

A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 JANUARY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir Robert Anthony Clark, DSC
Rodney Desmond Galpin, Esq
Professor Brian Griffiths
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

John Stanton Flemming, Esq

The Minutes of the Court of 20 December 1984 were confirmed and those of the Meeting of 27 December 1984, which had also been circulated, were approved.

In commenting on the weekly figures Mr Galpin mentioned that the increase of 8% in the note circulation over the Christmas period was higher than predicted. The Governor then invited Mr Coleby, Assistant Director in charge of the Money Markets Division to attend, in Mr George's absence, and speak about the state of the domestic markets; and Mr Loehnis to speak about the exchanges. Some discussion followed concerning the exchange rate, including current attitudes to membership of the EMS.

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Also at the Governor's invitation:-

- 1 Mr Loehnis introduced a statement of the Overseas Trade figures for November.
- 2 Mr Galpin introduced a Report of the Staff Committee proposing a revision of borrowing limits under the Housing Loan Scheme, which was approved.
- 3 Mr Blunden spoke about a Report of the Trustees of the Pension Fund covering a valuation by the Actuary of assets and liabilities of the Fund as at 29 February 1984. After some discussion the Report was approved.
- 4 Mr Walker drew attention to certain points made in a paper prepared by the Industrial Finance Division based on enquiries made by Branch Agents on investment and employment prospects. It was agreed in discussion that a similar survey would be undertaken - taking account of several points made by Members - in the course of 1985.
- 5 Lord Nelson spoke about some impressions he had gained during his visit to the Soviet Union in December.

The Governor reported that Sir David Steel had acted as an Alternate at a meeting of the Registrar's Department Liaison Committee on 13 December.

An abstract of awards from the New Year Honours List was laid before the Court.

Two letters from Messrs Freshfields having been submitted together with two documents to be sealed, namely a Deed of Release relating to a house in Kent and a Deed of Grant, in duplicate, relating to a property in Essex, the Court approved thereof and ORDERED that the documents in question be sealed with the Common Seal of the Bank.

10.1.85 P.J. Johnson C W M Mahon
Secretary 10 Jan 85

A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 JANUARY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

In commenting on the weekly Figures, at the Governor's invitation, Mr George mentioned that the steep rise in the note circulation over the Christmas period was rapidly being reversed and a more normal level would soon be reached. He then spoke about the state of the domestic markets, which had been dominated during the week by the fall in the exchange rate and the impact of the money supply figures. Mr Loehnis



spoke about the exchanges and commented on the Official Reserves figures for December which had been published the previous Thursday.

Also at the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional money figures as at 12 December. The figures had come as something of a relief and, although some distortions were still apparent following the British Telecom issue, the decline in the growth of EM3 had brought it close to the top of the target range. Bank lending remained high but the figures overall provided some reassurance that the previous month's figures had indeed been distorted by British Telecom.
- 2 Mr Loehnis introduced the December paper on International Economic Developments and there was some discussion.
- 3 Mr Flemming highlighted the main features of the Economic Report for January. The discussion which followed included comment about investment and profit levels.

P.R. Tomlinson
Secretary

Chair of Staffed

17 January 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 JANUARY 1985

Present

Christopher William McMahon, Esq, Deputy Governor
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Sir Robert Anthony Clark, DSC
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Deputy Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges. Mr George explained that the Bank had reactivated MLR for one day only on 14 January, at a rate of 12%, in order both to bring about a rapid upwards adjustment of market rates and as a signal that the authorities were taking the initiative. Mr Loehnis described the difficulties that sterling had experienced.



Also at the Deputy Governor's invitation:-

1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures as at 12 December to be announced later that day. The fall in EM3 provided some reassurance that the previous month's figures had been distorted by British Telecom. There were nevertheless three causes for concern; the figures remained obscured by British Telecom so that we could not be certain where we were; and both the PSBR and bank lending continued to increase at an uncomfortable rate. But it was uncertainty, and the prospective continuation of these threats that was worrying, so that the figures on their own did not yet represent conclusive evidence of the need for a tightening of policy. The exchange rate had fallen largely because of the strong dollar and lower oil price but even so represented an inflationary threat. Nevertheless the outturn on inflation was consistently better than predicted; and, although there were worrying signs, the more direct indications of future inflation did not point unambiguously to an acceleration. Underlying economic activity could be slackening; and unemployment continued to rise.

The Bank had sought to balance the risks on either side in determining its policy stance. It had not felt earlier in the month that the threat to counter-inflation was clearly enough established to justify a rise in interest rates, though this had now occurred as a result of the subsequent further weakening in the exchange rate and domestic market pressures which that had engendered. The outcome was a very substantial tightening of domestic policy offsetting the effect of the lower exchange rate.

- 2 Mr Galpin introduced the second monthly report to Court on the affairs of Johnson Matthey Bankers, covering the activities of the JMB Group to end-November.

The Deputy Governor reported on the progress, particularly with the Revenue, that had been made on the negotiations with the Clearing Banks over indemnities for JMB; and spoke about the likely provision to be made in the Bank's accounts.

With reference to a Minute of 29 November the Deputy Governor reported that Mr Deryk Vander Weyer, Barclays Bank, had been appointed to serve on the working party being established to enquire into the supervision of the Banking system.

Helen of Shafford

*P. J. Johnson
Secretary*

24 January 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 JANUARY 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Alan Lord, Esq, CB
Lord Nelson of Stafford
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Deputy Governor invited Mr George to speak about the state of the domestic markets and he himself spoke about the exchanges. He went on to describe the meeting of the Ministers and Governors of the Group of Five countries which had taken place in Washington the previous week and the agreement reached in respect of concerted intervention in the foreign exchange markets.



In the discussion which followed, the basis for this concerted action was questioned; but the persistent strength of the dollar was considered potentially damaging to the world economy and the need to introduce an element of uncertainty by occasional intervention in the markets, was seen as a means of reducing this strength.

The Deputy Governor invited Mr Walker to speak about the White Paper on Financial Services which was due to be released on 29 January. Mr Walker explained that the timetable envisaged a Bill to be published in the autumn, coming into effect in early 1987. The proposals covered the whole range of securities-based financial services but did not affect legislation on banking, insurance or the companies field; nor were new obligations to be placed on pension funds. The object would be to provide for self-regulation within a statutory framework. Those engaged in investment business would require a licence; the chairman and members of the Securities and Investment Board, which would be a private sector body, would be appointed by the Secretary of State and the Governor, in agreement. The Bank's main concerns had been to see a balanced structure in which, although the Bank would be able to continue to exert appropriate influence, formal responsibility for securities regulation would, properly, lie elsewhere; and to ensure that government would not be able, once powers had been delegated to the new regulatory body, to interfere in the exercise of its responsibilities. Although many areas of difficulty remained to be resolved, these concerns were substantially met, and the overall structure proposed was one that the Bank both accepted and would welcome.

