

COMMITTEE OF TREASURY

THURSDAY 23 FEBRUARY 1989

Present

Sir George Blunden, Deputy Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, CVO
Sir Hector Laing
Anthony David Loehnis, Esq, CMG

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

At the Deputy Governor's invitation:

- 1 Mr Harris joined the meeting and spoke about the Senior Officials' Annual Review which recommended one appointment to Senior Official; four promotions within the Senior Officials' structure; and the re allocation of Senior Officials on the current Point E to the new Points E and F. It was agreed that the Minute recommending these proposals be submitted to Court.

- 2 Mr Loehnis spoke about the Trade Policy Research Centre: although the Centre was highly regarded both here and in other major trading countries, its financial position gave

cause for some concern and the Council now proposed to launch an international appeal to strengthen its position. One of the essential conditions of the launch of this appeal was that the present Council should undertake a radical overhaul of the administrative structure and a reconstruction of the Council itself. A further requirement was to appoint someone to oversee the financial administration and possibly help with the administration of the appeal itself.

Over recent months Mr Loehnis' advice had been sought by the Research Centre and with the help of our Personnel Division a Bank pensioner, [redacted] had been identified to help with the administration at the Research Centre. Initially this would be on a part-time basis but with a possibility that [redacted] might become the full time Administrative Director which the Research Centre would need if their appeal succeeded.

Mr Loehnis suggested that in the circumstances it might be appropriate for the Bank to make a contribution towards the cost of the Research Centre employing [redacted] and suggested that, exceptionally, the Bank might consider making a grant of £10,000 to cover these expenses, on the understanding that this payment subsumed the three annual contributions of £1,000 which remained outstanding from the five year agreement the Bank had entered into in 1987 thus effectively reducing the grant to £7,000.

Some concern was expressed about the quality of the management of the Trade Policy Research Centre but it was agreed that it would be appropriate for the Bank to support it as proposed and that Court's endorsement to this course of action should be sought.

C. A. Crafts

Secretary of the Bank 9th March 1988

COMMITTEE OF TREASURY

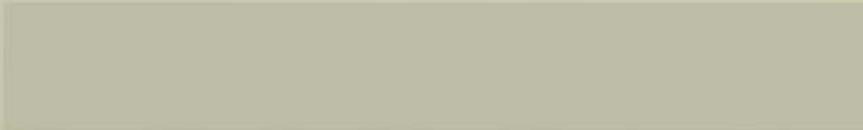
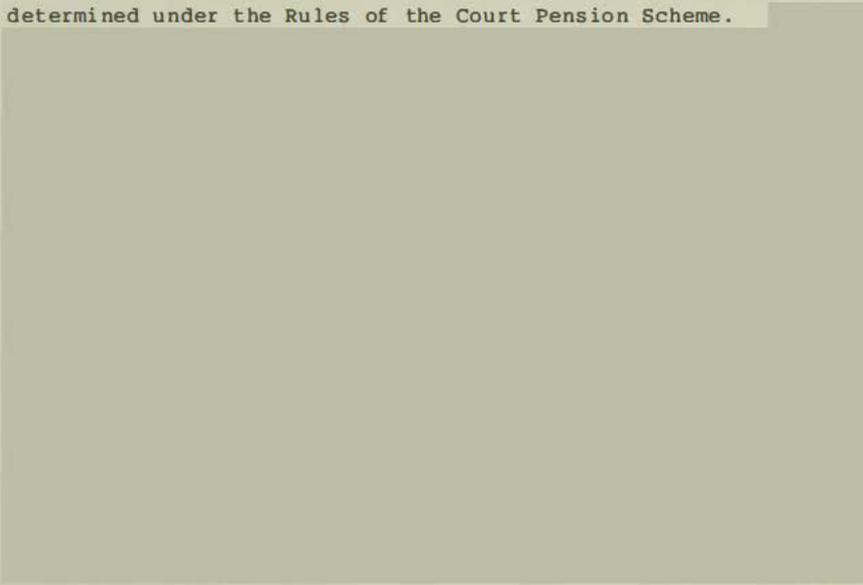
THURSDAY 9 MARCH 1989

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR HECTOR LAING
MR GEORGE
SIR JOHN BARING

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

At the Governor's invitation the Deputy Governor spoke about two matters which had been considered by the Trustees of the Court Pension Scheme. Following Mr Loehnis' recent retirement from the Bank he became entitled to a deferred pension which could be determined under the Rules of the Court Pension Scheme.



