



**BANK OF ENGLAND**

## **Changes call Bank to account as never before**

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Open. Accountable. Trusted. Robustly governed. These are essential qualities for any 21st century organisation that aspires to sustained success, and the Bank of England is no exception.

The reforms announced last week by the Bank are designed to enhance our transparency, reinforce our accountability and improve our governance. They give the Bank, and the British people, the best of both worlds by combining – the integrity, impartiality and analytic excellence the Bank is known for with the best of boardroom practice from the private sector.

To achieve that necessary balance, we must ensure that the way the Bank is governed is fit for purpose. The Bank's Board, otherwise known as Court, has changed dramatically over the years, alongside sweeping changes in the nature and breadth of the Bank's responsibilities. Successive reforms have significantly enhanced its capability to hold the Bank's executive management to account. But there is scope to go further, with a simpler structure and a clearer commitment to accountability.

First, there is the issue of Court's size and composition. In my experience, large, unwieldy boards do not make for effective decision-making bodies. Rather, effective boards typically comprise no more than a dozen members, with non-executives in the majority. While the Bank's Court has shrunk over the years, there is scope to go further. The Bank would like to see the legislation amended to provide for a maximum of 12 Court Directors, no more than five of whom should be executives of the Bank.

Second, we should ask what Court is there to do. To make the Bank function as effectively as it can, we need to make a crystal clear distinction between the role of Court – which is to govern the corporation by overseeing its strategy, finance, risk, staffing and budgets - and the role of the Bank's three policy authorities. These are groups of experts on the Monetary Policy Committee, Financial Policy Committee, and Prudential Regulation Authority Board who make important public policy decisions under separate statutory mandates.

The Bank's proposal to align the status of the FPC and the PRA Board with the tried and tested model of the MPC leaves the running of the Bank squarely in the hands of the Court, as it should be.

Third, how does Court do just that? Well-governed businesses in this country operate a unitary board structure where executives and non-executives discuss the challenges that the company is facing in an atmosphere of openness and mutual respect. That does not mean that the non-executives never meet as a group. Indeed, it is the norm in the private sector for the Chairman and non-executives to hold regular informal meetings where any concerns about management can be raised privately. That is simply good boardroom practice; it need not – indeed, in my view, should not – be enshrined in statute as a board sub-committee.

That is why the Banks proposal to absorb the non-executive Oversight Committee back into Court makes good sense, resulting in an unambiguously unitary board where holding management to account is a core function.

Finally, how do you ensure any board – even one with the right size, composition and structure is accountable. After all, the Bank of England is owned by the public and its decisions have profound effects on the lives and well-being of millions of people. It is simply essential that we hold ourselves to the highest standards of accountability – to Parliament, and to the wider public.

One way is to provide clear and public records of management decisions. Since April 2013, the Bank has published minutes of its Court meetings with a six-week delay. But historical Court minutes have remained unpublished for up to 100 years. This is not appropriate for a 21<sup>st</sup> century institution. That is why from next year, archival arrangements for historical Court minutes will be aligned with Whitehall best practice, and Court minutes from 1914 to 1987 will be published during the course of 2015.

In addition, the Bank will be publishing, as a one-off arrangement, Court minutes from the 2007-09 crisis period, following requests from the Treasury Committee. That is not a decision that Court has taken lightly. But we fully recognise that Parliament and the wider public have a right to the full picture of the Bank's response to a once in a generation financial crisis.

Taken together, the package of measures I have described above represents a milestone in the Bank's ambitions on transparency, accountability and good governance, as we strive to fulfil our mission to promote the public good. As Chairman of the Bank's Board, I will do my part to ensure that the Bank's commitment to, and execution of this mission does not falter.