It was agreed that there should be further discussion of the proposals at a future meeting of the Court.

31.1.85

Cwmchalon

P. J. Trowdron

Secretary 31 Jan 85

A COURT OF DIRECTORS AT THE BANK

THURSDAY 31 JANUARY 1985

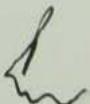
Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Sir Robert Anthony Clark, DSC
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges. A discussion ensued about the recent sharp rise, and subsequent pressure for reversal, in interest rates and the causes; and about the pros and cons of administered as against more freely market-determined interest and exchange rates.



Also at the Governor's invitation:-

- 1 Mr Loehnis introduced a statement of the Overseas Trade Figures for December, which had been released the previous Friday.
- 2 The Deputy Governor spoke about proposals for dealing with the Bank's Accounts for 1984/85 including provisions for JMB and the dividend. There would be a need to come to some agreement shortly about the amount of the interim dividend and there was a preference, expressed earlier that day by Committee of Treasury, not to plead extraordinary circumstances which the formula allowed. It was proposed and agreed that the interim dividend be based on the agreed formula without taking into account provisions for JMB; in this way it would be underlined that it was the Bank's money rather than the taxpayers' which had been put at risk. It was also agreed that the profits should not be augmented by the release of certain provisions presently carried in the accounts.
- 3 Mr Loehnis introduced an International Economic Developments paper on Italy.
- 4 With reference to a Minute of the previous week, Mr Walker spoke further about the proposals contained in the White Paper on Financial Services, which had been published the previous Tuesday. He mentioned that, although the White Paper proposed a fairly fully articulated structure for regulation, many important issues had been deliberately left open. These included the constitutional position of the Takeover Panel and decisions on the method of funding of the Securities and Investment Board. He undertook to keep the Court informed of progress on these and other matters in which the Bank would be closely involved in the setting up of the Securities and Investment Board.



5 The Deputy Governor explained the background to the Bank's three nominee companies, namely the Securities Management Trust Ltd, Bank of England Nominees Ltd and Houbion Nominees, all wholly-owned subsidiary companies.

A statement of three secondments was laid before the Court.

A letter from Messrs Freshfields having been submitted together with a document to be sealed, namely a Deed of Amendment to the Head Lease in respect of premises at Bank House, Wine Street, Bristol, the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

7.2.85

C W McNaughton

P. E. Forman

Secretary

7 February 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 FEBRUARY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor
invited Mr George to speak about the state of the domestic
markets and Mr Loehnis to speak about the exchanges.
Mr Loehnis then went on to comment on the Official Reserves
figures for January which had been published the previous
Monday.



Also at the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking Figures as at 16 January. The monetary figures were somewhat better than markets expected. However, the PSBR and the persistence of rapid growth in bank lending were cause for concern. There was some discussion of the reasons for high bank lending to the company sector: investigation was hampered by the unsatisfactory state of company sector statistics.
- 2 Mr Loehnis introduced the January paper on International Economic Developments. A brief discussion followed.

The Governor informed the Court that the business premises of PRO NED had moved to Gough Square, EC4 and, not being a legal entity, PRO NED could not hold a lease of the premises in its own name. He mentioned that the lease had therefore been signed jointly by Sir Adrian Cadbury and Mr Walker and that a Letter of Indemnity had recently been executed by the Bank to indemnify them both against possible resulting liabilities.

The Governor then spoke to the Court about the Bank's support operations. He referred to an understanding on this matter reached with the Chancellor in November 1983 which had clearly established the Bank's position, and to a recent letter from the Chancellor proposing certain changes. These proposals had been discussed earlier that day by Committee of Treasury who had considered that they would constitute serious inroads into the Bank's right and ability to act where and when necessary and should be resisted. To concede the changes would cast doubt as to where responsibility for rescue operations lay and would make it virtually impossible for the Bank to deal with such operations swiftly and effectively.



After a brief discussion, it was agreed that the understanding with the Chancellor in respect of support operations reached in 1983 should not be varied and that a reply to the Chancellor on the lines of the draft submitted to the Court for consideration should be sent by the Governor.

Hector Lawg.

P.R. Forman
Secretary

14 February 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 FEBRUARY 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Deputy Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.

Also at the Deputy Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures as at 16 January, to be announced later that day. The aggregates could be viewed as just satisfactory, but concern over the PSBR and over the strength of bank lending to the private sector had increased with the latest evidence. The exchange rate had fallen to a worryingly low level, and doubts about domestic fiscal



and monetary policy had contributed to this, even though they were not perhaps the major cause. Output continued to increase - rather faster than had previously been recorded - and the outturn on inflation continued to be better than generally expected: nevertheless there was anxiety about the upturn in unit labour costs and about industrial input costs. Overall the evidence suggested that monetary conditions had eased during the period of distortion of the monetary statistics associated with the British Telecom issue, and this justified some tightening of policy, though not the 50% increase in the level of interest rates that we had seen. It could be some time before we could demonstrate in the data that monetary conditions had been brought back under firm control; and recent events had underscored the fragility in the exchange market, suggesting the need for considerable caution on interest rates in the period ahead.

- 2 Mr Galpin introduced the third monthly report to Court on the affairs of Johnson Matthey Bankers. He described the significant points made in a report by Price Waterhouse on the financial position of JMB and its subsidiaries at 30 September 1984. The report drew attention to the lack of leadership and deficiencies in management and control of the company.
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Mr Galpin went on to introduce the usual financial report and commented on a number of aspects. He explained that a great amount of detailed examination remained to be carried out and some doubts existed in regard to the tax situation, the resolution of which might be crucial to the disposal of JMB. Mr Galpin mentioned that Barings had been appointed by the Bank of England to advise on a strategy for disposal.

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There were, however, certain steps that could be taken without affecting the tax situation and these included a severe contraction in the number of staff employed within the JMB Group in the soft commodity broking area. Accordingly the Board of JMB had decided to dismiss all the staff working in Johnson Matthey & Wallace Commodities Inc in New York and three-quarters of those in Johnson Matthey & Wallace Ltd, London - both these companies had been trading unprofitably for a long time and JMB should benefit to the extent of £3-3½ million per annum from this retrenchment.

