younger than the Member, reduce the pension payable to the widow and observed that this provision might have to be considered in the case of Mr Dow. The Committee agreed with the Deputy Governor's suggestion that the Committee should put on record with the Trustees, in case the Trustees should in the event have to exercise a discretion on this point, their view that on the facts as they stood at the present time, this would not be a suitable instance in which to make a reduction in the widow's pension. In particular, it was noted that Mr Dow's marriage had been contracted many years before he joined the Court; and that he had joined the Court before the introduction of the present Court Pension Scheme and before a similar provision had been included in the staff pension arrangements.

CT 119.03

The Deputy Governor raised with the Committee the question of the CDFC and the Bank's position vis-a-vis other shareholders. He explained that, for a number of reasons, it was felt that it would be timely for the Bank to bring to an end its connection with CDFC. The Company would hopefully be sold but, if this proved not possible, then it would be run down and put into liquidation. The

[Handwritten signature]

particular question for the Committee to consider related to the degree of responsibility which the Bank should feel towards the other shareholders in this situation. At the Deputy Governor's invitation, Sir Jasper Hollom explained the historical background and the possible attitudes the Bank might wish to adopt towards the other A shareholders (almost entirely commercial, financial and industrial companies) and the B shareholders other than the Bank (a number of Commonwealth central banks). He emphasised that both classes of shareholders had been subjected to a good deal of pressure from the Bank to take up some of the shares in the first instance. Against this background, a case could be made for taking out the other A and B shareholders as a first step and for offering them the paid-up value of their shares. It would be wholly reasonable for the Bank to retain any eventual profit, if a profit could be secured, given the substantial cheap money support that it had provided to the Company. To take out the other shareholders would obviously involve costs, but such a procedure might facilitate the process of sale. The Committee accepted that the right course would be to explore this approach.

The Deputy Governor paid tribute to the substantial contribution made by Sir Jasper Hollom to the CDGC since his appointment as Chairman in 1980. He also expressed on behalf of the Governor and himself his regret that this was the last meeting of the Committee of Treasury which Sir Jasper would attend. He expressed his appreciation for the great contribution which Sir Jasper had made to the Committee's work. This was endorsed by the other members of the Committee.

P. G. Johnson

Secretary

22 March 1984

COMMITTEE OF TREASURY

THURSDAY 22 MARCH 1984

Present

THE DEPUTY GOVERNOR
 LORD NELSON
 SIR ADRIAN CADBURY
 MR BLUNDEN

The Minutes of the last Meeting, having been circulated, were approved.

With reference to a Minute of 1 September 1983, the Deputy Governor reminded the Committee of the agreement reached with HM Treasury over the formula for determining the annual payment to HMT in lieu of dividend. The formula provided for the dividend to be one-third of profits before tax, allowing, at present tax rates, for the remaining two-thirds to be divided equally between tax and retentions. The interim dividend was due to HM Treasury on 5 April and it had been agreed with them that it should be one-third of the total payment which, on the basis of the provisional pre-tax profit figures now available, would be £7½ million. The Committee agreed to recommend to the Court of Directors that this amount be paid as the interim dividend. However, the Deputy Governor warned Members that the changes announced in the Budget in respect of Corporation Tax might be regarded by HM Treasury as significant enough for the question of the formula to be raised for further negotiation next year.

The Deputy Governor spoke to the Committee about the security arrangements at [REDACTED]

[REDACTED]

L

CT 73
CT 219
other file

The Deputy Governor then introduced a report of the Committee to Consider the Securities of Certain Funds and the Committee concurred with the Deputy Governor's suggestion that Sir Robert Clark should join their Meeting at this point.

Sir Robert Clark indicated that the Pension Fund had almost \$60 million invested in US securities. Recent moves in the exchange rate were affecting the value of these investments. Whilst it was considered desirable to maintain a reasonable proportion of the Fund's assets in the USA, it was thought prudent that part of the portfolio should be covered against a fall in the US dollar. The possibility of covering in the forward exchange market or by a straight sale option in US dollars was too expensive. Cover could, however, be effected by borrowing US dollars on a roll-over basis. Mr Blunden added that under the terms of the Pension Fund Trust Deed, the Trustees might arrange to borrow, subject to approval by the Court. The Head of the Banking Department, as one of the Trustees, had questioned the appropriateness of this proposal to protect the Pension Fund's US investments. The Committee agreed that the arrangements would not be speculative; and there was some discussion concerning the timing and frequency of the proposed transactions. The expertise shortly to be available to the Investment Manager through the introduction of the Advisory Committee was seen to be helpful in this respect. The Committee agreed to recommend to the Court of Directors that the Securities Committee be given authority to borrow up to US\$30 million to cover approximately half the Pension Fund's US portfolio.

SEC 25

The Deputy Governor reported to the Committee a satisfactory outcome to the meeting the previous day with the House of Commons Select Committee.

P. E. Irons
Secretary
5 April 1984

COMMITTEE OF TREASURY

THURSDAY 5 APRIL 1984


Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR BLUNDEN

The Minutes of the last Meeting, having been circulated, were approved.

aka
aka
The Governor spoke to the Committee about a proposed building development close to the Bank known as the Mansion House Square Scheme. The development would create a new public landscaped square or piazza and a shopping concourse, together with an office block between the Mansion House and Poultry. The Enquiry into the developer's appeal against the City Corporation's decision to withhold planning permission was to be held the following month. Copies of a paper on the Scheme, which had been circulated to Members, indicated that there appeared to be three options available to the Bank: to oppose the Scheme; to support the Scheme; or to remain neutral. The Governor invited Members of the Committee to give their views before the paper was discussed at Court.

aka
aka
Arguments were put both for and against the Scheme and various points were raised in the ensuing discussion. The tower block proposed in the Scheme was seen as an intrusion on the City skyline but a smaller building would, no doubt, be uneconomic. Piazzas were not a feature of City planning and the buildings bordering on the proposed piazza were not designed to be



Alie
Alie
exposed. It was considered significant that no changes had been made to the design of the block, conceived 20 years earlier. Many improvements had been introduced in building design in the intervening period. If the Bank were to oppose the Scheme, it would be on aesthetic and civic grounds, rather than on the possible loss of amenities as suggested by St Quintin, the Bank's surveyors.

Alie
Alie
The Committee agreed that consideration should be given to consulting those neighbours of the Bank most affected by the proposals, to see if any concerted City view was evident and in which the Bank could take a lead. It was agreed to put these points to Court when the paper was discussed.

P. R. Zimmerman

Secretary

19 April 1984

COMMITTEE OF TREASURY

THURSDAY 19 APRIL 1984

Present

THE GOVERNOR
LORD NELSON
SIR HECTOR LAING
MR BLUNDEN
SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved.

At the invitation of the Governor, Sir David Steel introduced the Annual Report of the Charitable Appeals Committee. He drew attention to the donations made at the end of the year to bring the annual expenditure to the budgeted level. He then described the proposals of the Charitable Appeals Committee for a step change in the annual level of the Bank's charitable giving, which had remained at £75,000 since 1981. To reinstate this in real terms would indicate a figure of £90,000; but the greater profitability of the Bank and the increased need for donations in the current economic climate had led the Committee to propose a figure of £125,000. In supporting this, Mr Blunden added that it would be useful for the Committee to have something in hand at the end of a year to give more to particular charities, eg Old Age, which appeared to have been relatively under-supported during the year and to be able, on occasions, to initiate donations rather than to await approaches. He mentioned that the Deputy Governor welcomed the proposals and had suggested that, in future, donations should be not less than £100. It was, however, considered that such a minimum would not necessarily apply to the Branches.

The possibility of extending the Bank's charitable giving to 1% of pre-tax profits was discussed but it was accepted that a new level of £125,000, together with expenditure of around £100,000 per annum on charitable secondments, plus

CT 57
dlie file

contributions to such matters as economic research, would be reasonable. The remainder of the Charitable Appeals Committee's Report was considered and it was agreed to submit the Report, including the recommendation to increase the annual level to £125,000, to Court the following week. Some consideration might then be given to raising beyond £2,000 the limit allowed to the Charitable Appeals Committee for individual donations.

CT 70.02
dlie file

The Governor spoke to the Committee about the Personal Accident Insurance for Members of Court and their wives travelling on Bank business and it was agreed to renew the policy on the same terms, leaving the level of benefits unchanged.

CT 60.01

At the Governor's invitation, Mr Galpin joined the Committee to describe proposals for introducing salary arrangements for the General Management positions at the Printing Works. To apply to them the new senior salary arrangements for Banking Staff (Points A, B and C) would further narrow the existing differentials between the General Managers and their subordinates. New salary points were therefore proposed which would reflect the particular conditions of work at the Printing Works and would subsume the Debden Town Allowance and Printing Works Allowance. After some discussion, the Committee approved the proposals.

dlie file

The Governor spoke to the Committee about a letter of appreciation which had been received from Lord Benson concerning a tour he and Lady Benson had recently undertaken.

P. L. Tomlinson
Secretary

7 June 1984

COMMITTEE OF TREASURY

THURSDAY 7 JUNE 1984

Present

THE GOVERNOR
 THE DEPUTY GOVERNOR
 SIR ADRIAN CADBURY
 SIR HECTOR LAING
 SIR DAVID STEEL
 MR BLUNDEN

The Minutes of the last Meeting, having been circulated, were approved.

The Quarterly Report of the Audit Committee was laid before the Committee and it was agreed that it should be submitted to the Court without discussion.

ET 57
 Other file

The Governor then spoke to the Committee about an appeal which he had received from Sir Timothy Bevan, Chairman of the British Olympic Appeal, seeking the Bank's support. The Governor explained that the appeal had been considered by the Charitable Appeals Committee and, although they felt that the appeal should be supported by the Bank, they did not consider it a strictly charitable matter. The appeal had therefore been brought to the Committee of Treasury with a recommendation that the Bank should contribute £5,000. After a brief discussion, it was agreed that a donation of £5,000 be made to the British Olympic Appeal.

P. R. Zimmerman

Secretary

21 June 84

COMMITTEE OF TREASURY

THURSDAY 21 JUNE 1984

Present

THE GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
MR BLUNDEN
SIR DAVID STEEL

The Minutes of the last meeting, having been circulated, were approved.