The Deputy Governor went on to discuss the second issue which related to the allowances paid to widows of former Members of Court who retired before 1978 when the present Court Pension Scheme was established. The allowances currently in payment to four such widows had been based on their husband's pension net of commutation whereas current practice provided for the calculation to be based on gross pension. The Trustees had expressed their concern that such an inequality of treatment existed and had suggested that in the cases of Lady Peppiatt, Lady Bolton, Lady Cobbold and Lady Abell, the position should be restored by offering them ex gratia allowances to cover the difference in the two calculations, and that the principle be adopted in the calculation of future widows' allowances, subject to each being approved by Court.

It was agreed that the Minute of the Committee recommending ex gratia payments to Lady Peppiatt, Lady Bolton, Lady Cobbold and Lady Abell be passed to Court.

In supporting the recommendation which provided allowances of the equivalent of 50% of the husband's pension, Sir Hector Laing reiterated his view that the allowances should be based on a calculation of two thirds of the pension. In response the Deputy Governor said that Sir Hector had indeed raised this before but, because it would be undesirable to establish a major difference between the treatment of widows of Members of Court and widows of Staff, it would be necessary to consider this in the next review of benefits under the Staff scheme and to cost it in that context. Sir Hector Laing accepted this delay saying that he too would wish the facilities to be available under both Funds.

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

L. A. Crockett

Secretary of the bank.

27th April 1989

COMMITTEE OF TREASURY

THURSDAY 27 APRIL 1989

Present

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

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

The Governor spoke to the Committee about the suggestion that the Bank should incorporate the copyright symbol on the new Series E banknotes, the first of which would be issued in 1990. The use of the symbol in the form approved by the Universal Copyright Convention on the front and back of the notes would be the most effective means of serving notice to everyone that the Bank owned the copyright in its notes. The presence of the symbol, for which advertising agencies were attuned to look, could give them cause to seek our permission first before making reproductions and would simplify the procedures to be followed if the Bank wished to sue under the Copyright Act instead of prosecuting under the Forgery and Counterfeiting Act 1981.

The main argument against including the symbol was the aesthetic one particularly as the note would have to bear not only the symbol but also the Bank's full title. The Governor explained that having seen the pre production version of the Series E £5 note with the symbol and wording included which was circulated to Members at the meeting he felt that it would be appropriate for the symbol to be incorporated. The Committee endorsed the Governor's view and agreed that the matter be discussed at Court the following week.

At the Governor's invitation:

- 1 The Deputy Governor explained that the Department of Trade and Industry were considering whether there was a case for bringing bodies other than the Civil Service and the organisations set up under the Financial Services Act within the scope of the "public servant" definition for purposes of the Company Securities (Insider Dealing) Act 1985 and had identified the Bank as a candidate. The definition if adopted would cover the Governors, Executive and Non Executive Directors and all employees and it would seem appropriate for it also to cover Members of the Board of Banking Supervision.

The impact on the Bank of being brought within the wider scope of the public servant definition would be twofold: first to widen the circumstances within which individuals would fall within the provisions of the Act and, secondly, to subject them in these circumstances to criminal proceedings as well as any internal disciplinary proceedings.

Members of the Committee saw no reason why the Bank should not be brought within this definition and agreed that the matter be discussed at Court the following week.

- 2 The Deputy Governor spoke about a request received from Mr Walker in his capacity as Chairman of the Securities and Investments Board seeking support of some £100,000 from the Bank to finance the annual conference of the International Organisation of Securities Commissions which he hoped might be held in London in 1992.

The general feeling within the Bank was that IOSCO had not yet proved to be an effective body although it possibly represented the only body through which international convergence of the securities industry might be achieved. Nevertheless to support the group in this way and to the extent suggested would not add to its effectiveness and would seem to be encouraging unnecessary extravagance: an offer to provide support in the form of a Court Room reception might be more appropriate.

The general view was that the Bank should not take a lead in offering support for IOSCO which should aim to become self financing but that the offer of hospitality would be an appropriate gesture.

Finally, the Governor sought advice from the Committee on whether it would be appropriate for the Bank to purchase a new oil painting by a British artist, Bill Jacklin, which showed the floor of LIFFE, thus capturing a City scene and one topical for the Bank. The asking price for the oil painting was £28,000 but a reduction might be possible: there was a pastel of the same subject available for £12,500.

Sir Hector Laing said that he fully supported the principle of buying good quality contemporary art and furniture a view supported by other Members of the Committee.

It was agreed therefore that the Bank should purchase the oil painting, hopefully for around £25,000.

C. A. Crockett

Secretary of the Bank

25th May 1989

COMMITTEE OF TREASURY

THURSDAY 11 MAY 1989

Present

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

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

It was noted that the Audit Committee had examined the Bank's Accounts for 1989; that Sir David Scholey, as Chairman of that Committee, would report orally to Court on that examination; and that the Deputy Governor would seek Court's agreement to proposals for a further payment to HM Treasury in lieu of a dividend.