Mr Galpin reported that a provisioning level of £211 million had been recognised by the Board of JMB at the end of December. Continuing uncertainty, particularly in relation to trade finance, suggested that it would have to be increased to just under £230 million, but too much precision should not be read into this figure. Mr Galpin described the settlements offered by two of the main debtors and the position reached in considering their proposals. Mr Galpin further reported that examination was being undertaken within the Bank of England of the possibility of recapitalising JMB before the end of February.

There was a brief discussion during which the implications of the Price Waterhouse report for Banking Supervision were mentioned. Copies of the report had been made available to Members of the Review Committee set up by the Chancellor to enquire into the supervision of the banking system.

- 3 Mr Galpin spoke about a recommendation by the Governors on six senior appointments and it was agreed that, in connection with the Annual Review of Staff, and with effect from 1 March 1985:-

JMR.

- (i) The following appointments be made from Scale 9 to Senior Official, Point C -

[redacted] Adviser, Africa etc

[redacted] Staff Manager, Corporate Services Department

[redacted] Staff Manager, The Divisions

[redacted] Adviser, External Statistics

[redacted] Chief Investment Manager

- (ii) The following appointment be made from Scale 8 to Scale 9 -

[redacted] Adviser, Financial Statistics Division,
at a basic salary of [redacted]

- 4 Sir David Steel introduced a quarterly Report of the Charitable Appeals Committee, which was approved.

The Deputy Governor informed the Court of the possibility of the Bank acting ultra vires as a result of a contract with Bradbury Wilkinson to print banknotes for the Republic of Guinea. This arose under the terms of Section 26 of the Bank of England Act 1694 and consultations had taken place with Messrs Freshfields on the likely effects of this legislation.

P. J. Trowman
Secretary

21 Feb 1985

Adrian Cadbury

A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 FEBRUARY 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Alan Lord, Esq, CB
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Deputy Governor invited Mr George to speak about the state of the domestic markets and he himself spoke about the exchanges. Mr George advised the Court that Seccombe Marshall and Campion, the Bank's bill brokers, were having talks with a potential bidder. This was entirely consistent with the evolution of the Discount Market which he had described at an earlier meeting, but this particular case would have a substantial effect on the Bank's own dealing arrangements. The function would be brought into the Bank in much the same way as was proposed for Mullens & Co, although there would be no need in this instance to bring in any staff. Seccombes had kept the Bank fully informed of developments.



Also at the Deputy Governor's invitation:-

- 1 Mr Flemming drew Court's attention to the main features of the Economic Report for February and a brief discussion followed.
- 2 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme.
- 3 Sir Adrian Cadbury and Dr Atterton spoke about some of the impressions they had formed during their recent visits to Nigeria and South Africa, respectively.

A recommendation by the Governors that the appointment of [REDACTED], as a Nominative Trustee, on behalf of the Bank, of the Central Foundation Schools of London be renewed for a period of four years from 3 March 1985, was approved.

With reference to a Minute of 9 August 1984, the Deputy Governor appraised the Court of the latest developments concerning the future of the Commonwealth Development Finance Company Limited.

The position had been reviewed with both County Bank and Messrs Freshfields and it had been concluded that it would not now be practical to make an offer for the CDFC shares not held by the Bank. This decision had been based partly on the different political climate which existed in the wake of Johnson Matthey; partly on the fact that an offer equal to the paid-up value of the shares would now almost certainly fail to gain acceptance; and partly on the fact that CDFC's Board had expressed some reluctance to committing themselves to the principle of unreservedly recommending to shareholders an offer pitched at any particular figure.

To disengage could lay the Bank open to criticism. But the Deputy Governor proposed that, in advising the Chairman of CDFC of the Bank's decision, the advisers to both CDFC and the Bank should be encouraged to seek a speedy and practical alternative course of action, acceptable to their respective clients. In agreeing to the proposal the Court noted that, with the company now more profitable, the prospect of finding a suitable purchaser for the Bank's shares now appeared more promising.

The Deputy Governor reported that Sir David Steel had acted as an Alternate at a meeting of the Registrar's Department Liaison Committee on 14 February.

A letter from Messrs Freshfields having been submitted together with a document to be sealed, namely a Deed of Variation, in duplicate, of the lease of 43 Cheapside, New Change between the Bank and City Cards Limited, the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

28. 2. 85

C. W. M. Malton

P. J. Tomlinson

Secretary

28 February 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 FEBRUARY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Anthony David Loehnis, Esq
Sir David Edward Charles Steel, DSO, MC
David Alan Walker, Esq

John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.
Mr George took the opportunity to advise the Court of the background to the announcement, made earlier that day, of the arrangements to counter the practice of bond-washing, ie converting the income arising on fixed interest securities into capital form so that it was chargeable according to the rules relating to capital gains tax rather than those of income tax.



Also at the Governor's invitation:-

- 1 Mr Loehnis introduced a statement of the Overseas Trade Figures for January.
- 2 Mr Flemming introduced two papers from the Economics Division, a quarterly Report on Company Profitability and Finance and a note on the outlook for the UK Company Sector. A brief discussion followed.

The Governor informed the Court that an announcement was expected to be made the following week of the appointment of Sir Kenneth Berrill as Chairman of the Securities Investment Board and of Mr Martin Jacomb as one of the Deputy Chairmen, the latter to act on a part-time basis.

L. H. of Stafford

I. R. Donnison, Secretary

7 March 1985

COURT OF DIRECTORS

For the year ending 28 February 1986

Declaration
made before Date

Robert Leigh-Pemberton Esq, Governor

The Governor 28. 2.85 #Christopher William McMahon Esq, Deputy Governor

Lord Nelson of Stafford

Sir George Adrian Hayhurst Cadbury

Sir Hector Lainq

George Blunden Esq

Geoffrey Ayrton Drain Esq CBE

The Governor 28. 2.85 #Anthony David Loehnis Esq

David Gerald Scholey Esq CBE

Edward Alan John George Esq

The Governor 28. 2.85 #David Alan Walker Esq

The Hon Sir John Francis Harcourt Baring CVO

Alan Lord Esq CB

Dr David Valentine Atterton CBE

Rodney Desmond Galpin Esq

Professor Brian Griffiths

The Governor 1. 3.85 *Frederick Brian Corby Esq

The Governor 14. 3.85 *Sir Robert Haslam

*Appointed 1 March 1985

#Reappointed 1 March 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 MARCH 1985

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets; and Mr Gill, Head of the Foreign Exchange Division, to attend in the absence of both the Deputy Governor and Mr Loehnis and to speak about the exchanges. Mr Gill then went on to comment on the Official Reserves figures for February which had been published the previous Monday.

