

COMMITTEE OF TREASURY

THURSDAY 14 JANUARY 1988

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR LOEHNIS
SIR JOHN BARING

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

At the Governor's request, and following a discussion on a recruitment matter, the Deputy Governor said that in connection with the William and Mary Tercentenary celebrations, the Bank had been asked to lend certain items for exhibition in Amsterdam. These were the 1694 Charter; the original Subscription Book; two early bank notes; a William and Mary Lambeth Delftware plate; and the William and Mary Morgan Tankard. Although there were no difficulties about lending the last three named items, the Deputy Governor explained that the Charter, which was the legal document establishing the Bank, and the Subscription Book were particularly important documents and had not previously been allowed outside the Bank. Although the Commission - a document setting out the conditions under which the original subscriptions would be taken - had not been requested, it had been suggested that this might be a suitable document to offer as a substitute for the Charter. However, it was agreed that none of these documents should leave the Bank's safe keeping. As an alternative course of action, it was agreed that the Bank should pursue the question of having high quality copies made of each of these documents which could be lent on this occasion, and subsequently when appropriate.

L. A. Crockett
Secretary 21 or 22 Jan 1988

COMMITTEE OF TREASURY

THURSDAY 21 JANUARY 1988

Present

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

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

The Governor mentioned that it was likely that the next Lord Mayor would be Christopher Collett, the Alderman for the Broad Street Ward of the City which encompassed the Bank, the Stock Exchange and other institutions of note. It was customary for the Ward Club providing the Lord Mayor to enter a float in the Lord Mayor's Show and because of the Bank's connection with the Broad Street Ward, we had been asked to contribute towards the cost of the float, estimated to be in the region of £14,000.

The Deputy Governor explained that on two previous occasions when the incoming Lord Mayor came from the Wards which included the Bank and New Change respectively, the Chief Cashier and the Chief Accountant had taken part in the Lord Mayor's Show procession; there was therefore a precedent for support and it seemed reasonable to make some contribution on this occasion. The Ward Club had suggested that the Bank might wish to contribute £4,000, but this seemed a too high proportion of the total cost given that other institutions would also be asked to contribute. It was agreed that the Bank should contribute but that £2,500 would be an appropriate amount.

Finally the Deputy Governor updated Members of the Committee on the recruitment matter which had been discussed the previous week.

L. A. Craghton.
Secretary. 4th Feb. 1988

COMMITTEE OF TREASURY

THURSDAY 4 FEBRUARY 1988

Present

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

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

With reference to a Minute of 9 July 1987, the Governor informed the Committee that in future the five fixed salary points for Senior Officials would be designated A to E in preference to using their Greek equivalents.

At the Governor's invitation the Deputy Governor spoke about the Senior Officials' annual review which recommended three appointments to Senior Official; one promotion within the Senior Officials' structure; and an award of personal pensionable salary. It was agreed that the Minute recommending these proposals be submitted to Court.

It was agreed that the request, which had been considered previously by the Charitable Appeals Committee, that the Bank should underwrite, to the extent of up to £10,000, the sponsorship of two teams drawn from members of the staff to compete in the London Marathon in support of the Great Ormond Street Hospital Appeal, be passed to Court without discussion.

Cr. A. Crockett

Secretary of the Bank. 3rd March 1988

COMMITTEE OF TREASURY

THURSDAY 3 MARCH 1988


Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR HECTOR LAING
MR LOEHNIS
SIR DAVID SCHOLEY
SIR JOHN BARING

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

The Governor informed Members of the Committee that Standard Chartered PLC would be announcing the following day that Mr McWilliam, the Group Managing Director, would be retiring early by mutual agreement to facilitate the restructuring of the Group consequent on the appointment of Mr Galpin as Executive Chairman Designate who would assume the Chairmanship of the Group and Standard Chartered Bank later in the year. In the meantime Sir Peter Graham, the present Chairman, would assume the duties of Chief Executive of the Group and Mr W C L Brown would be appointed Managing Director of Standard Chartered Bank.

Mr Galpin's resignation was likely to be placed before Court on 24 March once he had agreed satisfactory terms with Standard Chartered. The Governor said that he had spoken to the Chairman of the Committee of London and Scottish Clearing Banks and with the Chairman of Barclays Bank, with whom Standard Chartered were very much in competition; a period of three months purdah had been agreed. Mr Galpin would therefore be able to join Standard Chartered on 1 July 1988. The Governor explained that although the Bank had been insisting on changes at a senior level at Standard Chartered, Mr Galpin's appointment had arisen out of a natural selection procedure - once it was known that he was interested in the position and he had not been imposed upon Standard Chartered by the Bank.