It was agreed to recommend to Court that the Accounts, having been examined, be approved and signed and that the Annual Report and Accounts of the Bank for the year ended 28 February 1989 be printed and issued.

At the Deputy Governor's invitation Mr George explained that this year's Budget had introduced VAT at the standard rate on the construction of commercial buildings, and on the cost of the land in the case of construction starting after 1 August 1989. The Bank could avoid paying VAT on the construction of the new building in Gloucester to house the Registrar's Department by establishing a new subsidiary company to own the land and building, renting the building back to the Bank and charging VAT on the rent. Although the Bank was a public sector institution it was incumbent upon it to manage its affairs including its tax affairs as efficiently as possible. There was no apparent disadvantage to the Bank in establishing a subsidiary

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company for this purpose and there would be some small national advantage in reducing or delaying VAT receipts from a public sector body by HM Government because of the payover to the EEC. It was therefore agreed to recommend to Court that a new subsidiary company be established. The company, to be called BE Property Holdings Limited, would be a private company limited by shares, with the issued share capital covering the initial purchase of the land from the Bank and with further financing through long term loans from the Bank.

It was further agreed to recommend that Mr George be appointed Chairman of the new company and Mr Harris and Mr Rumins be appointed its first directors.

The Deputy Governor introduced a Minute of the Committee recommending an appointment to Senior Official which resulted from the resignation of P J Warland, Head of Information Division. It was agreed to submit the Minute to Court for approval.

At the Deputy Governor's invitation Mr Harris joined the Committee and introduced a paper which outlined the proposed parameters of the Bank's response to the pay claims for 1989 submitted recently by the Bank of England Section of BIFU. In formulating the Bank's response, the executive members of Court had considered that Bank staff, through the housing support schemes available to them, were insulated in part from the recent mortgage interest increases which had accounted for a significant increase in the RPI; without this the RPI would be 5.7%, and a settlement of that order would be appropriate. In addition there was no need for the Bank to seek to be particularly competitive in the recruitment market this year because our targets were low as a result of the relocation of the Registrar's Department to Gloucester and the Bank, at present, had no particular difficulty in retaining staff. However there were other factors, particularly the level of awards in other banks and the general unrest with public sector offers of 7% which suggested that the Bank should be prepared to go as high as 6.5% with no other concessions on fringe benefits; there would be a settlement of 6.44% at the Printing Works. The Committee endorsed these parameters and agreed that the matter be discussed at Court the following week.

A. C. [Signature]
26 May 1989 Secretary of the Bank

COMMITTEE OF TREASURY

THURSDAY 25 MAY 1989

Present

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

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

In the absence of Sir Adrian Cadbury, the Chairman of the Trustees of the Court Pension Scheme, Dr Atterton attended in his capacity as a Non Executive Director Trustee of the Scheme. The Governor declared his actual interest in the Pension Scheme and Sir David Scholey on behalf of S G Warburg his interest in Mr Loehnis' pension arrangements.

At the Governor's invitation Dr Atterton introduced proposals for increases in the pensions of former Governors and Executive Directors and the widows of former Members of Court. 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 Lord Richardson and Mr A D Loehnis), and the allowances in payment to the widows of former Members of Court, be increased with effect from 1 July 1989 by the amount of the increase in the Retail Prices Index for the twelve months ending 31 May 1989.
- 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 1989, both with effect from 1 July 1989.

- 3 The annual pension in payment to Mr A D Loehnis be increased with effect from 1 July 1989 by the increase in the Retail Prices Index between 1 March and 31 May 1989.
- 4 The ex gratia payments awarded to widows of former Members of Court who retired prior to 1978, and whose allowances were based on their husband's pension net of commutation, be increased with effect from 1 July 1989 by the increase in the Retail Prices Index for the twelve months ending 31 May 1989.
- 5 The deferred pension payable at age 60 or later, granted to Mr D A Walker on 1 June 1988, be increased with effect from 1 July 1989 by the increase in the Retail Prices Index for the twelve months ending 31 May 1989.

A Report of the Staff Committee proposing an increase in Pensions and Allowances paid from the Staff Pension Fund, and the Annual Report of the Registrar's Department Liaison Committee were laid before the Committee: it was agreed that they be passed to Court without discussion.

L. A. Coughter.

Secretary of the Bank.