Also at the Governor's invitation:-

- 1 Mr Flemming, in the absence of Mr Loehnis, introduced the February paper on International Economic Developments.
- 2 Mr Blunden introduced a Report of the Committee to consider the Securities of Certain Funds. He informed the Court that Messrs Cazenove & Co had been confirmed as equity dealers, jointly with Messrs Mullens & Co, in order to increase the depth of coverage provided for the Pension Fund's broking arrangements; Mr Peppiatt of Mullens & Co had fully appreciated the reasons for this change. He mentioned that the effects of merging the investment portfolios of both the Staff Pension Fund and the Court Pension Scheme having been examined, the Committee and the Trustees of both schemes had decided that such a merger should not proceed, at least so long as the present rules of the Staff Fund on final remuneration remained unchanged. He then paid tribute to the work of the previous Chairman of the Committee, Sir Robert Clark, and the Report was approved.
- 3 Mr Galpin introduced the monthly report to Court on the affairs of Johnson Matthey Bankers and drew attention to aspects in the financial report, in particular to changes in the balance sheet since March 1984. He referred to the retrenchment in the soft commodity broking area, foreshadowed in his previous report to Court, and indicated that a number of redundancies and redeployment of staff in New York and London had taken place.

Early disposal of JMB was unlikely, but interest had been shown in some parts of the company; and the bullion earnings, especially in the demand for small gold bars, would be a factor in any future sale. It had not been possible to recapitalise JMB before the end of February as had been hoped, but proposals were expected to be available in the near future.

Mr Galpin then explained that JMB had customarily undertaken a salary review of their staff in March each year. Although circumstances might suggest such a step would now be inappropriate, his Board were nevertheless concerned that morale might be affected, with a consequent loss of key staff, if no review were undertaken. After some discussion it was agreed that a salary review should proceed and that any awards which resulted should be confined to merit and should not exceed in aggregate 5% of the total pay bill.

In the general discussion which followed it was agreed that when the accounts of JMB were published in June, the opportunity should be taken to review the steps which had been taken since the previous October for the rescue operation.

A recommendation by the Governor on the appointment of Standing Committees for 1985/86 was submitted and approved. The Governor explained the background to the introduction of the Supervision Committee. It was also agreed that Mr Scholey, in his capacity as Chairman of the Securities Committee, should replace Sir Robert Clark as a Trustee of the Pension Fund.

The Governor invited Mr Galpin to introduce a recommendation for a bonus for Printing Works Staff. A profit had been made the previous year on commercial printing and it was recommended that Printing Works Staff should share in the profit to the extent of a bonus of 1% across the board, in line with similar arrangements made for 1983. The recommendation was approved.

14. 3. 85

C W M Maher

P. L. Donnan

Secretary 14 March 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 MARCH 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and, in the absence of Mr Loehnis, the Deputy Governor to speak about the exchanges. It was felt that central bank intervention had achieved some success by making the foreign exchange markets more cautious and stemming the rise in the dollar.

Also at the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures as at 20 February. The figures in themselves were not unsatisfactory, with the narrow measure of money showing some signs of slowing down and £M3 remaining within its target range: but the markets had been somewhat disappointed. The PSBR was again uncomfortably large; and bank lending only modestly lower than in recent months.
- 2 Mr Flemming highlighted the main features of the Economic Report for March. In the discussion which followed it was agreed that consideration might be given to the extent to which the success of service industries needed to be based on firm manufacturing industries.
- 3 Mr Blunden introduced 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. He drew attention to certain aspects of the Report, in particular the low level of errors found during the period under review and the progress which had been made in assisting JMB to establish an adequate internal audit system. The Report was approved.
- 4 The Deputy Governor introduced a Report of the Committee on Permanent Control of Expenditure covering various aspects of the Bank's operations and the Report was approved.

A recommendation by the Governor on Directors' visits to Branches and Offices of the Bank during the year 1985/86 was submitted to Court. The Governor commented on the successful completion of the previous year's programme of visits. The recommendation was approved.

21.3.85

H. L. Tomanow Secretary 21 March 85

Cuthmehow

A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 MARCH 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and the Deputy Governor, in the absence of Mr Loehnis, to speak about the exchanges.

Also at the Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures, as at 20 February to be announced later that day. The monetary figures were broadly satisfactory, though concern remained over the PSBR and bank lending.

The recovery of sterling in the exchange markets and the more robust PSBR situation represented by the Budget had made some fall in interest rates possible the previous day. To have resisted this altogether would have had a seriously damaging effect on industrial confidence; on the other hand the strength of sterling was too recent and the exchange market too volatile for more than a cautious move, which could moreover have seemed contrived in the shadow of the Budget and ahead of the building society meeting.

The Budget had set the framework for monetary policy in the year ahead as had been foreshadowed a year earlier but there were some shifts of emphasis. The prospects for inflation had worsened, and, with the monetary targets as originally planned, this would result in somewhat tighter monetary conditions and a continuing cautious approach to interest rates. The Chancellor's change of attitude to the role played by the exchange rate in monetary policy was welcome; but there was some developing difference of emphasis between the Bank and HMT over the significance of the broad money indicators.

- 2 Mr Flemming outlined some of the main features in the budget and a discussion followed.
- 3 Mr Lord introduced the Annual Report of the Registrar's Department Liaison Committee which was laid before the Court.
- 4 Dr Atterton spoke about some impressions he had gained during his recent visit to the Far East.

The Court gave approval to Mr Drain's request to join the Board of Collins-Wilde plc.

L. A. Coughton
Assistant Secretary.

28th March 1985

Letter of Steffan

A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 MARCH 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq

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

In commenting on the weekly Figures Mr Galpin drew attention to the pre-Easter increase in the note circulation and the fact that the published figure for bank advances had reached an all time record level. The Deputy Governor then invited Mr Coleby, Assistant Director in charge of the Money Markets Division, to attend in the absence of Mr George and speak about the state of the domestic markets. In the absence of Mr Loehnis, the Deputy Governor then spoke about the exchanges and some discussion ensued about the present volatile state of the markets.