At the Governor's invitation, Mr Blunden raised the matter of security at [REDACTED]

[REDACTED]

CT 210

CT 7107

[REDACTED]

CT 210

CT 7107

P. R. J. J. J. J.
Secretary 28 June 1984

COMMITTEE OF TREASURY

THURSDAY 28 JUNE 1984

Present

LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR BLUNDEN
SIR DAVID STEEL

Lord Nelson explained why the Governor and Deputy Governor were unable to attend the Meeting and said he had been asked to assume the Chair.

The Minutes of the last Meeting, having been circulated, were approved.

Arising from the Minutes, Mr Blunden indicated that he wished to raise again with the Committee the matter concerning the arrangements for security at [REDACTED]

[REDACTED]

[REDACTED]

471.07

471.07

471.07

CT 71.07

CT 71.07

After a short discussion the Committee agreed to these proposals.

CT 70.01

CT 229

CT 60.01

Office file

Lord Nelson then invited Sir Adrian Cadbury to speak to the Committee, first about proposals relating to a review of the levels of Special Remuneration for the Governors, Executive Directors, the Associate Director and the Economic Adviser to the Governor. Sir Adrian Cadbury expressed the hope that it would be possible in future to avoid the delays which had occurred in some past annual reviews; and he stressed that it was important to keep intact the coherent relationship between Court salaries and staff pay which had been introduced only last year. It was also necessary to ensure, where possible, that top salaries should keep pace with those paid by comparable organisations outside the Bank to retain competitiveness. An across-the-board award of 5½%, rounded down to the nearest £100 was therefore proposed.

CT 70.01

CT 229

CT 60.01

Office file

In the ensuing discussion, the problems caused in the past by tapering senior salaries were mentioned and the importance of maintaining correct differentials was stressed; it was agreed that the proposed award was reasonable. It was also suggested that where the percentage increase applied to the salaries produced an uneven amount, the resultant figures should be rounded to the amounts shown below.

It was then agreed to recommend to the Court of Directors that -

CT 70.01

1 Special Remuneration of Members of the Court rendering exclusive service be increased by 5.25% to the following annual amounts (after rounding) with effect from 1 July 1984:

The Governor	£84,200
The Deputy Governor	£68,500
The Executive Directors	£54,750
Mr Loehnis	
Mr George	
Mr Walker	
Mr Galpin	

2 The annual salary payable to Mr Cooke, Associate Director, be increased by 5.25% to [REDACTED] (after rounding), with effect from 1 July 1984.

3 The annual salary payable to Mr Flemming, Economic Adviser to the Governor, be increased by 5.25% to £54,750 (after rounding) with effect from 1 July 1984.

Before inviting Sir Adrian Cadbury to discuss the proposals for increases in the pensions and ex-gratia allowances in payment to former Governors and Executive Directors, Lord Nelson reminded the Committee of Mr Blunden's interest and that, in the circumstances, he might be expected to withdraw. However, Mr Blunden's interest having been declared, Lord Nelson suggested that it would be helpful to the discussion if he were to remain. The Committee concurred.

Sir Adrian Cadbury pointed to the difference in timing hitherto used in calculating pension increases for the Court Scheme and the Staff Pension Fund and so also in the decisions on awards. He suggested that they should be brought into line in terms of both timing and administration. To do this, he proposed an increase of 4.9% from 1 July for the Court Scheme, based on the rise in the Retail Price Index between June 1983 and May 1984. This would mean an increase based on an 11 month period rather than one year and would compare with an award of 5.1% made to Staff Pensioners. The increase would be pro-rated for those who had been on pension for less than one year. Thereafter, it was proposed that,

CT 70.01
Office file

in future, the review would be based on the movement in the Retail Price Index for the twelve months ended May each year. It was pointed out that this would enable those concerned to be informed of the award before the effective date of 1 July which was not possible under existing arrangements.

It was agreed to recommend to the Court of Directors that -

CT 70.01
Office file

1 The annual review of pensions and allowances in payment from the Court Pension Scheme and of ex-gratia allowances in payment to former Members of the Court subject to annual review which have hitherto been based on the movement in the Retail Price Index for the twelve months ended 30 June each year should in future be based on the movement in that Index for the twelve months ended 31 May each year and that the review of pensions and allowances now in payment should therefore reflect the movement in the Index for the eleven months 30 June 1983 to 31 May 1984.

CT 70.01
Office file

2 Accordingly, the annual pensions in payment to former Governors and Executive Directors and to the widows of two former Executive Directors, with the exception of the pensions in payment to Mr Blunden, Mr Dow and Mr Fforde, be increased by 4.9% with effect from 1 July 1984.

CT 70.01
Office file

3 Accordingly also, the annual allowance paid to Lord Richardson from the Court Pension Scheme under special arrangements which were approved by Court on 10 February 1983 be increased by an amount of £2,060 a year and the ex-gratia allowance of £10,000 a year in payment to him be increased by 4.9% both with effect from 1 July 1984.

CT 70.01
Office file

4 The annual pensions in payment to Mr Blunden and Mr Dow be increased by 2.0% with effect from 1 July 1984.

CT 70.01
Office file

5 The annual pension in payment to Mr Fforde be increased by 2.5% with effect from 1 July 1984.

P. R. Tomlinson
Secretary 2.8.84

COMMITTEE OF TREASURY

THURSDAY 2 AUGUST 1984

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING

The Minutes of the last meeting, having been circulated, were approved.

CT 54
CT 99
CT 190
The Governor informed the Committee that in the records of the Registrar's Department were some holdings of gilt-edged stock registered in the names of [REDACTED]
[REDACTED]
[REDACTED]

✓ The Governor then described changes affecting Mullens and Co, the Bank's brokers, which were due to be announced the following week. Mullens would, in due course, be joining a financial conglomerate including Warburgs, Rowe and Pitman and Ackroyd & Smithers. When that conglomerate came into being, probably not for another couple of years, Mr Althaus, the Government Broker, would not be able to continue with them in that capacity.

CT 77
CT 60.01
Moreover, in the future gilt market there would be no place for the Government Broker in his present role. Mr Althaus had been invited to join the Bank at that time and had accepted our offer. Mr Hill, the Floor Dealer currently working for the Government Broker, would also be joining the Bank. Similar consideration had been given to Mr Daniell, the deputy to Mr Althaus, but, at this stage, he felt he should remain with Mullens. There was, however, some possibility that he might replace Mr Althaus as Government Broker when the latter retired in about five years' time. The Chancellor had been advised of the arrangements proposed for the Government Broker and was content.

L

CT 77
CT 60-01 Mr Althaus would be placed on Point "A" on joining the Bank although this would involve a reduction from his present salary. The Governor added that some enhancement of the pension contribution would be necessary in order to preserve his pension expectations and the Committee were content that this step should be taken.

CT 77
CT 60-01 These moves would have to be announced the following Thursday when the announcement about Mullens' future plans was to be made. There was some danger of adverse press and market comment on the fact that Mr Althaus would in the intervening period be dealing with the jobber with whom Mullens was to amalgamate. But great care had been taken to ensure that there were in fact no conflicts of interest; and it was hoped that the situation would be accepted by the overwhelming majority of the market.

CT 99 The Governor went on to mention a meeting with the Chancellor scheduled for later that day to discuss the working of monetary policy and the handling of interest rate movements. There were some differences of view between the Bank and the Chancellor about how a reduction in rates might best be achieved and the Committee agreed with the Bank's wish to avoid being pressed into short-term action which could result in adverse effects in the longer term.

CT 90
Office file At the Governor's invitation, the Deputy Governor referred to the arbitration proceedings between the Bank and the clearing banks which had been mentioned at Court the previous week. Freshfields had accepted the withdrawal of the original Counsel from the case. A new Counsel was being briefed to represent the Bank.

P.R. Zimmerman

Secretary

9 Aug 84

COMMITTEE OF TREASURY

THURSDAY 9 AUGUST 1984

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL


The Minutes of the last meeting, having been circulated, were approved.

In presenting a Quarterly Report of the Charitable Appeals Committee, the Governor suggested that discussion might be deferred until the item was considered at Court and the Committee agreed.

9-71.05 With reference to a Minute of 28 April 1983, the Governor reminded the Committee that the arrangements whereby the Bank met the costs of rental and maintenance of the security equipment at Duntisbourne House for Lord Richardson were due for review.

9-71.06 During the previous year, payments totalling some £2,500 had been made on Lord Richardson's behalf, including the cost of certain changes to the system. The recurring charges amounted at present to some £1,400 per annum, of which around £137 was due in November and £1,247 in March.

9-71.05 In the Security Officer's view, the overall level of risk to those in prominent positions had not lessened in the previous twelve months but he did not otherwise vary the view he had expressed the previous year. The Committee needed to consider to what extent Lord Richardson remained in the public eye. Whilst recognising his many commitments elsewhere, it could nevertheless be argued that the security risk arising from his former position as Governor continued to reduce.



CT 71.05
It was therefore proposed that the Bank's contribution towards the costs of the security arrangements at Duntisbourne House should be phased out over four years, with the Bank meeting 75% of the costs of rental and maintenance of the security equipment in the year to end-June 1985, 50% the following year and 25% in the year to end-June 1987. Thereafter the costs would be met in full by Lord Richardson.

CT 71.05
After a short discussion the Committee agreed to the proposal.

The Committee considered two items on staff matters and it was agreed to submit to the Court of Directors:-

- (i) Consequent upon the forthcoming retirement of the Agent at Liverpool Branch, a Recommendation of the Governors for the following senior appointment, to be made with effect from 1 November 1984.

CT 60.01
I A CRAIK [redacted] to Scale 9, as Agent
Assistant to the Chief at Liverpool Branch
of the Banking Department,
Scale 8

- (ii) A Minute of the Committee of Treasury recommending an ex gratia payment to [redacted] [redacted]
[redacted]
[redacted]

CT 69.05
SEC 10.01
CT 217
The Governor then introduced a Report of the Premises Committee and the Committee concurred with the Governor's suggestion that Mr Galpin should join their Meeting at this point.

CT 69.05
SEC 10.01
CT 217
The Governor reminded the Committee that in November 1982, the Court had agreed that the Premises Committee should oversee a staged redevelopment of New Change to concentrate the Registrar's Department in one or two wings of the building and to prepare the rest of the building for letting. Lord Nelson first spoke about the Report and described the planning for the

L

CT 69.05
SEC 10.01
CT 217

refurbishment of New Change, including improved catering arrangements, which the Committee considered should be of the same standard as at Head Office. The anticipated overall costs were not expected to be out of line with the estimates originally submitted.