22nd July 1989

COMMITTEE OF TREASURY

THURSDAY 22 JUNE 1989

Present

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

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

The Governor congratulated Sir Brian Corby, who attended as a member of the Remuneration Committee, on the knighthood conferred upon him the previous week. The Governor then invited Sir Adrian Cadbury, the Chairman of the Remuneration Committee, to introduce the recommendations of that Committee in respect of the Bank's Executive.

Sir Adrian Cadbury explained that the Committee had considered that the appropriate point for external comparison was that of Executive Director as this was the level at which the Bank might need to recruit from outside and where there had been a number of changes recently. From this point a structure covering the Assistant Directors and Advisers on the one hand and the Deputy Governor and Governor on the other had been identified, incorporating broader salary bands to give scope for a closer relationship between pay and performance to be adopted at these levels. A salary band for the Deputy Governor, but not the Governor, was also being proposed. In considering the particular levels of remuneration it had been possible to relate the role of the Executive Directors to those of other executive directors who had come within the compass of the survey

commissioned by the Remuneration Committee: the recommendations were therefore market related.

The Governor thanked Sir Adrian Cadbury and the Committee for the work they had done on behalf of the Bank's Executive and the discussion moved on to consider ways in which the recommendations might be implemented.

The Deputy Governor reminded Members that it was the practice for Non Executive Members of Court to approve increases in the remuneration of the Bank's Executive and that the last significant increase had deliberately been implemented on a different date and for a longer period than the settlement for the Bank's staff. He suggested therefore that if the recommendations were to be implemented, then 1 January or 1 March 1990 might be more appropriate than 1 July 1989; that the new salaries should not attract an annual cost of living increase; and that they should perhaps endure for longer than 12 months, even for, say, three years with a provision for a review in mid term. The Non-Executive Directors however were strongly in favour of the levels of remuneration being reviewed annually but agreed that a market related basis would be more appropriate than the cost of living and that the reviews need not necessarily lead to annual increments.

It was noted that the implementation of this review could affect the salary levels of Senior Officials: this pointed to an implementation date of January March 1990 with Senior Officials' salaries being reviewed with effect from July of that year. Alternatively the Deputy Governor suggested that implementation of the Executive's review in January 1990 could pave the way for adjustments to be made to Senior Officials' salaries effective from 1 March 1990, coincidentally with the Annual Review.

Sir Adrian Cadbury then suggested that in the light of the discussion that had taken place it seemed appropriate for the Remuneration Committee to meet again to discuss the method and timing of implementation. It was also agreed that it would then be appropriate for Sir Adrian Cadbury and Sir Hector Laing, the Senior Non-Executive Directors, to meet the Chancellor of the Exchequer to explain the reasons for the revision of the remuneration of the Bank's Executive.

The Governor, having acknowledged his direct interest in the ensuing item, withdrew from the meeting together with Sir Brian Corby.

The Deputy Governor then took the chair and at his invitation Sir Adrian Cadbury explained that the revised limits on annual contributions to personal pensions, which had been announced in the 1989 Finance Bill, would affect the Governor's pension arrangements which had been agreed by Court on 7 July 1988. From April 1989, the maximum contribution that could be paid into a personal pension plan on behalf of the Governor had been reduced from £35,475 to £24,000 which would naturally adversely affect the Governor's prospective pension.

The Committee agreed that the Bank should fulfill its obligation by meeting in full the Governor's pension expectation on his retirement. It was undesirable for the Governor's pension to fall below what he had expected; no firm decision could be taken now, but when his retirement came Committee of Treasury should re examine the situation and note that the present Committee had a preference for option three in Sir Adrian's paper. It was further agreed to seek Freshfields' advice on a recommendation to be submitted to Court for their approval.

L. A. Cragg

Secretary of the Bank.

6th July 1989.

COMMITTEE OF TREASURY

THURSDAY 6 JULY 1989

Present

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

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

At the Governor's invitation the Deputy Governor informed the Committee that earlier that week agreement had been reached between the Bank and BIFU to increase by 7 1/2% the salaries of those within the bargaining units. As a consequence, it would be appropriate to increase the salaries of Senior Officials similarly, with minor roundings for some salary points. It was agreed that the Minute recommending these proposals be submitted to Court for approval.

The Governor then explained that under the articles of association of the Securities and Investments Board, it was his responsibility to determine the salaries of their Chairman, Deputy Chairmen, and Directors. These salaries had last been adjusted with effect from 1 July 1988 and the views of the Committee would be helpful in considering the level of these salaries for the current year. There were a number of issues which needed to be taken into account, in particular the varying levels of commitment required of the Chairman, Deputy Chairmen and Directors and whether all or some of these salaries should be adjusted in line with the Retail Price Index or be market related. A further factor was the relative responsibility of the Chairman of the SIB in comparison with the Governor and Deputy Governor. After some discussion it was agreed that in



broad terms the responsibilities of the Chairman of the SIB fell somewhere between those of the Governor and the Bank's Executive Director responsible for Banking Supervision, and that it would be appropriate for the salary levels to reflect this position.