Also at the Deputy Governor's invitation:-

- 1 Mr Taylor, Head of Economics Division, attended Court in the absence of Mr Flemming and introduced the Assessment and the draft of the Economic Commentary, which would both appear in the March edition of the Quarterly Bulletin due to be published on 3 April: a discussion followed.
- 2 With reference to a Minute of 20 December, Mr Walker spoke about 3i (Investors in Industry) and the current position regarding the disposition of certain shareholders to reduce their holdings whilst others wished to increase theirs. He outlined an agreement which had been reached which would allow progress towards a resolution of this situation in some three months' time.

The Deputy Governor, in Mr Loehnis' absence, introduced a statement of the Overseas Trade Figures for February.

The Deputy Governor then spoke about the following matters:-

- 1 With reference to a Minute of 31 January, he explained, in the terms he had used earlier that morning to the Committee of Treasury, the proposals regarding the Bank's interim payment to H M Treasury in lieu of dividend and which the Committee of Treasury had recommended to Court. The proposal, for a payment of £8 million to be made on 4 April, pursuant to Section 1(4) of the Bank of England Act 1946, was then approved.
- 2 He informed Members that the indemnity in respect of Johnson Matthey Bankers was due to be signed the following afternoon. He outlined certain features of the indemnity and it was agreed that it should be signed on behalf of the Bank subject to the agreement of an Executive Director to any further amendments which may be necessary before the signing takes place.

The Deputy Governor then placed on record his thanks to [redacted] for his achievement in bringing the indemnity to this stage in what had been very difficult circumstances.

- 3 Changes to National Insurance contributions proposed in the Budget which would have implications for the Bank to the extent of £750,000 in a full year at Head Office and some £28,000 for the Printing Works. The impact on the cash limit was only likely to be of the order of £100,000.

At the Deputy Governor's invitation Mr Galpin then introduced a paper explaining the Bank's desire to consider certain changes to the Scheme of Classification with a view to possible implementation in 1987 and it was agreed that BESO should be made aware of the Bank's intentions in this respect. Mr Galpin also drew Members' attention to a paper relating to certain changes that were being considered in connection with the Bank's support for various clubs and societies formed for the benefit of the Staff.

4.4.85

Cwm Gwaelor

P. R. Townshend
Secretary
4 April 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 APRIL 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Sir Hector Laing
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr Coleby, Assistant Director in charge of the Money Markets Division, to attend in the absence of Mr George and speak about the state of the domestic markets; and Mr Gill, Head of the Foreign Exchange Division, to attend in the absence of Mr Loehnis to speak about the exchanges. Mr Gill then went on to comment on the Official Reserves figures for March which had been published the previous Tuesday.



Also at the Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the March edition of the Quarterly Bulletin, together with the latest version of Bank Briefing, which had been published the previous evening and went on to introduce some press reactions to the publication.
- 2 Mr Flemming referred to the salient features in a paper from the Economics Division on Wage Developments to March 1985. A general discussion followed.
- 3 The Deputy Governor spoke about his recent visit to Kuwait and Jordan.

A statement of eight retirements was laid before the Court. The Governor also informed the Court that Mr C A E Goodhart, Chief Economic Adviser, was to take up a new Chair at the London School of Economics later in the year.

A letter from Messrs Freshfields having been submitted together with a document to be sealed, namely a Deed of Appointment, in duplicate, of a new Trustee to the Bank of England Pension Fund, the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

11. 4. 85'

Cuth Malou

P. J. Donnison

Treasary

11 April 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 11 APRIL 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and the Deputy Governor, in the absence of Mr Loehnis, to speak about the exchanges.

Also at the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures as at 20 March. The figures showed little difference from the underlying patterns established in the previous months. The rise in M0 was in line with

recent trends while the growth in EM3 left it still at around the top of the target range. Bank lending remained uncomfortably strong.

- 2 Mr Galpin introduced the monthly report to Court on the affairs of Johnson Matthey Bankers and drew attention to certain aspects of the financial report. Bullion trading had been profitable with dealers taking advantage of an improving gold market and a favourable exchange rate. The scale of commodity trading had been reduced but was not yet reflected in the accounts. 90% of the loan book had been reviewed with the review teams' proposals being progressively implemented. The teams were made up of staff seconded from other banks because of the inadequate quality of JMB's staff. Mr Galpin referred to the signing of the indemnity and said that the first payment under it was unlikely to be before the end of May.

He reported that the pay review, mentioned previously to the Court, had been completed at a cost to the pay bill of just under 3%. The review had been received quite reasonably. A contribution of £1½ mn had been made by Johnson Matthey PLC to the new JMB pension fund and a further sum was expected. Some differences of interpretation of the "ring fence" arrangements had arisen with PLC and he went on to describe difficulties which had also arisen over the renewal of certain insurances.

Mr Galpin explained that JMB's financial year had been changed to end June. He then said that although sale of insurance subsidiaries was possible fairly soon, sale of the remainder of the group was hindered by tax problems and the scale of JMB's exposure to PLC. Nevertheless it was hoped to develop soon a strategy for early disposal.

The possibility of a public examination of the Bank's supervisory system in this context was also a factor.

- 3 Mr Galpin announced that J A Penny, the Divisional Chief of Corporate Services Department in charge of Premises, would be retiring shortly and that J S Rumins, Divisional Chief, Finance and Resource Planning would, additionally, assume responsibility for Premises.

Hector Lang
18th April.

J. S. Rumins
Secretary

18 April 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 APRIL 1985

Present

Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

In commenting on the weekly Figures Mr Galpin drew attention to the fall in the circulation of £1 notes and the increase in the issue of £1 coins. The Deputy Governor then invited Mr George to speak about the state of the domestic markets and, in the absence of Mr Loehnis, spoke himself about the exchanges.

Also at the Deputy Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures, as at 20 March, to be announced later that day. The monetary aggregates were growing uncomfortably fast; the PSBR was likely to remain large over the coming months;

and although there were hopes of some slowdown at some point in the growth of bank lending to the private sector, we would need to see evidence of this in the figures before we could be at all confident. The most recent CBI survey suggested that the economy was doing quite well, though this was undertaken before the most recent strengthening of sterling. This had probably helped to moderate worsening inflationary expectations, but the current evidence on inflation was not encouraging. These contradictory developments presented a dilemma for interest rate policy, and our aim had been to steer a course between damaging industrial confidence and again undermining the credibility of the counter-inflationary strategy in the financial markets.

Mr Flemming then drew attention to certain features of the Economic Report for April and discussion on these topics followed.