CT 69.05
SEC 10.01
CT 217

At the Governor's invitation, the Deputy Governor then explained the problems which might arise if the programme of redevelopment was followed because the projected phased costs were likely to exceed the base line on capital expenditure built by HMT into its Public Expenditure figures. Although the Bank had never accepted that its capital expenditure was subject to agreement with HMT, it had in practice not exceeded the base line limit, largely because of slippage on some projects. But this could not be counted on as a way of avoiding overspending in the future. It might be possible to extend the overall programme and spread the costs but this would undoubtedly prove more expensive in the long run and would delay the expected return from increased rental income.

CT 69.05
SEC 10.01
CT 217

In the discussion which followed it was pointed out that the Bank needed to protect its investment in the New Change building and that the savings in space in the Registrar's Department, which were anticipated, would reduce the charges to HMT for the work of that Department. There was a general wish to avoid delay because of the inevitability of increased overall costs. The Deputy Governor explained that HMT set overall capital expenditure guidelines within PESC limits across the public sector and that HMT seemed not to accept reasons, such as the Committee had advanced, as justification for exceeding the base line. He suggested that there would be merit in deferring any formal approach to HMT until capital expenditure exceeded the base line. Mr Galpin said it was likely that some indication would occur at the end of the present financial year and it might be preferable to deal with the problem at that time rather than raise it now.

CT 69.05
SEC 10.01
CT 217

The Committee were content with this approach and on that basis it was agreed that the Report of the Premises Committee should be passed to Court for consideration.

P. B. J. J. J. J.
Secretary 30 August 84

COMMITTEE OF TREASURY

THURSDAY 30 AUGUST 1984

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR DAVID STEEL

The Minutes of the last meeting having been circulated were approved.


It was agreed that Sir Robert Clark, Chairman of the Securities Committee, should join the meeting and, at the Governor's invitation, he introduced a Report of that Committee.

Sir Robert Clark drew attention to the high level of performance achieved during the period under review, despite the difficulties of investing a fund with no cash flow, pointing out that it was necessary to sell in order to make new investments. He explained the proposals for varying the target range in respect of overseas investments made necessary to meet an increase in the Japanese portfolio and a reduction in the US range and mentioned an approach from the brokers for the British Telecom flotation, inviting the Fund to underwrite the issue to the extent of £10 million. It had been felt that this was too large an amount for the Fund to undertake and, after some discussion, the Committee agreed that the Investment Manager should apply his normal criteria to the proposal.

Sir Robert Clark went on to describe the proposal for merging the management of the investment portfolio of the Staff Pension Fund with that of the Court Pension Scheme with the prospect that the same investment decisions should apply to both. He reminded the Committee that the proposal would be subject to the approval of the respective Trustees.

CT 73
CT 219
CT 7001
CT 207

CT 73
CT 219
CT 7001
0662
911




CT 73 He pointed out that Appendix B of the Report contained a considerable amount of investment detail and suggested that in future it might not be thought necessary for this to be presented to Court. The Committee concurred.

CT 73 CT 77 Sir Robert Clark then turned to the question of the broking arrangements in respect of Mullens. He reminded the Committee that Mullens did not provide research expertise. The recommendation to replace Mullens had been made before the forthcoming merger had been announced.

CT 73 CT 77 The Deputy Governor said that consideration had been given to the phasing out of Mullens' equity commission income and that, because of the long-standing relationship between Mullens and the Bank, it was hoped the reduction could be softened by retaining Mullens alongside Cazenoves until the merger took place.

CT 73 CT 77 The Deputy Governor then said that he would like to draw the Committee's attention to a more general question arising out of the proposals to phase out Mullens' services. Because of his involvement in Mercury Securities (which had recently agreed to merge with Mullens) Mr Scholey had a direct interest in these arrangements. To avoid both the substance and appearance of conflict of interest it might not be enough in such a case simply that Mr Scholey should withdraw when the question was discussed in Court: it might be appropriate that he did not even see the papers until a decision had been taken. In these particular circumstances, the problem happily had not arisen because Mr Scholey was on holiday and the paper had therefore not been sent to him.

CT 73 CT 70 CT 7004
allie
ale
Because of the increasing involvement of merchant banks in stockbroking and the increasing likelihood of similar cases involving Members of Court, it might be useful for the Committee of Treasury to consider the general question. After some discussion, the Governor suggested that it might indeed be necessary to draw up some rules to meet these situations and



CT 73
CT 70
CT 70.04
Office file

that it would be helpful to explore the matter with Court. The Committee agreed and registered their preliminary view that it would be preferable in such cases that a Director who was involved should not see the related papers until after a decision had been taken.

CT 73

After some further discussion it was agreed to submit the Report of the Securities Committee to Court.

CT 73
CT 60.01
CT 219
Office file

Sir Robert Clark reported that the additional investment manager being sought by the Bank had now been appointed and would be starting work in October.

CT 71.01
Office file

The Governor informed the Committee that the Deputy Governor had been invited to become a Trustee of the Royal Opera House. There was usually no objection to accepting an invitation of this kind, provided the Bank's name was not used to gain support for appeals. The Committee were content that the Deputy Governor should accept the invitation.

P.E. Tomlinson

Secretary

6 Sept 84

COMMITTEE OF TREASURY

THURSDAY 6 SEPTEMBER 1984

Present

THE GOVERNOR

THE DEPUTY GOVERNOR

LORD NELSON

SIR HECTOR LAING

MR BLUNDEN

SIR DAVID STEEL

The Minutes of the last meeting having been circulated were approved.

5-93
Office 46

The Governor informed the Committee of an approach from the Institute of Bankers about holding a reception in the Bank the following July for their International Banking Summer School. The Governor said that a similar request had been approved in 1979 when the Court Room was used, with the Institute meeting the cost of food and drink and the Bank meeting staff costs. The Committee agreed that the Court Room might be used again.

FT 6905
FT 217
SEC 10 01

Before inviting Lord Nelson to introduce the Report of the Premises Committee the Governor suggested that Mr Galpin might join the meeting and the Committee concurred. Lord Nelson reminded the Committee that certain questions had been raised at Court when the Report had been submitted on 9 August. A further paper had been prepared by Mr Galpin which had been circulated and which gave the background to the proposals made in 1982 for the redevelopment of New Change. He believed this would satisfy Court and Mr Galpin confirmed that he had spoken to those Members who had previously expressed concern. The Committee agreed that the Report and its recommendations should be submitted to Court for approval.

dc.

CT 90
 olivie ale
 At the Governor's invitation the Deputy Governor spoke to the Committee about a forthcoming legal arbitration between the Bank and the CLCB banks concerning the costs of handling cheques at the Bankers Clearing House. The issue was divided into two parts: whether a presenting bank's responsibilities were discharged when a cheque was presented at the Clearing House or when delivered to the branch where the drawer held his account; and, if at the Clearing House, (which the Bank had always contended), the legal basis for such a conclusion.

CT 90
 olivie ale
 Although the Bank's counsel considered there was a good chance of the judge upholding the Bank's view on the first point, he might also find that the arrangements depended simply on existing contractual arrangements and were therefore capable of termination at the insistence of the CLCB banks. This would provide the opportunity for the banks to set up new arrangements which could in principle include expelling the Bank from the Clearing House. The Deputy Governor said that it was a matter for regret that what should have been an amicable arbitration to settle a point of banking law, should have become (probably at the urging of an over-aggressive counsel) confrontational. It would obviously be absurd in practice even to consider expelling the Central Bank from the clearing. But the fact that the point had been raised made it necessary to contest it.

CT 90
 olivie ale
 As part of our defence it had been agreed to call D A C Nendick, a Deputy Chief of the Banking Department, as an expert witness. It had to be admitted, however, that although it should be easy to show the inconvenience of running the clearing without the Bank of England it might be difficult to show that it was illegal.

CT 90
 olivie ale
 The arbitration was to be in camera and it was hoped that it would escape public comment. There was inevitably some danger that the press would get hold of it, however. If they did, the dispute could be presented in an awkward, even damaging way.

de

CT 90
 All
 All

There was an irony in the proceedings in that if the Clearing Banks won the arbitration the result would be financially advantageous to the Bank of England. But we considered that the wider effects on the financial economy would be deleterious. The Deputy Governor proposed to arrange to meet the Chairman of the Chief Executive Officers after the arbitration but before the judgment was reached to try to establish the best way forward whichever side won. A discussion followed and the Deputy Governor agreed to keep the Committee advised of progress.

Office
 All

The Governor then spoke to the Committee about proposals to redecorate the Committee Room, Ante Room and Dining Room. The work would hopefully be carried out by Bank Staff in the late summer of 1985; but the opportunity might be taken to consider a different style and colour scheme. After some discussion it was agreed to invite both Mr David Hicks and Mr John Stephanides to submit proposals for which a fee would be paid. It would be necessary for any proposal to take into account the existing decor of the Court Room.

G. A. Coughton

Assistant Secretary,

20th September 1984

COMMITTEE OF TREASURY

THURSDAY 20 SEPTEMBER 1984

Present

THE DEPUTY GOVERNOR
SIR HECTOR LAING
MR BLUNDEN

The Minutes of the last meeting having been circulated, were approved.

A quarterly Report of the Audit Committee was laid before the Committee but was passed forward without discussion to the Meeting of Directors.

CT 219
The Deputy Governor said that he wished to bring the Committee up to date with developments concerning the possible privatisation of the Bank's shareholding in Portals PLC which had been raised by HMT; he acknowledged Mr Blunden's declared interest in the matter as a Director of Portals. He went on to explain that he and the Chief Cashier had spoken to Lankester at the Treasury on the subject and had explained the Bank's case against such a move. In particular he had mentioned that the Bank had gradually built up a shareholding since Portals had gone public to absorb shares being disposed of by members of the Portals family with the aim of ensuring that those shares and the control of the company generally did not fall into undesirable hands; this we believed protected us from the possibility of a take-over of a vital link in the production of our currency by possible foreign predators. He had also stressed the close co-operation that existed in technical developments. A further point had been made in that the shares were held by the Banking Department of the Bank of England. This meant that important constitutional issues would be involved if HMT were to attempt to determine what shares the Banking Department should hold. Lankester had accepted the force of these points but had said that

CT 98
CT 50.01
SEC 10
Office file

Government's desire to privatise was strong; arguments on the grounds of technical co-operation similar to those we were putting forward had not found favour in the defence field for example. The Deputy Governor added that it was unlikely that the subject would be raised in the immediate future but he would welcome the views of the Committee which he could pass on to the Governor who was aware of the debate though unaware of the most recent developments. In the discussion that followed the view was expressed that although there were no other significant shareholders, the shares might be attractive to De La Rue or an American bank note printing company. They might also be attractive to a foreign central bank whose paper was supplied by Portals. It was also considered that our position as the world leader in technology could be jeopardised by such a move and as the shareholding was only some 29% with a monetary value possibly less than £10 mn, which would presumably revert to the Banking Department, there was nothing to be gained by Government: the issue was therefore one of principle.