Once Mr Galpin's resignation from the Bank had been placed before Court, arrangements would be made to appoint his successor as Executive Director with responsibility for Banking Supervision, it being a requirement of the Banking Act that membership of the Board of Banking Supervision should include the Bank's Executive Director with that specific responsibility.

The Governor mentioned in confidence that his nominee would be Mr Brian Quinn who was currently Head of Banking Supervision.

[REDACTED]

In response to a comment from Sir David Scholey that Brian Quinn would leapfrog Peter Cooke on promotion to Executive Director, the Governor explained that Peter Cooke would be submitting his letter of resignation as Chairman of the G.10 Supervisors Committee to the G.10 Governors in Basle the following Monday and that it was his intention to retire from the Bank later in the year.

Two recommendations relating to the composition of the Standing Committees of Court for 1988/89 and the programme of Directors' visits to the Branches, Agencies and Offices during the year 1988/89 were laid before the Committee: it was agreed that they be submitted to Court.

C. A. Craghton.

Secretary of the Bank

24th March 1988

COMMITTEE OF TREASURY

THURSDAY 24 MARCH 1988

Present

THE DEPUTY GOVERNOR
SIR HECTOR LAING
MR LOEHNIS
SIR DAVID SCHOLEY
SIR JOHN BARING

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

The Deputy Governor introduced a Minute of the Committee recommending the appropriate level of remuneration for an Executive Director, three appointments to Associate Director; and certain other senior appointments that would arise as a result of Mr Galpin's impending resignation, still expected to be effective from 31 March 1988, and Mr Walker's change of status to Non-Executive Director effective from 1 May 1988.

It was agreed to submit the Minute to Court for approval.

Consequent upon those appointments, the Deputy Governor introduced two further Minutes of the Committee recommending certain changes to the composition of the Standing Committees of Court for 1988/89, a number of changes to the Boards of three of the Bank's subsidiary companies and, consequently, those authorised to act as representatives of the Governor and Company of the Bank of England at meetings of those Companies.

It was agreed to submit the Minutes to Court for approval, without discussion.

With reference to a Minute of 14 January, the Deputy Governor said that the Westerham Press, who had produced the highly acclaimed facsimiles of the Domesday Book the previous year had been identified as the only firm thought capable of tackling the task

of producing high quality facsimiles of the Bank's Charter, Subscription Book and Commission. They had submitted estimates for producing exact facsimiles at a cost of £50,000 for the Subscription Book and £37,000 each for the Charter and Commission. They had also quoted for producing facsimiles with only four colours compared with six and seven in the originals. These estimates showed a substantial saving in cost £19,400 for the Subscription Book and £21,000 each for the Charter and Commission.

However, on the assumption that we went ahead with either four or more colours, the Westerham Press were prepared to produce a sample page using the four colour process in the first instance, and on which we could base a judgement about the desirability of having a full colour facsimile of the Charter. There was also the prospect of having two additional copies made at no extra cost apart from the binding and embellishment which would probably cost, say, £10,000.

The Committee agreed that the Bank should commission a full colour facsimile of the Charter and, subject to the Governors' satisfaction, four colour facsimiles of the Subscription Book and Commission at a total cost of £77,400. It was further agreed to commission two additional copies at a cost of approximately £10,000.

A. A. Coughton.

Secretary of the Bank

31st March 1988

COMMITTEE OF TREASURY

THURSDAY 31 MARCH 1988


Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR LOEHNIS
SIR DAVID SCHOLEY
SIR JOHN BARING

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

At the Governor's invitation Mr Walker joined the meeting and the Committee agreed that Sir David Scholey, having declared his interest in Portals, should remain.