- 2 In the absence of Mr Loehnis, Mr Flemming introduced the March paper on International Economic Developments.
- 3 Mr Cooke introduced the Report and Accounts of the Deposit Protection Board for the year ended 28 February 1985, which was laid before the Court and pointed to some of the significant features.
- 4 Mr Galpin spoke about the forthcoming pay settlement at the Printing Works. It was customary to follow the trade settlement, for which a ballot was being conducted. The results were likely to indicate an average increase of 5.1%. It would require improved productivity and some staff savings if this figure were to be obtained for Printing Works staff against a cash limit of around 3%. It was agreed that a settlement should be sought on this basis.

The Deputy Governor advised the Court that some delay in the publication of the Bank's Annual Report and Accounts would be necessary because of the timing of the report to the House by the Chancellor of the Governors' JMB Review Committee. It had therefore been agreed with HMT that publication of the Bank's Annual Report should be deferred until early June when the Review Committee's report would have been presented.

With reference to a Minute of 7 March the Deputy Governor spoke about the terms of reference of the Supervision Committee and it was agreed that these should read as follows -

"To consider questions in the field of supervision which the Governors may from time to time refer to it: in particular, questions arising from structural changes in the financial system and the need to supervise different functions within single institutions."

P.R. Tomlinson
Secretary

25 April 1985

C. McMillan
25.4.85

A COURT OF DIRECTORS AT THE BANK

THURSDAY 25 APRIL 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.

Also at the Governor's invitation:-

- 1 Mr Loehnis spoke about the main features of the Spring edition of the World Economy Forecast, containing new forecasts for the world economy. A brief discussion followed.
- 2 Mr Drain introduced two Reports of the Staff Committee, namely the Chief of Corporate Services' annual report on Salary Policy and Fringe Benefits, which was laid before the Court, and a report containing recommendations of the third report of the Standing Committee on Pensions. He reminded the Court that the recommendations were a basis for negotiations with the Union. The recommendations were approved.
- 3 The Deputy Governor informed the Court of the background to the secondment in September of D A C Nendick, a Deputy Chief of the Banking Department and a Deputy Chief Cashier, to the Hong Kong Government preparatory to his appointment as Secretary for Monetary Affairs. A recommendation by the Governors of the following senior appointment, consequent upon the forthcoming secondment, and to be made with effect from 1 July 1985, was approved:

[REDACTED] to be a Deputy Chief of the Adviser, Banking Department, Banking Department and a on Point C Deputy Chief Cashier, on Point C.

- 4 Mr Blunden introduced the Annual Report of the Charitable Appeals Committee, which was laid before the Court. He drew attention to the amount donated in the previous year which was close to the authorised total of £125,000 and reminded the Court that because payments were made from covenants with the Charities Aid Foundation, the cost to the Bank was only some £87,000. He also explained that the Committee had considered a suggestion that the Bank's

contributions were too thinly and too widely spread. Although this may have been the case in earlier years, larger donations were now possible; already almost half the approaches now received were declined; and it had been agreed that in future the Committee's minimum donation would be £250.

The Governor spoke about the meetings he had recently attended in Palermo, Basle and Washington.

The Governor then passed on to the Court the appreciation which had been expressed at the Annual General Meeting of the Bank of England Sports Club, which he had chaired the previous evening, for the support given to the Sports Club by both the Court and the Bank.

L. A. Coughton

Assistant Secretary

2nd May 1985

L. A. Coughton

A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 MAY 1985

Present

Christopher William McMahon, Esq, Deputy Governor
George Blunden, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Deputy Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.

Also at the Deputy Governor's request, Mr Loehnis introduced a paper on the UK Balance of Payments in Q4 and the year 1984 and commented on the Overseas Trade Figures for March which had been released the previous Friday. A general discussion followed.

The Deputy Governor, with reference to a Minute of 7 March, spoke about the need to recapitalise Johnson Matthey Bankers, which had not been possible before the end of February as had been hoped. Proposals which entailed writing off the existing share capital of £60 million and reclassifying as capital, either equity or loan, the interest-bearing deposit of £100 million made by the Bank in November 1984, had now been drawn up. These had been submitted to HM Treasury who were in broad agreement with them. However, the proposed reduction in the existing capital required the approval of the Courts and although this could possibly be obtained later this month, other factors, including the submission of the Johnson Matthey Review Committee Report to the Chancellor and the publication of Johnson Matthey Bankers' accounts as at 30 June, had to be taken into account in considering the timing of any action which would bring the proposals to public attention. The proposals still had to be agreed and although ideally the various aspects of the case should be dealt with together, this might not be possible. The Deputy Governor said that a detailed paper on the subject would be submitted to Members in due course.

With reference to a Minute of 14 March, the Deputy Governor invited Mr Flemming to speak about a paper on Services in the UK Economy. He drew attention to the significant features of the paper and a brief discussion ensued. It was noted that the paper would form the basis of an article in a forthcoming edition of the Quarterly Bulletin.

The Deputy Governor informed Court of the proposals to develop and enlarge the Bank's Museum. He explained that the development of the Museum, which was being considered in the context of the Bank's Tercentenary in 1994, would enable a much more systematic approach to be adopted and many more items to be displayed than at present. Higgins Ney and Partners, the Consultants to the Museum of London, had been asked to submit proposals for extending the Museum to incorporate the Bartholomew Lane entrance to provide separate

public access during normal working hours; the entrance would remain available for use on State visits and other similar occasions. The Consultants would also prepare a detailed model which would be made available for inspection at Court in due course. The cost of the project was estimated to be in the order of £1.5 million, excluding any additional staff costs.

At the Deputy Governor's invitation, Mr Loehnis spoke about some impressions he had gained the previous month while on a five country tour of the Far East.

The Deputy Governor mentioned that Sir Jasper Hollom had accepted the Governor's invitation to serve as Chairman of the Council for the Securities Industry in succession to Sir Patrick Neill until the proposed Securities and Investment Board took over from the Council.

Sir Patrick Neill's resignation from the CSI would be with effect from the end of June 1985.

P. J. Townsend

Secretary

9 May 1985

Letter of Stafford



A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 MAY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Alan Walker, Esq

John Stanton Flemming, Esq

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

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.
Mr Loehnis went on to comment on the Official Reserves figures for April which had been published the previous Thursday.



Also at the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures as at 17 April. The unexpectedly steep rise in £M3 had been much larger than the markets had expected. Some distortion to the month's figures could be attributed to the scale of borrowing by companies taking advantage of investment allowances before the end of the financial year. Another erratic element was the unusually high figure for the "other counterparts". Although the markets had received the figures quite well, the underlying growth was more than we would like to see.