The Deputy Governor was grateful for the views expressed by the Committee and said that if the arguments which had been discussed were dismissed by Government he would want to take a stand on the question of the Banking Department's investments. Mr Blunden wondered whether the shares might be purchased by the Pension Fund, but the Deputy Governor felt that such a course of action would itself raise disturbing questions of principle. It should only be considered as a last resort and the debate still had some time to run yet.

The Deputy Governor informed the Committee that the Lord Mayor elect, Alderman Traill, had called on the Governor last month and mentioned that during his year of office he would be raising funds for two special projects, a permanent foundation for St Paul's Choir School and the Treloar Homes, formerly the Lord Mayor's Children Homes in Hampshire. He had also asked if the Governor would consent to become a Vice-President of the Choir School Foundation. As this would be an entirely non-active role and one which would not affect the Bank's

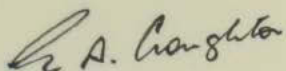
CT 98
CT 50.01
66610
Office file

CT 98
CT 50.01
66610
Office file
CT 219

CT 71.01
Office file

CT 7101
Office use

treatment of an appeal for the Choir School Foundation in as much as we customarily supported the Lord Mayor's Appeal generously, the Committee were content that the Governor should accept the invitation on the understanding that it was in his name, as Governor, and not that of the Governor of the Bank ex officio.

 R. A. Crompton

Assistant Secretary.

14th October 1984

COMMITTEE OF TREASURY

THURSDAY 4 OCTOBER 1984

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR BLUNDEN
SIR DAVID STEEL

The Minutes of the last meeting having been circulated were approved.

CT 236
CT 90
The Governor thanked Members for their tolerance and support in making themselves available on Sunday night. He then said that he felt it proper to seek the mind of Members on the subject of Johnson Matthey Bankers before raising it in Court later. In particular he suggested that the Committee might consider some of the problems arising from our acquisition of Johnson Matthey Bankers and suggested that a detailed analysis of the Bank's supervisory role might be submitted to Court in two or three weeks so that Court could express its views.

CT 236
CT 95
At the Governor's invitation the Deputy Governor outlined three aspects in particular that arose from the Johnson Matthey affair. He explained that Johnson Matthey Bankers were an unusual bank as they were members of the Gold Market; there was therefore a need to protect them as their demise could have resulted in the Gold Market returning to Switzerland. In addition their collapse would have put pressure on other members of the market whom we would have been obliged to support. Secondly Johnson Matthey Bankers were a subsidiary of a larger industrial group; this he


L

CT 236
 said raised problems for the future in dealing with conglomerates. Johnson Matthey PLC were however not just an ordinary group as they borrowed gold largely in the form of sight deposits for refining. This made them akin to a bank and vulnerable to liquidity pressures in the same way that banks can be. There had therefore been a need for liquidity support for the company. Thirdly he explained that every possible avenue had been explored to find a buyer for the bank; the only possible purchaser had been [redacted] whom, he suggested, might live to regret declining the generous terms which they had been offered.

CT 236
 CT 90
 The Deputy Governor further explained that there were other issues that now arose concerning the Bank's supervisory role and there was a need to explore in some detail where mistakes had been made, if indeed they had. The system too would need careful examination and may need to be developed further with all the implications of additional resources, etc. In particular the Deputy Governor suggested that there may be justification for further examination of the auditing role within the supervisory system and for re-opening the question of whether auditors should be obliged to report to the Bank as well as the companies concerned.

CT 236
 CT 90
 Sec 10
 The Deputy Governor said that the recent events also had implications for our relationships with the Clearing Banks which were currently not in the best of repair. There was a strong feeling on their part that we did not represent them as well as we might to Government; and the general sense they had that the Government was hostile to them, together with the financial burdens which had been placed on them in the last Budget were not conducive to their lending us support when required.

CT 236
 Finally the Deputy Governor explained that we now owned a conglomerate. We had no previous experience of anything on this scale; other broadly similar instances had been in a



CT 236
wind-down situation which need not be the case with Johnson Matthey Bankers. There would be problems in maintaining an arm's length relationship and a need to adopt a fairly neutral stance in considering how we would eventually extricate ourselves from ownership; there was a need to consider the implications for other parties, in particular the Gold Market and the parent company.

CT 236
CT 90
See 10
In this connection the Governor said that there had been some approaches from potential purchasers in the last two or three days. He went on to describe the not altogether favourable response from the Clearing Banks when seeking their support, a fact that had not been well received by the Chancellor. For the future he said that there might be a need to work out an understanding with the Clearing Banks for future occasions possibly involving an agreed formula for their commitment.

CT 236
CT 90
See 10
In the discussion that followed it was accepted that any formula seeking to establish a commitment from the Clearing Bankers might invite them to challenge the need to maintain large deposits with the Bank from which we derived income. The circumstances of this case also highlighted the strong argument for the Bank to maintain resources independent of Government in order to respond positively when the need to take the responsibility arose. It was also noted that consideration was being given to the presentation of the acquisition of Johnson Matthey Bankers in the Bank's accounts.

CT 90
CT 236
In discussing the Bank's supervisory role it was emphasised that but for the existing supervisory provisions the situation concerning Johnson Matthey could have been very much worse, nevertheless, the need for urgent consideration of our stewardship in this respect was accepted; future press reaction from certain quarters on this aspect of the affair might be adverse.

h

CT 236
The Deputy Governor drew Members' attention to the dissatisfaction being expressed by a number of the larger shareholders in Johnson Matthey PLC who were concerned about the terms of Charter Consolidated's role. The Governor said that Kleinwort Benson were advising other shareholders about possible alternative arrangements with Charter Consolidated which would reduce the potential equity holding of Charter Consolidated in Johnson Matthey PLC.

CT 236
Sec 10
Finally, the Governor explained that the Chancellor would be reporting the subject to Cabinet today having been briefed by HMT with whom Mr Quinn had had lengthy talks.

P.R. Johnson

Secretary

8 November 1984

COMMITTEE OF TREASURY

THURSDAY 8 NOVEMBER 1984

Present

A Full Committee

The Minutes of the last meeting, having been circulated, were approved.

At the Governor's suggestion, it was agreed that Mr Galpin should join the meeting to introduce a Report on Information Systems. He described to the Committee the growing technology in all parts of the Bank and the human problems which could arise from the introduction of such technology. Concern was increasing at the rising proportion of costs committed in this area. Tighter control of both development and expenditure was considered necessary and the involvement of the Expenditure Committee would be a useful way of giving direction to the diversified structure which was now emerging.

The proposed system, which might take some time to set up, would become more effective once a charging system for computer services, now under development, was in place. Given the importance of the human aspect and the size of the Registrar's Department's Information Systems requirements, it was being proposed that the Chairmen of the Staff and Registrar's Department Liaison Committees attend meetings of the Expenditure Committee on a regular basis; and a change to the terms of reference of the latter Committee was recommended. After a short discussion, the Committee agreed that the Report and its recommendation for changes in the terms of reference of the Expenditure Committee should be submitted to Court for approval.



CT 205
CT 84.02
CT 60.02
CT 86
The Deputy Governor then spoke to the Committee, at the Governor's invitation, about an announcement expected to be made by the Chancellor the following Monday concerning the issue of the new £20 note, the demonetising of the ½p coin and the withdrawal from circulation of the £1 note. Whilst a firm decision about the future of the £1 note ended uncertainties and ambiguities and was therefore welcome, there were implications for staffing at the Printing Works. It would be necessary to re-open the severance scheme and it was hoped that redundancies could be avoided.

CT 205
CT 84.02
In the discussion which followed it was pointed out that the £1 coin was disliked by the public and the withdrawal of the £1 note would be very unpopular. The anticipated savings were questioned but it was stated that once the coin was issued no further costs would be incurred. The Governor informed the Committee that the Chancellor had asked him to speak to the bank Chairmen on this matter and to enlist their support for publicity in encouraging use of the £1 coin.

CT 236
CT 90
CT 90.01
The Governor then described to the Committee a meeting he had had with the Chancellor concerning Johnson Matthey Bankers. They had first discussed the letter which the Chancellor had received from Dr David Owen. The letter contained a number of false assumptions and the Chancellor had expressed himself as content that the Governor should respond directly to Dr Owen. It had also been agreed that the reply should be made public. The Governor had spoken to the Chancellor about the proposals for indemnities (which had subsequently been agreed with the banks) and had also informed him that the Bank's report on possible changes in banking supervision would be ready within the week. He went on to explain to the Committee the likely extent of the Bank's liabilities and the Deputy Governor then spoke about the negotiations over the indemnities and the attempts to share the liability. Although the clearing banks had been resistant to the proposals, they had, as a result of the discussions, agreed to some increase in their share. The Committee noted HMT's wish not to be involved in the affair.

P. E. Zimmerman Secretary 13 Dec 84

COMMITTEE OF TREASURY

THURSDAY 13 DECEMBER 1984

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR BLUNDEN
SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved.

CT.57
Alia
ale

With reference to a Minute of 7 April 1983, the Governor spoke to the Committee about a further approach for support from the English-Speaking Union. The Chairman of the ESU had recently written to Mr Blunden reporting on the progress made at reshaping their financial structure and, at the Governor's invitation, Mr Blunden explained that a study had been undertaken by Sir Hugh Jones. His report broadly followed the advice given earlier by Sir Jasper Hollom and the ESU were advised to sell all their property with a view to either looking for other, more economic property or sharing the premises presently occupied by the Royal Commonwealth Society. It would take some time for the ESU to reach a decision and meanwhile they sought help from the Bank to meet their cashflow problems.