In view of the current discussions concerning the salary levels of the Bank's Executive which were unlikely to be implemented before 1 January 1990 at the earliest Sir Adrian Cadbury suggested that it might be appropriate to defer consideration of the salaries of the Board members of SIB until that time. The Governor accepted the argument for drawing the comparison between the salaries of the SIB Board and those of the Bank's Executive: although the responsibility for SIB salaries lay with him personally, he would certainly welcome the views of the Remuneration Committee, despite the delay that would arise in enhancing the SIB salaries. The Deputy Governor in supporting the proposition suggested that the Remuneration Committee might also consider the appropriate level of remuneration for members of the Board of Banking Supervision. In this instance too, the level of commitment required of Board members varied significantly and it was agreed that details of work volumes of members of the Boards of Banking Supervision and SIB be obtained to enable a realistic comparison to be made.

The Governor, having declared his and the Deputy Governor's actual interest and Mr George's potential interest in the Court Pension Scheme, invited Sir Adrian Cadbury, the Chairman of the Trustees of the Scheme to introduce their Report relating to the annual actuarial valuation of the Scheme as at 1 March 1989. The finances of the Scheme were now in a strong position and a reduction in the contribution rate from the present level of 38% could be contemplated. Alternatively, the contribution rate could be maintained at its present level and benefits particularly widows' benefits could be improved.

Sir Adrian Cadbury suggested that the review of the salary levels of the Bank's Executive, currently under consideration, made it inappropriate to consider reducing the contribution rate at the present time. He suggested therefore that it would be prudent to maintain the current rate until the revised salaries

were agreed: the level of benefits could then be examined. Sir Adrian Cadbury acknowledged that the level of widows' benefits should be reconsidered: however he was keen to ensure that the benefits payable from the Court Scheme and those from the Staff Fund were kept in line so far as possible. The Staff Fund triennial revaluation would occur at the end of February next year and when the results became available possible changes to benefits would be reviewed in the joint staff and union working party. Their report might contain recommendations about widows' benefits. It would be desirable for changes in the Court Scheme to wait till then to ensure that both schemes remained broadly in line. In the meantime it was agreed to recommend to Court that the contribution rate for the Court Pension Scheme be maintained at its present level.

C. A. Crayke.

Secretary of the Bank.

14th November 1989

COMMITTEE OF TREASURY

THURSDAY 14 SEPTEMBER 1989

Present

THE GOVERNOR
SIR HECTOR LAING
SIR DAVID SCHOLEY
MR GEORGE

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

The Governor, having outlined Sir Nigel Althaus' earlier career and the reasons for him joining the Bank in 1986, invited Mr Harris to join the meeting and to speak about the proposed pension arrangements for Sir Nigel who would retire on his 60th birthday, 28 September 1989.

On joining the Bank, it had been indicated to Sir Nigel that he could expect to receive retirement benefits equal to 2/3 of his final salary and Committee of Treasury at that time had accepted that to achieve that position it would almost certainly be necessary to supplement benefits from the Pension Fund on an ex gratia basis. Sir Nigel's pensionable service with the Bank totalled 41 months which, on a salary of £73,650, would generate a pension of £4,193 per annum. It was proposed therefore that an ex gratia allowance of £44,906 per annum be paid by the Bank to bring the total income to £49,100 per annum.

In considering the proposition Sir David Scholey asked what capital sum such an allowance represented (including cost of living increases) and suggested that subject to there being no difficulty about disclosure of the figures, Sir Nigel might prefer to receive payment in that form. It was estimated that the capital sum would be of the order of £500,000. Sir Hector Laing suggested that in view of the loyalty shown by Sir Nigel

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over the past few years a round sum of £50,000 might be a more appropriate ex gratia sum. On balance, however, the Committee agreed that an ex gratia allowance of £44,906 per annum be paid and that, if possible, Sir Nigel Althaus be offered the normal commutation options, subject to there being no disclosure requirements. The allowance would be reviewed annually but, as an ex gratia allowance, there could be no written or other formal ongoing commitment by the Bank; the Bank would be entitled, should it so wish, to vary or discontinue the payment at any time. The Committee also agreed that in the event of his death, consideration should be given to some form of payment to Sir Nigel Althaus' widow.

C. A. Craig

The Secretary of the Bank.

25 January 1990