The Governor said that Mr Walker had drawn attention to the very unsatisfactory state of affairs at Portals in which the Bank had a 28% shareholding. In outlining the main areas of concern, Mr Walker explained that the first arose from the bilateral arrangement whereby Portals had an exclusive contract to supply the Printing Works with banknote paper, currently at a cost of about £8 mn per annum. He was dissatisfied with the terms of the relationship and had a suspicion that the cost to the Bank included certain overheads which it was inappropriate for the Bank to bear. Because of the exclusive nature of the contract, there were no ways of comparing costs with other suppliers but he had indicated to the Chairman of Portals that if this contract was to remain exclusive, the Bank needed to be satisfied that Portals' charge was fair. The Chairman had agreed to Mr Walker's proposal, several months ago, that Messrs Deloitte Haskins and Sells should conduct an investigation and make recommendations to the Bank in particular on the appropriate allocation of overheads




on the cost base. Not all the necessary data for Deloitte's to complete their assessment had yet been forthcoming, but Deloitte's already had some misgivings about the basis of charging hitherto. The possibility could not be excluded that the Bank was being overcharged and, pending completion of the Deloitte's exercise and receipt of their advice, Mr Walker had instructed the Printing Works to delay payment of the proposed increase in the charge for paper in 1987/88 but to make an appropriate notional provision in the accounts.

The second area of concern related to the composition of the Board of Directors of Portals Holdings plc. Sir Jasper Hollom and Sir Richard Meyjes, both Non-Executive Directors, would be retiring later that year and the recent death of Earl de la Warr would leave the Board with only one Non-Executive Director. As far and away the major shareholder, it was important that the Bank should act in the manner that we would expect of other major shareholders. We had therefore urged the Chairman to take action to strengthen the Board through making new Non-Executive Director appointments, but progress had been disappointing so far.

This led to the third concern, whether the Bank should continue to remain as a shareholder. One suggestion, put to the Chairman more than a year ago, was that the Bank should only remain a shareholder of the papermaking subsidiary; the Chairman had been asked to consider this with his Board, along with other possibilities for reducing the Bank's shareholding. But without a firm indication from the Bank of a decision to dispose, with a preferred route, it was perhaps unlikely that the Board would itself respond with any initiative in this respect, for the Bank has been a comfortable and agreeable shareholder.

The Deputy Governor explained that Portals, basically a paper manufacturer, had moved into several other areas of activity over recent years and there was considerable indecision on the Board of Portals on whether they should now maintain or sell off these various subsidiaries. This underlined the question as to the continuing appropriateness of the Bank's involvement with the company.



After some discussion about possible other sources of supply and the security implications, the Committee endorsed Mr Walker's action in relation to the purchase of banknote paper and on the wider issue, agreed that it might be more appropriate for the Bank to retain its shareholding in the papermaking subsidiary only rather than in the Group overall. It was certainly appropriate for the Bank to press for action over the composition of the Board of Directors.

L. A. Coughton.

Secretary of the Bank.

17th April 1988

COMMITTEE OF TREASURY

THURSDAY 7 APRIL 1988

Present

THE GOVERNOR
SIR ADRIAN CADBURY
MR LOEHNIS
SIR DAVID SCHOLFY
SIR JOHN BARING

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

The Governor explained that Mr Galpin, as an Executive Director of the Bank, had been in receipt of Special Remuneration of £80,000 and the statutory fee of £500. On his resignation prior to taking up his appointment with Standard Chartered he had been granted a gross pension of £50,760 from the Court Pension Scheme. This resulted, therefore, in a shortfall in income of some £30,000 on an annual basis.

Because of the purdah arrangements which the Governor had agreed with the Chairman of the Committee of London and Scottish Clearing Banks, Mr Galpin would not be taking up his appointment with Standard Chartered until mid-July: he would therefore suffer a loss of £7,500/£8,000 in gross income during the intervening period. As this loss was not being made good by Standard Chartered, the Committee agreed that it would be appropriate for the Bank to make an ex gratia payment of £7,500 to Mr Galpin to cover this shortfall.

A Report of the Audit Committee was laid before the Committee and it was agreed that it should be passed to Court without discussion.

L. A. Wright.
Secretary of the bank.
14 April 1988

COMMITTEE OF TREASURY

THURSDAY 14 APRIL 1988

Present

THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID SCHOLEY
SIR JOHN BARING

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

The Deputy Governor informed the Committee that he had been invited, and would like to accept the appointment as Treasurer of the Imperial Cancer Research Fund, a charity with which he had been associated for many years as a lay Governor. The Committee agreed.

The Deputy Governor went on to describe an architectural feature that the Museum Consultant, Professor Higgins, had suggested might be incorporated in the Rotunda area of the new Museum. This involved an inscription and freize around the Rotunda, to be supported by carved stone brackets on either side to carry portrait head sculptures of Sir John Houblon and the present Governor. The Committee endorsed the proposal and asked the Deputy Governor to pursue the matter with the Governor on his return to the Bank.