CT.57
Alia
ale

In Mr Blunden's opinion support for a further year would be appropriate and he recommended that this should be £750, in line with the earlier level of contribution from the Bank.

L

It was however suggested that the ESU might find an interest-free loan preferable to a donation and after a short discussion it was agreed to offer the ESU the choice of a donation of £750 or an interest-free loan of £7,500 for one year.

The Governor then advised the Committee that the Bank had been approached by the Accountants who had been appointed by the High Court to act as Receiver for [REDACTED]

SEC 10
[REDACTED], to open current and deposit accounts: a clearing bank which had been approached had declined. The Bank felt it had a public duty to meet the request; but the Chancellor, when informed, was very anxious about the political implications and the possibility that the Government might be seen to be involved in some way. The Governor had pointed out that the Bank was principal banker to the High Court but the Chancellor had pressed his objections and had asked if another bank might be persuaded to take on the account.

SEC 10
The Governor reported that another bank had subsequently been approached and had agreed to provide an account; but because of arrangements already made to recover funds from

[REDACTED], which the Receiver was anxious not to disturb, it would be necessary for the funds to be passed through the Bank's books.

P.S. Zimmerman
Secretary

31 January 1985

COMMITTEE OF TREASURY

THURSDAY 31 JANUARY 1985

Present

THE GOVERNOR
 THE DEPUTY GOVERNOR
 SIR ADRIAN CADBURY
 SIR HECTOR LAING
 MR BLUNDEN

ST 57
 Office file

The Minutes of the last Meeting, having been circulated, were approved. Arising from the Minutes, Mr Blunden advised the Committee that the English-Speaking Union had taken up the Bank's offer of an interest-free loan of £7,500 for one year.

ST 50
 ST 236
 SEC 10.01

At the Governor's invitation, the Deputy Governor spoke to the Committee about handling the Bank's accounts for 1984/85, the provision for JMB, and for the dividend. It was necessary to consider at this stage the amount of the interim dividend and he explained that the formula agreed with HMT allowed for negotiations where circumstances were deemed extraordinary. This situation obtained, but it was considered preferable to calculate the dividend excluding any provision for JMB. This would provide an opportunity to underline that the Bank's money, rather than the taxpayers' had been put at risk by the JMB rescue. This course might draw attention to the Bank's dependence for income on the support of the banking system, and the degree of automaticity with which part of this was passed to the Treasury, but if necessary this difficulty would have to be faced.

ST 50
 ST 236
 SEC 10.01

A further possibility might be to try to increase the profits for the year and the Deputy Governor went on to explain how this could be achieved by writing back certain provisions into the accounts. It was agreed that this would not be helpful when the accounts would be expected to show some loss

[Handwritten signature]

following the JMB rescue. After a brief discussion the Committee agreed that the proposals in respect of the 1984/85 accounts should be submitted to Court.

CT 57
other file

The Governor then described an approach which the Bank had received from Dr James Cope, a Member of the Court of Common Council, for support for erecting a statue in the City of John Wilkes, an 18th century Lord Mayor, Chamberlain of the City of London and Member of Parliament. Wilkes was renowned for his part in fighting for personal liberty and free speech and had taken a lead in suppressing the Gordon riots; but he was also the author of many scurrilous pamphlets. The appeal had been referred to the Committee of Treasury by the Charitable Appeals Committee. After a brief discussion the Committee agreed that it would not be appropriate to contribute to the erection of a statue in this particular case and that the approach should be declined.

CT 57
CT 58
other file

The Deputy Governor then spoke to the Committee, at the Governor's invitation, about a request for support from Mr Dick Taverne for the Public Policy Centre. The Centre was embarking on a study of exchange rate policy, and the project, which would include contributions from Mr Dow, a former Director and Mr Sangster, a former Senior Official, was considered timely and worthwhile. Mr Taverne had established a good reputation with the Institute of Fiscal Studies and it was agreed that general support for the Centre to the extent of £2,500 a year for four years would be appropriate. In this connection, the Deputy Governor also mentioned a proposal to bring before the Committee each year a list of similar donations, paid from the Economics Division budget, in order that the Committee should be aware of the Bank's contributions in this area.

CT 57
other file

P. R. Zimmerman

Secretary

7 February 1985

COMMITTEE OF TREASURY

THURSDAY 7 FEBRUARY 1985


Present

A Full Committee

The Minutes of the last meeting, having been circulated, were approved.

56C10 The Governor spoke to the Committee concerning the Bank's support operations. Members had before them copies of correspondence and the Governor drew attention to the significant points in a letter which he had sent to the Chancellor on 2 November 1983. The understanding reached at that time had held good until recently when the Chancellor had written proposing fundamental changes. The letter had obviously arisen out of the JMB affair and particularly perhaps the placement by the Bank of £100 mn on deposit with JMB. The Chancellor's letter had been discussed within the Bank and the Governor invited the Committee to consider a draft reply which, with the Committee's agreement, he wished to submit to Court.

56C10 In the ensuing discussion it was emphasised that the placing of the deposit had been a reasonable and responsible banking transaction and not an expenditure of public funds. The Bank had an obligation to undertake support operations where such steps were considered necessary and it would be operationally impossible for the Bank to fulfill that obligation if responsibility for such matters was divided. It was agreed that the proposed firm line rejecting the Chancellor's proposals should be maintained and that, subject to some minor drafting alterations, the reply should be submitted to Court for consideration.



Office file

The Governor then informed the Committee that he proposed to introduce, from 1 March, an additional Standing Committee to be called the Supervision Committee. The new committee, which would examine not only policy connected with banking supervision, but also the gilt-edged and financial markets areas, would probably meet no more than three or four times a year. It was also possible that there might not be a need for the committee to become a permanent feature.

P. R. Gorman
Secretary

14 March 1985

COMMITTEE OF TREASURY

THURSDAY 14 MARCH 1985

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

N/E
The quarterly Report of the Audit Committee, incorporating the Annual Review of the Committee's work and the Audit Division's programme for the year beginning 1 March 1985, was laid before the Committee and passed without discussion to the Court.

N/E
At the Governor's invitation, the Deputy Governor spoke briefly on a Report of the Committee on the Permanent Control of Expenditure and it was agreed that the Report be submitted to Court for approval.

the file
With reference to a Minute of 6 September 1984, the Governor advised the Committee of the stage reached with proposals for redecoration of the First Floor Ante Room, Committee Room and Dining Room. The Governor had been particularly concerned that the Ante Room should be made more comfortable. Largely on the grounds of time and cost, only Mr John Stefanidis had been consulted and he had produced an imaginative and attractive scheme. Although no firm figures were available, £200,000 was mentioned as a very broad estimate of the cost. The possibility of including the Court Room in the redecoration programme was discussed but it was agreed that it would be more convenient to wait until the other rooms had

Dec

Office Wls
 been completed. In any event, the view was taken that in any redecoration of the Court Room the existing colour schemes should be retained.

*CT.57.
Office Wls*
 The Governor then invited the Deputy Governor to speak about an approach for funds from the University College of North Wales Centenary Appeal. This had come from Professor Revell, Director of the Institute of European Finance at Bangor. The Institute hoped to raise £400,000 to meet the salaries and expenses for seven years of a full-time Professional Director, Research Fellow and Research Assistant.

*CT.57
Office Wls*
 The Deputy Governor spoke of the high regard felt for Professor Revell and for the work undertaken by the Institute in the field of research, teaching and comparative studies on banking. Several of the Bank's graduates had been sent there to do an MA in Financial Economics. He went on to describe the level of support which had been given to a number of similar organisations and proposed that the Bank should contribute £2,500 a year for seven years. This was agreed.

*CT.57
Office Wls*
 Some further discussion developed about the lack of adequate links between the banking community and academic areas. These were considered to be less than in many other countries and it was felt that there was scope for encouraging closer ties.

*CT.7001
Office Wls*
 The Governor then raised with the Committee the involvement with JMB of Mr Galpin, who had been Chairman since the rescue operation on 1 October 1984. It had added considerably to Mr Galpin's responsibilities and workload and, although others from the Bank had also been involved, he had also continued his job as an Executive Director. The Governor proposed that he should receive a special payment from the Bank in recognition of his work covering the six months to the end of March. After some discussion the Committee

Sc

CT 7001
plus 10

agreed that this should take the form of an ex gratia payment of £5,000, subject to tax. Any later payment would depend on the extent of Mr Galpin's further involvement with JMB.

SEC 10.

With reference to a Minute of the previous Meeting, the Governor said there had been no reaction to his response to the Chancellor's proposals on support operations and that it was unlikely that any further steps would be taken following the exchange of letters.

G. A. Croughton
Assistant Secretary.

28th March 1985

COMMITTEE OF TREASURY

THURSDAY 28 MARCH 1985

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR BLUNDEN
MR SCHOLEY


Mr Galpin was also in attendance.

The Minutes of the last meeting, having been circulated, were approved.

CTD02
8/12/85
We
The Deputy Governor spoke to the Committee about the Personal Accident Insurance policy for Members of Court and their wives travelling on Bank business and it was agreed to renew the policy on the same terms, leaving the level of benefits unchanged.

CT602
8/50
The Deputy Governor also explained the implication that the changes in the National Insurance contributions announced in the Budget would have for the Bank. He explained that the cost in a full year would amount to some £750,000 at Head Office and £28,000 at the Printing Works although the effect on the cash limit was likely to be only of the order of £100,000, overall.

SEC1001
8/50
8/236
With reference to a minute of 31 January, the Deputy Governor explained that the interim payment in lieu of dividend was due on 4 April. It had been agreed that the costs of the rescue of Johnson Matthey Bankers should be borne fully by the Bank and thus the dividend payment to H M Treasury would be based on the Bank's profit as it would otherwise have been in the absence of Johnson Matthey. An operating profit for 1984/85 would, assuming corporation tax at 45% yield a dividend of about £25 million, one-third of which would be payable as an interim dividend. The Committee agreed that the proposal to pay the sum of £8 million to H M Treasury in lieu of dividend should go forward to Court.



ET 236 The Deputy Governor then informed the Committee that arrangements had been made for the indemnity in respect of Johnson Matthey Bankers to be signed the following day. He explained some of the difficulties that had arisen in negotiating the document and outlined some of the important aspects of the indemnity which was for £150 million, available to cover losses of principal and funding costs, of which the Bank's share was £75 million.