 - 2 Mr Galpin introduced the monthly report to Court on the affairs of Johnson Matthey Bankers. He drew attention to the successful bullion activities during the month and reported that the cut back in operations by the Wallace companies and in commodity dealing in London was also beginning to have a beneficial effect. Discussions were being held with Counsel about the tax loss situation within JMB: apart from protecting from tax any recoveries on loan accounts, resolution of the tax situation was important to the manner of JMB's ultimate disposal.

Mr Galpin said that the claim by [REDACTED] was likely to come to a head shortly: that discussions with PLC over the refinery were continuing; and that a call on the indemnity was being made, although the cash would not be available before July. He then turned to the financial report for the twelve months ended March 1985 and explained that the opportunity had been taken to make some slight changes in presentation to reflect more fully the events of the previous year. [REDACTED]



With reference to a Minute of the previous week, the Governor then spoke, in terms used at a meeting of the Committee of Treasury that morning, about proposals for the recapitalisation of Johnson Matthey Bankers. In order that the balance sheet, to be published at 30 June, should adequately reflect the real net asset position in the clearest possible way, it was necessary to establish an appropriate capital structure. It was therefore proposed to reclassify the £100 mn deposit as capital, a level which had been recommended by Banking Supervision Division. As part of the procedure for recapitalisation they would have to satisfy the High Court that this was an adequate figure.

In the discussion which followed, reference was made to the split between equity and loan capital and the risk assets ratio; to the likely effect of the operation on the Bank's reserves; and of the need to create a bank with a proper capital base.

The Governor also indicated that it had been agreed with the Chancellor that a statement on the rescue of JMB would be included as an annex in the Annual Report.

In respect of the recapitalistion of Johnson Matthey Bankers it was RESOLVED that:-

- (i) the existing share capital of £60 million be written off against the deficit on reserves;
- (ii) the £100 million deposit be reclassified as capital by converting £50 million into equity, £25 million into Cumulative Redeemable Preference Shares and £25 million into loan stock.

16. v. 85

Cuthmawr

R. Forman

Secretary 16 May 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 MAY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

The Minutes of the last Court, having been circulated, were approved. Arising from the Minutes, Mr Galpin informed the Court that a precise definition of the redeemable stock in respect of the recapitalisation of Johnson Matthey Bankers remained to be agreed.

There being no comments on the weekly Figures, the Governor invited Mr George to speak about the state of the domestic markets and the Deputy Governor, in the absence of Mr Loehnis, to speak about the exchanges.

Before inviting the Deputy Governor to speak about the draft Accounts of the Bank for the year ended 28 February 1985, which were laid before the Court, the Governor drew attention to two papers concerning Johnson Matthey Bankers which it was proposed to include with the Annual Report. It had been agreed with the Chancellor that comment should be included but that publication should be timed to coincide with the statements to be made in the House by the Chancellor on the report on the Governor's Review Committee, expected on 4 June.

The Deputy Governor then drew attention to certain aspects of the Accounts and it was confirmed that none of the directors had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with the Bank or any of its subsidiaries. It was agreed that, subject to agreement with H M Treasury concerning the dividend, the draft Accounts and level of the dividend would be submitted for the approval of Court the following week.

The Deputy Governor then referred to the two papers it was proposed to include in the Annual Report, namely an annex under the Banking Act 1979 on the events leading to the rescue of Johnson Matthey Bankers in September 1984 and a statement on the management of JMB since October 1984. He referred to discussions which had taken place at Committee of Treasury that morning and the suggestion that the papers should be combined.

It was agreed that it would be appropriate to make a statement on the lines indicated but that particular attention should be given to the precise wording. Members welcomed the opportunity provided by the Report to explain the reasons behind the rescue and it was further agreed that the proposed statement should make clear that rescue operations of this nature would be undertaken only in exceptional circumstances. Members were invited to offer comments on the proposed statements within the next few days.

The Deputy Governor then introduced a Report of the Committee on Permanent Control of Expenditure covering various aspects of the Bank's operations, and drew attention to certain factors. The Report was approved.

With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures as at 17 April, to be announced later that day. The key question that arose from the figures was how to interpret the high underlying £M3 growth: did it simply reflect changes in the financial structure (as in 1980/81) or was it signalling a disturbing acceleration in inflation and nominal incomes?

There was some evidence for the former view in the stable growth of M0 and in the relative strength of the exchange rate. But this was not an adequate explanation at a time of rising economic activity reflected in strong business confidence and accompanied by clear evidence of an upward trend in consumer prices, pay settlements, average earnings and unit labour costs. These concerns had pointed to a cautious approach to the earlier decline in interest rates. But interest rates remained very high, and could imply a slowdown in activity into this year and next, which left policy in a dilemma.

The Court gave approval to Mr Drain's request to become a Non-executive Director of the Oyston Group of Companies.

P.R. Garrison
Secretary
30 May 1985

Adrian Cadbury
30th May 1985.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 23 MAY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

Arising from the weekly Figures, it was reported that for the first time, the number of £1 coins in circulation exceeded the number of £1 notes. The Governor then invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.



Also at the Governor's invitation, and with reference to a Minute of the previous week, the Deputy Governor spoke about the draft Annual Report and Accounts of the Bank and drew attention to a number of changes including -

- (i) the amount of the payment to HMT in lieu of dividend which had been agreed with them under the formula.
- (ii) an amendment to the wording of Deloittes' Audit report to introduce a reference to a note on JMB.
- (iii) an additional paragraph to note 11(a) to take account of a possible challenge from the Inland Revenue to JMB's stock appreciation relief.

The Governor informed the Court that the Report and Accounts would be resubmitted the following week for final approval and were now due to be published on Tuesday 11 June at a time to coincide with the statement to be made in the House by the Chancellor on the report of the Governor's Review Committee on Banking Supervision.

Arising out of the Accounts, the Deputy Governor informed the Court that the National Audit Office had raised with HMT the question of the dividend formula and the difference between the proportions paid as interim and final dividends. HMT were going to take a robust line on the basic formula but were pressing us to pay more than one-third of the estimated final dividend as the interim dividend. After a brief discussion it was agreed that the Deputy Governor could reluctantly agree that the allocation between interim and final should be 50/50 in future provided that no change was made to the formula for arriving at the amount of the dividend.