The Committee then visited the Museum to examine the proposal on site.

B.A. Hoffman

Assistant Secretary of the
Bank

26th May 1988

COMMITTEE OF TREASURY

THURSDAY 26 MAY 1988

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR LOEHNIS
SIR JOHN BARING

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

The Governor introduced a Minute of the Committee recommending an appointment to Senior Official resulting from the resignation of S R Chandler, Head of the Systems and Office Services Division.

It was agreed to submit the Minute to Court for approval.

A Report of the Staff Committee proposing an increase in Pensions and Allowances paid from the Staff Pension Fund was introduced and the actual interest of the Deputy Governor was declared. It was agreed he should remain for this item and the Report was noted and passed without discussion to Court.

The Governor, again having drawn the attention of the Committee to the actual interest of the Deputy Governor, and it being agreed he remain, invited Sir Adrian Cadbury to introduce proposals for increases in the pensions of former Governors and Executive Directors and their widows. It was agreed to recommend to the Court of Directors that -

- 1 The annual pensions in payment to former Governors and Executive Directors (with the exception of Mr Galpin), to the widow of a former Governor and to the widows of three former

Executive Directors be increased, with effect from 1 July 1988, by the amount of the increase in the Retail Prices Index for the twelve months ending 31 May 1988.

- 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 1988 both with effect from 1 July 1988.
- 3 The annual pension in payment to Mr Galpin be increased with effect 1 July 1988 by the increase in the Retail Prices Index from 1 April to 31 May 1988.

A Report of the Committee to consider the Securities of Certain Funds was laid before the Committee. In light of the views expressed at Court last August, when the previous Report was approved, concerning the Investment Managers' responsibilities in takeover situations, the Securities Committee agreed by way of clarification that the Report should be expanded by the addition of a final sentence. It was agreed the Report should be passed to Court.

Finally, Sir Hector Laing raised the matter of the takeover bid for Rowntree. He said he was very concerned that if we were not careful all United Kingdom food companies could find themselves sold abroad. The Governor said that the situation had been discussed within the Bank to see what steps could be taken but it was very hard to identify anything specific that could be done. However, we were preparing our views for Lord Young, the Trade and Industry Secretary, subject to any comments the City Committee may have; a meeting of whom we were calling shortly. Mention was made of the fact that there was a power available under the Industry Act that could be used in such a situation although it was suggested there were drawbacks in using this facility. Mr Loehnis commented that there were two strands to be considered, firstly, the advent of 1992 and the single market and secondly the very strong and worrying trend against free trade in the world.

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This had been brought home to him by the Americans at the last G30 meeting he had attended when they had said there was now no such thing as free trade in the World. A point emphasised by the fact that some 35% of our companies were owned outside the United Kingdom whilst in the United States this was true of only 4% of their companies. It was thought that there could be some salvation to the problem as a whole by pursuing the European merging laws.

L. A. Crafts.

Secretary of the Bank.

7th July 1988

COMMITTEE OF TREASURY

THURSDAY 7 JULY 1988


Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR LOEHNIS
SIR DAVID SCHOLEY

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

With reference to a Minute of 14 April, the Governor reminded the Committee that they had agreed that, as an architectural feature of the Rotunda area of the new Museum, an inscription and frieze should be introduced around the Rotunda, to be supported by carved stone brackets on either side to carry portrait head sculptures of Sir John Houblon and himself. During subsequent discussions it had proved particularly difficult to identify a suitably appropriate inscription and one which would justify the use of a head sculpture of Sir John Houblon. As there were no historical grounds for having an inscription around the Rotunda it seemed sensible therefore to abandon that particular feature but it was still necessary to consider whose sculpture should replace that of Sir John Houblon. After a brief discussion it was agreed, subject to his agreement, that Lord O'Brien should be featured in this way as he had been instrumental in establishing the original Museum in the Rotunda.

The Governor then withdrew and the Deputy Governor joined the meeting.