ET 236 The indemnitors had not unreasonably been concerned for the need to receive tax relief for their indemnity payments and the Inland Revenue had confirmed that this would be available within the confines of tax legislation once the indemnity was signed. They had also sought control over the sale of Johnson Matthey Bankers in part or in whole. However despite pressure on this point the Bank were free to dispose of any part of Johnson Matthey's business, other than the loan book, without the agreement of the indemnitors. The question of the sale of the Bank's shareholding in JMB would be dealt with in the Side Letter which also addressed other issues which it was thought should not form part of the legal documents.

ET 236 The Deputy Governor then went on to explain that application would be made shortly to the Registrar of Companies to extend Johnson Matthey's accounting year to end-June. This would enable certain loans which might, up to 30 April, be designated "doubtful" advances to be included in the present accounting year, although he pointed out that there was an incentive for Johnson Matthey Bankers not to designate loans as "doubtful" where there was an expectancy of full recovery as the profit margin on "good" loans could cover Johnson Matthey Bankers' overheads which were not covered by the indemnity.

ET 236 After some discussion it was agreed that the indemnity should go forward to Court for formal approval before signature.

ET 236 Finally, the Deputy Governor expressed his gratitude to Mr Mallett for his achievement in bringing the indemnity to this stage despite the very difficult circumstances surrounding it.

P. E. Johnson

Secretary 25 April 1985

COMMITTEE OF TREASURY

THURSDAY 25 APRIL 1985

Present


THE GOVERNOR
THE DEPUTY GOVERNOR
SIR HECTOR LAING
MR BLUNDEN
MR SCHOLEY

The Minutes of the last Meeting, having been circulated, were approved.

CT 60.06
A report of the Staff Committee on the Chief of Corporate Services' annual report on Salary Policy and Fringe Benefits and on a report of the Standing Committee on Pensions was laid before the Committee. It was agreed that the report should be submitted to Court without discussion.

CT 60.01
At the Governor's invitation, the Deputy Governor spoke to the Committee about the circumstances leading to the secondment to the Hong Kong Government of D A C Nendick in September, preparatory to his appointment as Secretary of Monetary Affairs the following March. He apologised that an announcement had already appeared in the press that morning but the Hong Kong Government had asked the Bank to agree to this in order to meet certain of their own deadlines. He also explained that they had asked for someone of Nendick's calibre to fill the position until a local man was ready for the task. It had been considered important to help in this matter.

CT 60.01
Office file
As a consequence of this secondment, it was proposed to appoint [REDACTED], an Adviser, Banking Department (Point C) to be a Deputy Chief of the Banking Department and a Deputy Chief Cashier, without promotion. It was explained that [REDACTED] had been promoted to Point C the



CT 60.01
Office file

previous September when taking up his present post. It was agreed that a recommendation of the Governors for [redacted] appointment be submitted to Court for approval.

CT 57
Office file

In presenting the annual report on donations of the Charitable Appeals Committee, the Governor suggested that discussion might be deferred until the item was considered at Court and the Committee agreed.

CT 57
Office file

With reference to a Minute of 31 January, the Deputy Governor, at the Governor's invitation, introduced a list of donations of a non-charitable nature made by the Bank during the year. The list, copies of which had been circulated to Members, covered all such donations rather than just those made from the Economics Division Budget. He explained some of the more significant items and a short discussion ensued.

P. R. Zimmerman

Secretary

9 May 1985

COMMITTEE OF TREASURY

THURSDAY 9 MAY 1985

Present

THE GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
MR BLUNDEN

The Minutes of the last meeting, having been circulated, were approved.

CT 236
The Governor spoke about the background to the proposals to recapitalise Johnson Matthey Bankers which had been mentioned at Court the previous week. It was agreed that Mr Galpin should join the meeting and he explained the steps that needed to be taken in order to meet the deadline of 30 June for the publication of JMB's accounts. These included an extraordinary general meeting of the company the next day and an approach to the Courts the following week. The proposal had been for the existing share capital to be written off against the deficit on reserves and the £100 mn deposit reclassified as capital by converting £75 mn into equity and £25 mn into loan stock.

CT 236
The Committee agreed that recapitalisation was necessary but the basis for this had not been settled. Concern was expressed at the size of the capital proposed. There had been adequate capital earlier for a larger loan book and Banking Supervision Division, who had advocated a total of £100 mn, had not satisfactorily substantiated this figure. Because of the time constraint, it was suggested that the level of equity capital should be agreed and presented to the Courts and that a decision on the extent of the balance should be deferred for further consideration.

CT 236
Mr Galpin said that the Courts would require a letter from Banking Supervision Division that JMB was adequately capitalised and proposed, as an alternative, that the £100 mn

CT 236 capital be converted into £50 mn equity, £25 mn Redeemable Preference Shares and £25 mn loan stock. The Governor suggested that it would be helpful to have advice from [REDACTED], a Senior Manager, Banking Supervision Division and he joined the meeting. [REDACTED] described the examination that had been carried out on the proposals and explained the basis for the Division's recommendation of £100 mn, with particular reference to the weighting of assets and to the risk assets ratio. Their approach had been consistent with that applied to banks of a similar size.

CT 236 After further discussion it was agreed to recommend to Court that the £100 mn deposit should be reclassified as capital but that the division of this should be left for consideration by Court.

P. R. Johnson

Secretary

16 May 1985

COMMITTEE OF TREASURY

THURSDAY 16 MAY 1985

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
MR BLUNDEN
MR SCHOLEY

The Minutes of the last Meeting, having been circulated, were approved.


A Report of the Committee on the Permanent Control of Expenditure was laid before the Committee and passed without discussion to the Court.

CT.236
CT.50
SEC10.01

In introducing the Accounts and two papers concerning Johnson Matthey Bankers for inclusion with the Annual Report and Accounts, the Governor indicated that the recapitalisation of JMB, announced earlier in the week, had been well received by the Press. He then informed the Committee that he had agreed with the Chancellor that comments on JMB should be included in the Report and that publication would be timed to coincide with the Chancellor's statement to the House on the report of the Governor's Review Committee; this was expected to be 4 June. He then invited the Deputy Governor to speak about the Accounts and, after attention had been drawn to some of the salient points, it was agreed that the Accounts should be submitted to Court for consideration.

CT.236

The Deputy Governor then introduced the two papers on JMB, one concerned with events leading to the rescue and the other an account of the subsequent stewardship of JMB. In apologising for the delay in circulating the papers, he said that Messrs Freshfields had raised a matter of substance in



CT 236 respect of the first paper. If legal action was taken against the Auditors, there was a strong risk of JMB being joined in the suit with them and it would be necessary to take particular care over the words to be used.

CT 236 A number of amendments had therefore been made to the paper. The Committee agreed with these but suggested a number of further alterations to the text to reduce the possibility of misrepresentation when the Annual Report was published.

CT 236 Because the papers were linked and because only part was for reporting under the Banking Act, it was proposed that they might be published as one annex, divided into three sections, covering the events leading up to the steps taken in October 1984, the subsequent management of JMB and the reason for the rescue. This was accepted and there was further discussion on the content of the papers, including the likely Press reaction following publication.

P. L. Townsend

Secretary

30 May 1985

COMMITTEE OF TREASURY

THURSDAY 30 MAY 1985


Present

THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR SCHOLEY

The Minutes of the last Meeting, having been circulated, were approved.

CT 60.06
The annual report of the Debden Committee and the audited accounts of the Printing Works for the year ended 28 February 1985 and a report of the Staff Committee on the increase to be awarded in pensions and allowances paid from the Staff Pension Fund were laid before the Committee; it was agreed that they be passed to the Court without further discussion.

CT 70.01
also file
At the Deputy Governor's invitation, Sir Adrian Cadbury introduced proposals for increases in the pensions of former Governors and Executive Directors. He reminded the Committee of the agreement the previous year to bring these into line with the Staff Pension Fund in respect of both timing and administration and it was agreed to recommend to the Court of Directors that -

- CT 70.01
also file
- 1 The annual pensions in payment to former Governors and Executive Directors and to the widows of three former Executive Directors be increased, with effect from 1 July 1985, by the amount of the increase in the Retail Prices Index for the twelve months ending 31 May 1985.
- 

CT-70-01
Office file


2 The annual allowance paid to Lord Richardson from the Court Pension Scheme under special arrangements which were approved by Court on 10 February 1983 be increased in accordance with those arrangements and the ex gratia allowance in payment to him be increased by the amount of the increase in the Retail Prices Index for the twelve months ending 31 May 1985 both with effect from 1 July 1985.

CT-84-04

The Deputy Governor then spoke to the Committee in terms of a paper circulated to Members concerning the design concept for the next series of Bank of England notes to be issued in the early 1990s. He mentioned that although the five personalities from British history who had been proposed by the Note Issue Steering Committee covered the expected range of notes up to £100, no decision had yet been reached on issuing a £100 note, nor had agreement on this been reached with H M Treasury.

CT-84-04

He explained that the Debden Committee had suggested that the five personalities should portray British technological achievements but this had not found favour, largely because the names suggested were less well known or might be considered contentious figures. However, there had been support for including Charles Darwin as the fifth personality which would then ensure the inclusion of three scientists. These suggestions had been approved by the Governor and although the portrayal of Darwin as an old man might present some technical problems for the Printing Works, there was no reason why he should not be shown as a younger man. There was some discussion about the possibility of reflecting British achievements in medicine or the inclusion of a woman amongst the personalities but the Committee agreed that the names of Dickens, Stephenson, Faraday, Elgar and Darwin be proposed to Court.



CT.74
The Deputy Governor referred to an article which had been published in the European Edition of the Wall Street Journal on 24 May which contained a number of derogatory comments purporting to have emanated from Bank officials or ex-officials. The article had also appeared in the Asian press. There had been serious garbling of certain matters which had caused much concern to the Governors and to Lord Richardson whose name had also appeared. It seemed clear that manuscript remarks by the Governor on an internal memorandum had been made available to someone outside the Bank. However, although enquiries had been made of all those who appeared to have had a sight of the memorandum it had not been possible to find how its contents had become known outside. There was a discussion on what possibilities were open to the Bank in either refuting the comments in the article or minimising their effect.

P. S. Johnson

Secretary

11 July 1985

COMMITTEE OF TREASURY

THURSDAY 11 JULY 1985

Present

THE GOVERNOR
 THE DEPUTY GOVERNOR
 LORD NELSON
 SIR HECTOR LAING
 MR BLUNDEN
 MR SCHOLEY

The Minutes of the last Meeting, having been circulated, were approved.

At the Governor's invitation, the Deputy Governor spoke about an approach for funds from the Chairman of the University of Newcastle Development Trust's Appeal Committee, seeking support to enable them to appoint a Reader in micro-electronics on a permanent basis at the University. Capital endowment of £245,000 was being sought. The aims behind establishing the Readership were to develop stronger liaison between the University and industry in the north-east. The appeal was not strictly charitable nor did it have any specific technical or operational relevance to the Bank; but the Agent, who was a member of the Council of the University, was keen for the Bank to contribute and a donation of £500 was proposed.

It was considered that the University was well worthy of support and that a contribution from the Bank in this area of the country would be appreciated. The possibility of approaches from other universities where the Bank had branches was recognised but the Committee were of the opinion that support in this case was merited. After a brief discussion, it was agreed that a donation of £1,000 be made to the University of Newcastle Development Trust Appeal. It was

ET-57
dlie
ale

also agreed that Agents should report instances where, in their official capacity, they joined a local body which might seek funds from the Bank.

dlie
ale

The Governor then spoke about a proposed senior appointment to the staff and invited the Deputy Governor to explain the background to the proposal. [REDACTED]

ET-60.01

[REDACTED] at the Board of Inland Revenue, had recently expressed some dissatisfaction with his prospects in the Civil Service and had approached the Bank to see if there were any openings available. He was known to both Mr Walker and Mr George and had come to the latter's attention during discussions over changes in the tax regimes in the Gilt-Edged market. It was considered that with his experience, he would fit in well with Mr George's plans for the Gilts area. Sir Lawrence Airey had been consulted and had been content with the proposal for [REDACTED] to join the Bank, although [REDACTED]

dlie
ale

[REDACTED] was apprised of the proposed move. After a brief discussion it was agreed to submit to the Court of Directors a Minute of the Committee of Treasury recommending that, with effect from 9 September 1985 -

[REDACTED] to be a Senior Manager
Gilt-Edged Division,
Board of Inland Revenue [REDACTED]

P. C. J. [Signature]
Secretary

25 July 1985

COMMITTEE OF TREASURY

THURSDAY 25 JULY 1985

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
MR BLUNDEN
MR SCHOLEY

The Minutes of the last Meeting, having been circulated, were approved.

CT 236
The Deputy Governor referred to the affairs of Johnson Matthey Bankers. He first described the background to recent discussions between the Bank and Whitehall and mentioned a brief debate due to take place in the House of Commons the following day. He then drew attention to the transcript of a BBC News item of 23 July, copies of which had been made available to Members, containing defamatory statements about JMB. A letter to the BBC, drafted by Freshfields, drawing attention to these statements was discussed and, apart from some minor drafting amendments, the Committee agreed it should be sent as proposed. The Deputy Governor then spoke about a report that was due from the auditors of the indemnifying bankers which was likely to indicate a smaller amount required under the first call than had been expected.

P. R. Johnson

Secretary

5 September 1985

COMMITTEE OF TREASURY

THURSDAY 5 SEPTEMBER 1985


Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR HECTOR LAING
MR BLUNDEN

The Minutes of the last meeting, having been circulated, were approved.

CT.224
CT.74.03
T.56.05
CT.56.05
The Governor spoke about a paper which had been circulated to Members summarising proposals of a working party to consider the setting up of a wholly-owned subsidiary of the Bank to handle all commercial printing at the Printing Works. It was agreed that Mr Galpin should join the meeting for this and the remaining items and he described how the restrictions of Section 26 of the Bank of England Act 1694 affected not only the Printing Works but also the sale of the Bulletin. This latter could be overcome by using BE Services for the accounting. He explained the need for the company, to be known as Debden Security Printing Ltd, and its Directors to be wholly independent of the Bank. It was proposed that the authorised share capital should be £500,000 with £100,000 issued, and with powers to issue up to £1 mn loan stock. The company, whose registered office would be at Debden, would employ no staff. It was agreed to submit the working party's proposals to Court.

CT.236
The Governor informed the Committee that the Chancellor of the Exchequer was pressing for the Department of Trade and Industry to set up an enquiry under the Companies Act into the collapse of JMB. The Bank were opposed to this suggestion because it would interfere with the strategy of returning JMB to the private sector and would certainly delay that objective. Confidence in JMB



would be seriously affected and could lead to its liquidation;

ST 236
The Governor considered that if an enquiry were announced, it would be necessary, in the circumstances, for the Bank to issue a disclaimer of financial responsibility for JMB.

ST 236
The Committee discussed the implications of the Chancellor's proposal and considered a number of arguments to support the Bank's opposition to it.

At the Governor's invitation, Mr Galpin spoke about proposals for two senior staff appointments and it was agreed to recommend to the Court of Directors that:

ST 60-01
File 60
Assistant to the Chief Registrar, Scale 8

be Assistant Chief Registrar, Scale 9, with effect from 12 October 1985, at a basic salary of [REDACTED]

A Manager, Personnel Division, Scale 8

be Head of the Information Division, Scale 9, with effect from 21 October 1985, at a basic salary of [REDACTED]

P. E. Towns

Secretary

19 September 1985

COMMITTEE OF TREASURY

THURSDAY 19 SEPTEMBER 1985

Present

THE GOVERNOR
 SIR ADRIAN CADBURY
 SIR HECTOR LAING
 MR BLUNDEN
 MR SCHOLEY

The Minutes of the last Meeting, having been circulated, were approved.

N/E
 A Report of the Committee to Consider the Securities of Certain Funds was laid before the Committee and passed without discussion to the Court.

CT. 229
 CT. 60.01
 office file
 T. 90.01
 office file
 CT. 74
 In introducing a Minute of the Committee concerning two senior appointments, the Governor spoke briefly about measures being taken to strengthen and improve the supervision of banks and other financial institutions, which he proposed to present to Court that day. He touched on some of the problems over lines of responsibility in the area of Banking Supervision, which had subsequently been resolved and said that the various changes it was proposed to introduce would be announced at a Press conference on the following Tuesday which he and the Deputy Governor would hold. There would be a general statement "on the record" followed by an "off the record" opportunity for questions and the clarification of any matters of detail. After a short discussion, the Committee agreed to submit a recommendation to the Court of Directors that the following appointments be made -

CT. 229
 office file
 1 With effect from 1 October 1985 -

D A DAWKINS [redacted]
 Assistant Director,
 Scale 12,
 Financial Supervision:
 General Division

to be an Associate Director at
 a salary to [redacted] per annum.

2 With effect from a date to be agreed -

ET 60.01

Office file

J P CHARKHAM (54)
Senior Official,
seconded to PRO NED

to be Chief Adviser on
Point 'B'.

P. R. Formanov
Secretary

17 October 1985

COMMITTEE OF TREASURY

THURSDAY 3 OCTOBER 1985

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR BLUNDEN
MR SCHOLEY

170.01
file
With reference to a Minute of 14 March the Deputy Governor reminded the Committee that it had been agreed to make an ex gratia payment of £5,000 to Mr Galpin in recognition of his involvement as Chairman of JMB for the six months ended March 1985. He had now relinquished his responsibilities after a further six months and it was for consideration whether a further payment was appropriate.

170.01
file
The Committee agreed that in view of the heavy burden he had carried, a second and final ex gratia payment of £5,000 should be made to Mr Galpin.

R. J. J. J. J.

Secretary

17 October 1985

COMMITTEE OF TREASURY

THURSDAY 17 OCTOBER 1985

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR BLUNDEN
MR SCHOLEY


The Minutes of the Meetings of 19 September and 3 October, having been circulated, were approved.

CT-90 01

The Governor informed the Committee that, in preparing the White paper for the new Banking Act, HM Treasury had put forward a proposal for the formation of a Banking Commission as a body which would be ultimately responsible for supervisory decisions. The proposal had already been forwarded to the Prime Minister, subject to the Governor's views, for a meeting on 28 October. There was little time for consideration because of the wish to include the proposal in the Parliamentary timetable. The proposed Commission would be chaired by the Governor, and would include the Deputy Governor, the Banking Supervision Director together with a number of Accountants, Lawyers and retired Bankers. The aims were to improve accountability, remove conflicts within the Bank and enhance the status of Supervision.

CT-90 01

There was a feeling within the Bank that more practitioner input to supervision would be helpful. On the desirability of separation of the function from the Bank there were different views. It could be argued that separation of the function might help relations between the Bank and other banks; it would also accord with practice in most other industrial countries; and as there was likely to be a



CT 90.01
 long-term trend towards more dirigiste approach to Banking Supervision, further accretions might be better added to a separate body. On the other hand, both Supervisors and the Bank as a whole gained from each other's activities; the present system provided an important point of contact and information; and it usually proved not too difficult to resolve conflicts.

CT 90.01
 In framing their proposal, HMT had overlooked a number of practical difficulties, particularly with regard to the appointment of Commissioners and the staffing of the Commission. In addition the position of Court would be affected by the loss of its statutory powers for Banking Supervision. It had therefore been suggested that, as an alternative, an Advisory Committee be formed, with similar composition, bringing outside expertise to bear but leaving responsibility with the Court.

CT 90.01
 In the following discussion, the advantage for the Governor to have such an Advisory body was stressed: the Governor's position would be strengthened by advice from those with practitioner backgrounds. It was not practical for Court to deal with such problems, especially where conflicts of interest might arise. It was therefore agreed that this alternative proposal for the formation of an Advisory body should be submitted to Court.

CT 90.01
 The Governor then referred to another aspect of the Banking Act, in relation to Auditors. HM Treasury were proposing that it should be mandatory for Auditors to report their findings to the Supervisors without reference to their clients. This view was being strongly opposed by the Bank and the Committee agreed that a firm stand should be taken against this proposal.

P. R. Johnson
 Secretary

31 October 1988

COMMITTEE OF TREASURY

THURSDAY 31 OCTOBER 1985

Present

THE GOVERNOR

THE DEPUTY GOVERNOR

SIR ADRIAN CADBURY

SIR HECTOR LAING

MR BLUNDEN

MR SCHOLEY

The Minutes of the last Meeting, having been circulated, were approved.