 At the Deputy Governor's invitation, Sir Adrian Cadbury, the Chairman of the Trustees of the Court Pension Scheme, explained that under the Rules of the Scheme the Governor was entitled to a

pension of £19,083.37 pa. However an alternative calculation based on the Governor's final salary at National Westminster Bank and enhanced by the RPI, produced a figure of £20,323.56 p.a. and the Inland Revenue had agreed that a pension of that higher amount could be paid. Sir Adrian Cadbury proposed that the Governor be granted a pension of the higher amount; that in addition the Bank subscribed 27 1/2% of the Governor's salary to the personal pension plan and continued to provide Death-in-Service cover from the Court Pension Scheme; and that the figures be subject to adjustment to take account of the RPI figure for June, when published.

It was agreed that a Minute of the Committee recommending these proposals be submitted to Court.

Sir Adrian Cadbury also mentioned that he had carried out a further comparison of the levels of remuneration of the Governors, Executive and Associate Directors with those in similar organisations outside the Bank and would discuss his findings with the Deputy Governor in due course.

C. A. Coughton

Secy of the bank.

14th July 1988

COMMITTEE OF TREASURY

THURSDAY 14 JULY 1988

Present

THE DEPUTY GOVERNOR
SIR HECTOR LAING
MR LOEHNIS
SIR JOHN BARING

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

Arising from the Minutes, the Deputy Governor said that since the Meeting of the Committee the previous week, the Bank had learned that the Governor's pension from National Westminster Bank had been increased in April. As a consequence it had become necessary to reduce the maximum pension payable from the Court Pension Scheme under Inland Revenue rules from £20,323.56 pa to £18,617.19 pa with effect from 1 July 1988. The total pension the Governor would receive from all sources would however remain unaltered.

At the Deputy Governor's invitation Mr Harris joined the Meeting and explained that following the settlement of the 1988 pay negotiations for those Banking Staff within the bargaining units, it was now proposed that the five fixed salary points for Senior Officials should be enhanced by a similar award with effect from 1 July 1988. It was also proposed to make a further adjustment within the overall salary structure for Senior Officials with effect from 1 March 1989 to make Point D marginally higher than the maximum Officials salary for Zone 4; to introduce a new intermediate Point E and for the existing Point E to be restyled Point F. This change was necessary to make progress through the lower Senior Official points more consistent than presently with salaries which Senior Officials might have received had they remained an Official Zone 4 with the possibility of earning performance awards.

After some discussion it was agreed that the Minute recommending these proposals be submitted to Court.

The Deputy Governor spoke to the Committee about a request from Lord Caldecote and Sir Jeremy Morse seeking the Bank's support towards an appeal to raise £5 mn from the corporate sector for the Church Urban Fund. He said that one or two institutions had already committed themselves to £100,000 each and Sir Jeremy Morse, conscious of the Bank's position, had suggested that the Bank might consider contributing £25,000 either as a lump sum or spread over a period of five years. The Governor and Dr Atterton, the Chairman of the Charitable Appeals Committee, had both been consulted and would support a contribution of this order but over a period of years rather than as a lump sum.

It was agreed that the Minute of the Committee, recommending a contribution of £5,000 per annum for five years be submitted to Court.

RA Hoffman

Assistant Secretary

28th July 1988

COMMITTEE OF TREASURY

THURSDAY 28 JULY 1988

Present

SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR JOHN BARING

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

Following on from the increase in salary for the Bank's Senior Officials which had been agreed by Court two weeks previously, arising from a recommendation by Committee of Treasury, Sir Adrian Cadbury said that it would now be appropriate to consider the increases in Special Remuneration of the Governors and Directors rendering exclusive service, as well as the annual salaries payable to the Associate Directors and Advisers to the Governor. For this reason the Governor and Mr Loehnis, who had a direct interest in these matters were not present.

Sir Adrian Cadbury informed the Committee he had written to the Governor informing him of the results of an updated survey by Deloitte showing how the top level of Bank salaries compared with salaries of those at the same level in clearing banks; details which he also passed to the Committee.

The Committee discussed these findings at some length and it was agreed that those present, together with Sir David Scholey, should write to the Governor emphasising how important it was that the Bank should recognise the extent to which the gap between its top salaries and those of the clearing banks had widened. Also, that as Senior Staff moved between the Bank and private sector

financial institutions it was essential in the public interest that the Bank should be able to recruit and retain staff of the required calibre. The further the differentials were allowed to widen the larger the increases that would have to be made to restore the Bank's competitive position as an employer.