CT 98
Office file
CT 71.01

The Governor informed the Committee that the Chairman of Portals Holdings PLC had asked him if Mr Blunden could remain as the Bank's nominee on the Board of Portals after his appointment as Deputy Governor. Mr Blunden had indicated that he would like to continue and would value the continuing contact. The implications of Section 11 (1) of the Charter, which laid down that the Governors should render exclusive service to the Bank, had been considered. It was felt that there were no unmanageable conflicts of interest and this view had been supported by Freshfields although it would be necessary for Mr Blunden to surrender his fees to the Bank.

CT 98
Office file
CT 71.01

The Chief Cashier had expressed concern over the proposal because the line pursued by Portals in the recent past had not always been in accord with the Bank's views. However, such matters had usually come before the Board of Portals Ltd rather than Portals Holdings PLC and no difficulties had arisen. The Committee agreed that it was important to maintain contact and that there

L

CT 98
Office file
CT 71.01

would be merit in Mr Blunden remaining on the Board. The possibility of nominating an alternate to attend when necessary would be explored with the Chairman. Meanwhile the proposal would be submitted to Court.

At the Governor's invitation, and with reference to a Minute of 24 November 1983, the Deputy Governor described a proposal from the Consultative Committee established to examine Bank support for clubs and societies for further support for the Barbican. The Consultative Committee had recommended that if it were decided to give further support it would be preferable to do this by taking out corporate membership of the Royal Shakespeare Company and/or the London Symphony Orchestra which would provide potential for official entertainment and opportunities for the staff to be offered tickets, rather than by direct donation. It had therefore been proposed that the Bank should subscribe to corporate gold membership of the Royal Shakespeare Company which would provide four top-price seats each fortnight throughout the season at an annual subscription currently of £2,500; and corporate friendship of the London Symphony Orchestra which would give discounts and priority bookings at an expected annual charge of £450. It was agreed that these facilities be introduced for a trial period of one year subject to review next autumn to decide whether or not the facilities should be continued in 1987.

With reference to a Minute of 19 January 1984 the Governor invited the Deputy Governor to outline the progress made for the appeals for funds to support the research project by Dr Derek Keene on the site and neighbourhood of the Bank. The Deputy Governor explained the research being undertaken and spoke of the somewhat disappointing response to the approaches made to the institutions in the area. The original target of £110,000, of which the Bank might have contributed between £18,000 and £22,000, was not going to be achieved and it was proposed that the Bank's contribution should therefore be £15,000.

There was some discussion and it was agreed that a sum of £15,000 be made available only on the clear assurance from Dr Keene that the reduced overall total would be sufficient to ensure a viable project.

CT 57
Office file

CT. 90. 01

The Governor then referred to the proposal from HM Treasury for the formulation of a Banking Commission which had been discussed at Court the previous week. A meeting had been held recently at Downing Street to discuss proposals on this matter from both the Bank and the Treasury. The Prime Minister had indicated that the proposals were not too far apart and had asked for the differences to be resolved; further proposals from HM Treasury were awaited. The Governor also reported that understanding had been reached, for the purposes of the white paper, on the level of duty to be placed on Auditors to communicate their findings to supervisors.

CT. 57
CT. 60
CT. 71
Office file

Finally the Governor informed the Committee that he had been invited to speak at the AGM of Business in the Community and to advocate increased corporate giving to the extent of committing 1% of pre-tax profits for charitable purposes. He recognised that this raised sensitive issues and cut across the Governor's traditional stance of declining to lend his name to fund-raising activities and he invited the Committee's views. In the discussion that followed, it was thought appropriate that the Governor should give support to the proposal that corporate giving be increased but it was felt preferable to avoid suggesting any particular level. Emphasis should also be placed on the need to provide management resources, as well as donations, and in this respect the Bank's record of making secondments for this purpose was thought to be good.

P. E. J. J. J. J.

Secretary

14. November 1985

COMMITTEE OF TREASURY

THURSDAY 14 NOVEMBER 1985

Present

THE GOVERNOR

LORD NELSON

SIR ADRIAN CADBURY

SIR HECTOR LAING

MR BLUNDEN

The Minutes of the last Meeting, having been circulated, were approved.

[REDACTED]

Office
Cib

[REDACTED]

Office
Cib

[Handwritten signature]

[Handwritten text: 12 November 1985]

[REDACTED]

Office
file

The Governor then informed the Committee that the recent departure of Mr M J Balfour had not been marked by any kind of presentation. He was aware that replicas of napkin rings used in the Governor's Dining room were presented only to Directors on their departure and that to extend this to an Assistant Director would be a departure from precedent. But Mr Balfour had been the Bank's most senior official at the time of his retirement, with a long and distinguished service and he would like to make an exception in his case.

Office
file

There was some discussion about making gifts on retirement to senior officials with long service and it was decided that this was a matter for consideration on another occasion. In the meantime it was agreed to present to Mr Balfour a replica of his napkin ring. It was further agreed that when retiring Directors received their replica napkin rings, a gift of one dozen napkins should also be made to their wives.

Office
file

P. R. Inman, Secretary

12 December 1985

COMMITTEE OF TREASURY

THURSDAY 12 DECEMBER 1985

Present

THE GOVERNOR
 THE DEPUTY GOVERNOR
 LORD NELSON
 SIR ADRIAN CADBURY
 SIR HECTOR LAING
 MR SCHOLEY

—
 The Minutes of the last Meeting, having been circulated, were approved.

Office file
 The Governor introduced a Minute of the Committee proposing certain changes to the composition of the Standing Committees and the Special Committee of Court consequent upon the departure of the Deputy Governor and the appointment of Mr Blunden as Deputy Governor with effect from 1 January 1986, to cover the period until new appointments were made to the Court from 1 March. It was agreed to submit the proposed changes to Court.

*CT-70-01
Office file*
 The Governor invited Sir Adrian Cadbury to introduce a Report of the Trustees of the Court Pension Scheme which contained a recommendation to make certain changes to the Rules of the Scheme relating to deferred pensions. Sir Adrian Cadbury explained the background to the changes and it was agreed to recommend to the Court that:

- CT-70-01
Office file*
- (a) a Member who leaves before Normal Retirement Age and is granted a deferred pension be allowed to request that provided he is still in employment payment of his pension be deferred until such date as he shall choose subject to the requirement that this option shall not continue beyond age 70;
- L*

- CT-70.01
Office file
- (b) at the date when the pension is brought into payment it will be increased on an actuarial basis to take account of the period of deferment.

CT-70.01
Office file


At the Governor's invitation, Sir Adrian Cadbury then went on to introduce proposals regarding Mr Blunden's remuneration as Deputy Governor from 1 January 1986 and the pension arrangements in respect of his term of office. Special remuneration for the position of Deputy Governor was presently at the rate of £72,950 a year, excluding fee, but before deciding on the level for Mr Blunden it was necessary to consider this in the context of proposals for his pension arrangements.

CT-70.01
Office file

Although it would be possible for him to rejoin the Court Pension Scheme, the Inland Revenue rules would only allow accrual of benefits at half the normal rate because of the break in service and funding at the Scheme's current contribution rate would produce a surplus in the Scheme. An alternative would be for Mr Blunden to be regarded as "self-employed" for pension purposes. Inland Revenue rules would allow up to 20% of pensionable remuneration for the purchase of an insurance policy to provide benefits on retirement. However, it would be inequitable for Mr Blunden to provide this from the present level of special remuneration; but it would be possible for the remuneration to be enhanced to a level which, after deduction of the maximum premium allowable, would leave him with remuneration of £72,950. The figure for this was £91,563. A further proposal would provide a death in service benefit by the payment by the Bank of a small annual contribution.

CT-70.01
Office file

Sir Adrian Cadbury acknowledged that, prima facie, the figure for remuneration would appear inconsistent with the remuneration of other Executive Members of Court but that a note of explanation could be provided in the Bank's Accounts. In considering the proposals, the Committee expressed some concern over the matter of presentation and after some discussion it was agreed that whilst the proposals were generally acceptable, they should be put to Court with a view to considering alternative ways of providing the pension arrangements.



CT-57
Office file

With reference to a Minute of 31 October the Governor invited the Deputy Governor to speak to the Committee about the research project on the site and neighbourhood of the Bank. The Deputy Governor said that he had had a further meeting with Dr Derek Keene, who had satisfied him that the project remained viable, despite the generally disappointing response to the appeal for funds. He conveyed to the Committee the expressions of thanks he had received for the Bank's help in the project and the Committee agreed that the contribution of £15,000 should be made available.

P. J. Zimmerman
Secretary

19 Dec. 1985

COMMITTEE OF TREASURY

THURSDAY 19 DECEMBER 1985

Present

THE GOVERNOR

THE DEPUTY GOVERNOR

LORD NELSON

SIR ADRIAN CADBURY

SIR HECTOR LAING

MR BLUNDEN

The Minutes of the last Meeting, having been circulated, were approved.


A quarterly Report from the Audit Committee was laid before the Committee and it was agreed that it should be submitted to Court without discussion.

CT-224
CT-223
CT-171
CT-65
CT-221
Office file

The Governor introduced a Minute of the Committee recommending changes to the composition of the Boards of four of the Bank's subsidiary companies, namely BE Services Ltd., Bank of England Nominees Ltd., Securities Management Trust Ltd. and Houblon Nominees and it was agreed that it should be submitted to Court. Mr Blunden mentioned that he intended to remain Chairman of Slater Walker for the time being.

CT-54
Office file

The Governor then spoke about the need to establish the Central Gilts Office as an office in its own right and it was agreed to recommend to Court that, with effect from 2 January 1986 in the Registrar's Department -

- 1 Chief Registrar's Office (Bank Buildings) be disbanded.
 - 2 Central Gilts Office be created.
- 

CT 70 01
Office file

Mr Blunden having withdrawn, the Governor invited Sir Adrian Cadbury to speak to the Committee about proposals for the remuneration and pension arrangements for Mr Blunden as Deputy Governor from 1 January 1986. He referred to a Minute of the previous week and said there had been further discussions with the Bank's auditors. The arrangements proposed were the most satisfactory in the circumstances but disclosure in the Bank's accounts could not be avoided. However, he was satisfied that the presentation would not cause undue difficulty and he provided the Committee with examples of the figures which might appear. After a short discussion it was agreed that the Minute be submitted to Court.

P. R. Furmanow, Secretary
16 January 1986