It was then agreed to recommend to the Court of Directors that the Special Remuneration of the Members of Court rendering exclusive service, and the salaries of the Associate Directors and Advisers to the Governor be increased by 5% plus £200, rounded up to the nearest £1,000, per annum with effect from 1 July 1988 as follows:-

| | |
|---------------------|----------|
| The Governor | £127,000 |
| The Deputy Governor | £100,000 |

The Executive Directors

| | |
|------------|---------|
| Mr Loehnis | |
| Mr George | £85,000 |
| Mr Quinn | |

The Associate Directors

| | |
|-------------|---------|
| Mr Cooke | |
| Mr Flemming | £79,000 |
| Mr Harris | |
| Mr Kent | £74,000 |

The Advisers to the Governor

| | |
|-------------|---------|
| Mr Coleby | |
| Mr Charkham | £74,000 |

BA Hoffman

Assistant Secretary

4th August 1988

COMMITTEE OF TREASURY

THURSDAY 4 AUGUST 1988


Present

THE GOVERNOR
SIR HECTOR LAING
MR LOEHNIS
SIR DAVID SCHOLEY
SIR JOHN BARING

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

The Governor mentioned that he had received an invitation from Sir Patrick Neill, the Vice-Chancellor of Oxford University, to become a member of a Committee he was forming to raise funds to improve the finances of the University under the title of Campaign for Oxford and would be grateful for the advice of the Committee as to whether or not he should accept. The Governor said that as a general rule Governors did not involve themselves, either officially or in a personal capacity, in fundraising activities of any kind. There were a very few exceptions, such as ex-officio trusteeships, but generally the rule was adhered to.

The Governor was concerned that it might appear churlish, as a graduate of Oxford, if he turned down the invitation. He wondered if it might be considered reasonable if he merely made himself available for consultation and allowed his name to appear as a member of the Campaign without actually signing appeal letters. Before the matter was discussed both Sir David Scholey and Sir John Baring declared their interests as members of the Vice-Chancellor's Committee. The feelings of the Committee were that if, as appeared to be the case, the acceptance of the invitation would set a precedent it would be preferable not to do so - especially as it was understood that Cambridge University were about to embark on a similar fundraising exercise.



At the Governor's invitation Mr Kent joined the meeting to bring the Committee up-to-date with some developments that had occurred concerning Portals in which the Bank had a shareholding of 27.4%. The Committee agreed that Sir David Scholey, having declared his interest in Portals through Warburgs, should remain. Mr Kent said that the Bank had told Portals over a year ago that they intended to sell its shareholding although some 5% might be retained for symbolic reasons. Portals had now written to the Deputy Governor asking that the Bank do nothing for two years while they revised their corporate strategy; after that time we would be free to sell. The Deputy Governor's Committee recommended that the Bank agree not to initiate any action to dispose of their holding for a two year period but not close the door to consideration of a spontaneous bid for it, if one came. A further request that we should use Portals' brokers for disposal of our holding was not considered acceptable. This response would be conditional on Portals both keeping the Bank informed and satisfied on progress with their strategic thinking. Mr Kent mentioned that the Bank had recently negotiated a new contract with Portals which protected our supply of bank note paper. The contract besides being more advantageous to the Bank also allowed the Bank to cancel the contract in the event of a change of ownership of Portals of which we did not approve. In discussion comment was made that it was inappropriate for us to have such a large shareholding in a company that now had diversified away from solely manufacturing paper. It was agreed that if the Bank did receive an approach in the meantime, it would take no decision without consulting Portals.

The Committee were content with the proposed response and that it be conveyed to Court on the basis mentioned.

L. A. Craggs.

Secretary of the Bank.

8th September 1988

COMMITTEE OF TREASURY

THURSDAY 8 SEPTEMBER 1988


Present

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

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

In referring to the Report of the Charitable Appeals Committee which would be presented at the Meeting of Directors later that morning, the Governor explained that with Dr Atterton's agreement, he wished to discuss with Committee of Treasury the recommendation of the Charitable Appeals Committee that the Bank should make a donation of £750 to the Kennedy Memorial Trust. In view of the size of the donations being made by the Clearing Banks ranging from £1,000 to £1,500 he appreciated fully the reasoning of the Charitable Appeals Committee in reaching their decision. However in view of the level of the Bank's support £10,000 when the Fund was established in 1964 following the assassination of President Kennedy; the involvement of successive Governors as ex officio members of the Trust a position he held today; and the wish of the present Chairman of the Trust to expand the work of the Trust by raising £1 mn, he felt that the Bank might be rather more generous on this occasion.

Last November he had explained to the Marquess of Tavistock, the then Chairman of the Trust, that by tradition the Governor was disqualified from participating in any active form of fund raising but nevertheless as an ex officio member of the Trust, he felt under some obligation to support the Trust's current initiative.



The Committee agreed that in the circumstances it would be appropriate for the Bank to make a substantial contribution and agreed that a donation of £5,000 be made. It was further agreed to recommend to Court that this contribution should be in addition to the annual budget available to the Charitable Appeals Committee.

The Governor then reminded Members that at Court on 18 August some concern had been expressed that Britannia had been replaced by the Phoenix from the £50 note as the logo on the recent publication "A window on the Bank of England". At that time the Deputy Governor had confirmed that it was the intention to use only Britannia in future and that the Governor had agreed a new design for use in connection with the new Museum.

The Governor then went on to explain the need for a simple Britannia logo for use in a range of sizes and for reproduction in a number of different materials for use in connection with the Museum.

Although Members expressed comments about the Grecian style helmet and the absence of the olive branch from the representation of Britannia it was felt that these points were not sufficient to suggest that work already in hand and incorporating the new logo should be reversed. The Governor explained that he proposed to show the new logo to Members of Court the following week.

L. A. Hayter.

Secretary of the Bank.

1st December 1987.

COMMITTEE OF TREASURY

THURSDAY 1 DECEMBER 1988

Present


THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR LOEHNIS
SIR DAVID SCHOLEY
SIR JOHN BARING

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

A Report of the Committee on Permanent Control of Expenditure was laid before the Committee and it was agreed that it should be passed to Court without discussion.

A Report of the Trustees of the Court Pension Scheme was also laid before the Committee. The Governor having declared his and the Deputy Governor's actual interest in the Scheme, it was agreed that the Report be passed to Court without discussion.

At the Governor's invitation, Sir Adrian Cadbury expressed the concern of Members of the Committee and Court about the levels of remuneration of the Governors and Directors in comparison with those in similar positions in other City financial institutions, which had been the subject of his letter of 13 September to the Governor. To allow the gap between the remuneration paid to the Bank's Executive and that paid in other financial institutions to widen would cause further problems for the future. The question of top salaries in the City was now a complex issue with top people in many instances being paid by results. A survey on the lines of that undertaken by him previously could not fully reflect the position and he endorsed Court's view that a more extensive survey of comparable rewards should be put in hand in the coming year.



Sir Adrian Cadbury also supported the suggestion that a separate Remuneration Committee of Non Executive Directors, which would be quite independent of the Bank executive, should be established as a sub Committee of Committee of Treasury. It was agreed that such a Committee should be formed and that Mr Corby and Mr Laird who could bring valuable experience in this field should be invited to serve along with the current Non Executive Members of Committee of Treasury: Sir Adrian Cadbury undertook to approach them.

It was further agreed that any Report emanating from the Remuneration Committee should be taken through Committee of Treasury so that the Governors' views could be considered; that the Secretary of the Bank should act as secretary to the Remuneration Committee; that Mr Harris should be involved in an advisory capacity as necessary; and that once the composition of the Committee was finalised it would be appropriate to inform Court.

The Governor then explained to the Committee that he had accepted with regret a request from Mr Loehnis that he should not be considered for re appointment to Court when his current term of office expired at the end of February next. The Governor together with the Deputy Governor and Mr Loehnis had already considered the names of possible successors to Mr Loehnis and in view of the difficulties that had arisen over the Bank's nominee felt it appropriate to consult Committee of Treasury at this stage.

From a list of candidates who had been identified, the Bank's choice was Andrew Crockett who had previously worked in the Bank, joining in 1966. In 1972 he was seconded to become Personal Assistant to the Managing Director of the IMF and had subsequently resigned from the Bank to join the Fund's staff where he was currently Deputy Director of the Research Department.

Although the Chancellor of the Exchequer had accepted the Governor's nomination, the Prime Minister was not so inclined. The Governor said that as under the Charter the selection of

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Executive Directors was a matter for Court he felt it important to take a strong line on this issue to maintain the Bank's independence. Accordingly he had sought an interview with the Prime Minister.

The Prime Minister's view was that it would be more appropriate for the appointment to go to someone with a distinguished record in public service who was worthy to achieve the equivalent of Permanent Secretary status. Nevertheless after some discussion the Prime Minister had accepted that the Governor would go ahead and appoint Crockett to take over Mr Loehnis's responsibilities for the international work of the Bank, but emphasised that her endorsement was required if Crockett was to become a Member of Court.

The Governor had therefore sent a formal submission to the Prime Minister recommending Crockett's appointment as a Director and was hopeful that this would be accepted. If the Prime Minister's endorsement to Crockett's appointment was not forthcoming he would be offered an Associate Directorship and a vacancy on Court would remain which the Prime Minister might wish to fill by appointing another industrialist.

Committee of Treasury fully supported the stand that the Governor had taken and felt that there could be considerable repercussions and complications if Director status was not accorded to the person representing the Bank and the United Kingdom in international fora. The Committee also expressed grave concern lest appointments to the Court of the Bank should become the patronage of the Prime Minister for public service.

L. A. Craig.

Secretary of the Bank

22nd December 1988.

COMMITTEE OF TREASURY

THURSDAY 22 DECEMBER 1988

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR HECTOR LAING
MR LOEHNIS
SIR DAVID SCHOLEY
SIR JOHN BARING


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

With reference to a Minute of 1 December the Governor reminded Members that it had been agreed to establish, as a sub committee of Committee of Treasury, a Remuneration Committee of Non Executive Directors to consider all questions relating to the Remuneration of the Bank's senior executives.

At the Governor's invitation Sir Adrian Cadbury said that he had invited Mr Corby and Mr Laird to serve on the Remuneration Committee along with the Non Executive Members of Committee of Treasury and they had both accepted. It was not proposed to invite Mr Harris to serve on the Committee but his help and advice would be sought when required.

The following terms of reference for the Remuneration Committee were agreed:

"The Remuneration Committee shall consider all questions relating to the remuneration of the Governors, Executive and Associate Directors and Advisers to the Governors and report its conclusions, as considered appropriate, in the first instance to Committee of Treasury."



It was further agreed that the Committee should meet for the first time on 19 January 1989 and should submit its first report to Committee of Treasury by July 1989. It was also agreed that Court's endorsement should be sought for the establishment of the Remuneration Committee.

The Governor, having invited Mr Harris to join the Committee, explained that as a consequence of the appointment of Mr Crockett as an Executive Director of the Bank with effect from 1 March 1989, it had been appropriate to look again at the terms and conditions of service for executive members of Court insofar as they related to housing assistance.

At the Governor's invitation the Deputy Governor explained that in December 1982 and January 1983 Committee of Treasury and Court had considered the question of loans to directors and had agreed that the scheme which had been in force since 1973 and amended in 1976, should be withdrawn as it provided for borrowing on beneficial terms at a higher level than permitted under the Companies Act 1980; and for purposes not permitted under that Act. It had then been agreed that Governors and Directors appointed to Court in future should be able to borrow from the Bank only on commercial terms through the Banking Department, and that a modified version of the existing scheme which would conform with the Companies Act 1980, should be retained for existing Executive Directors for housing loan purposes only to preserve so far as possible the expectations they had when they were appointed to Court. This scheme had been modified subsequently to enable subsequent members of staff on appointment to Court to retain their existing loans housing, educational, personal or medium term loans. However it seemed inconsistent with the concerns presently being expressed about the overall remuneration of the Bank's senior executives to deny them facilities permitted to directors of banks under the Companies Act 1985.

It was agreed therefore that Court should be asked to consider the following recommendation:

- 1 Existing members of the staff, who as such were eligible to receive housing loans and who have been, or are in future, appointed as Governors or Executive Directors, should be allowed, during their membership of Court, to increase their Housing Loans to £50,000 at the same rates as those applying to employees.
- 2 As the Housing Loan Scheme has for a number of years been closed to new entrants to the staff, those appointed as Governors or Executive Directors who have not been members of the staff, or who have been members of the staff but have not been eligible for housing loans, should be eligible for Housing Assistance on the same basis as employees covered by that scheme to a maximum of £50,000 subsidised.

Mr Crockett as a former member of the staff could be said to straddle these two positions, and might therefore be eligible for either form of assistance. The consensus was however that he should be eligible only for Housing Assistance, which might well be more advantageous for him.

The question of providing assistance to Mr Crockett with his removal expenses was also discussed. This had not been considered in detail as it was not yet known what facilities the IMF would provide, but the Committee agreed that the Bank should treat him generously in this respect.

L. A. Craig.

Secretary of the Bank.

23rd February 1983