With reference to a Minute of the previous week the Governor spoke of the contributions made by Members of the Court which had been incorporated in a paper on JMB for inclusion in the

Annual Report. The paper was before the Court for consideration. With the Court's agreement, [redacted], a Manager in the Banking Supervision Division, joined the meeting to note comments; and at the Governor's invitation, the Deputy Governor then explained some of the changes. Whilst not removing altogether references to the Bank's responsibilities for the events leading to the rescue of JMB, the passages relating to this had been muted following the advice given earlier by Freshfields, who were concerned that there should be no admission of liability.

A number of amendments to the paper were considered and there was some discussion about the level of exposure in the JMB loan book which had been seen as acceptable by Banking Supervision and on the reliance placed on outside auditors. The likely reaction to publication and the attitude of the Press were taken into account. It was agreed that a revised version of the paper would be incorporated as an annex to the Report and Accounts.

[Redacted content]

[REDACTED]

Further discussion ensued with particular reference to the effect any litigation might have on the prospect of the ultimate disposal of JMB. It was felt that it would inevitably delay the disposal, although the delay itself might well increase the amount recovered. It was decided that the various arguments should be presented to Messrs Freshfields for further consideration and it was agreed that a decision on the matter should, if possible, be reached before publication of the Annual Report and Accounts.

Two letters from Messrs Freshfields having been submitted together with two documents to be sealed, namely a Deed of Variation, in duplicate, allowing for the assignment of the lease of 21 Cheapside, New Change, and a Transfer arising from a matrimonial settlement whereby the Title Deeds of a property in Sidcup, Kent were being transferred from joint names to the sole name of a member of the staff, the Court approved thereof and ORDERED that the documents in question be sealed with the Common Seal of the Bank.

P. S. Forman
30 May 1985
Secretary.

Adrian Cadbury
30 May 1985.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 MAY 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq

The Minutes of the last Court, having been circulated, were approved. Arising from the Minutes, the interest of Mr Scholey and of Sir John Baring in matters pertaining to Johnson Matthey Bankers was noted. In addition, it was agreed that the Minutes of 16 May be amended.

There being no comments on the weekly Figures, the Deputy Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis, to speak about the exchanges. Mr Loehnis went on to introduce a statement of the Overseas Trade Figures for April which had been published the previous day.

With reference to Minutes of the previous week and earlier, the Deputy Governor reported that the publication of the Annual Report had been deferred a further week to Tuesday 18 June and that the Accounts would be resubmitted to Court the following week for final approval.

[REDACTED]

[REDACTED] reference to Minutes of the previous week and earlier, the Deputy Governor informed the Court of the latest position regarding the annex on JMB for inclusion in the Annual Report.

At the Deputy Governor's invitation, Sir Hector Laing introduced a Report of the Debden Committee covering the Annual Report and audited accounts of the Printing Works for the year ended 28 February 1985. He drew attention to several aspects of the Printing Works' activities and some of the developments taking place.

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At the Deputy Governor's request, and Mr Cooke having withdrawn, Mr Drain introduced a Report of the Staff Committee on the increase to be awarded in pensions and allowances payable from the Staff Pension Fund. The recommendations in the Report were approved.

The Deputy Governor, Mr Loehnis, Mr George and Mr Walker having withdrawn in accordance with Section 10 of the Charter, Sir Adrian Cadbury took the chair in accordance with Section 6(2) of the Charter. Mr Galpin, his prospective interest in the Court Pension Scheme having been declared, remained in order to maintain a quorum. Sir Adrian Cadbury then introduced a Minute of the Committee of Treasury recommending increases, with effect from 1 July 1985, in the pensions and allowances in payment to former Governors and Executive Directors and to the widows of three former Executive Directors. The Minute was approved.

6 . vi . 85

C. W. M. Mahon

P. G. Forman

Secretary

6 June 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 6 JUNE 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq

John Stanton Flemming, Esq

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

There being no comments on the weekly figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges. Mr Loehnis went on to comment on the Official Reserves figures for May which had been published the previous Tuesday.

Also at the Governor's invitation -

- 1 Mr George introduced a statement of the provisional banking figures as at 15 May firstly drawing attention to the changes in presentation of the figures. The estimates were in line with

expectations, following the steep rise the previous month, with a small (and partly erratic) decline in M0 and a more modest rise in M3.

- 2 With reference to Minutes of the previous week and earlier, the Deputy Governor spoke to the Court about the latest draft of the annex on JMB for inclusion in the Annual Report. A number of further changes had been incorporated, including some comment from the Chancellor, who had been shown a copy of the draft. After some discussion it was agreed that the annex should be printed in the Annual Report.
- 3 Mr Galpin introduced the monthly report to Court on the current activities of JMB. He mentioned that the proposals to recapitalise JMB would be submitted to the Courts on 10 June; that talks were taking place with PLC with a view to limiting exposure; and that [REDACTED] case against JMB in the US Courts had lapsed. He drew attention to the significant features of the report and some of the difficulties which had been experienced in the previous month and went on to explain the steps being taken to improve results.

[REDACTED]

With reference to Minutes of the previous week and earlier concerning the Report and Accounts of the Bank for the year ended 28 February 1985, a Governor's recommendation that the Accounts for that year be approved and signed, and that the

Annual Report and Accounts of the Bank, including the Annual Report by the Bank made in pursuance of Section 4(1) of the Banking Act 1979, be printed and issued, was submitted and approved.

The Governor mentioned that the formal signing of the Accounts would take place the following Tuesday and that the Report and Accounts, including the JMB annex, would be published on Tuesday 18 June after the Chancellor's statement to the House of Commons on the report of the Review Committee on Banking Supervision.

At the Governor's request -

- 1 Mr Loehnis introduced two papers from the International Division: the current paper on International Economic Developments and a paper on the United States economy.
- 2 The Deputy Governor spoke about the next series of banknotes to be issued in the 1990s and in particular the design concept and the personalities it was proposed to depict on the notes. This had been considered by the Note Issue Steering Committee, the Debden Committee and by Committee of Treasury the previous week. The majority view favoured Dickens, Stephenson, Faraday, Elgar and Darwin for a series of five notes. This included the possibility of the issue of a £100 note, for which agreement had still to be sought. An alternative proposal was for five 19th Century scientists, to highlight British industrial and technological achievement. There was some discussion and it was agreed that a final decision should rest with the Governors.
- 3 Mr Galpin introduced a paper about BESO's negotiations with the Bank over the provision of "status" cars for the Bank's senior staff. He

explained that, in the Bank's opinion, this was a matter of principle and that cars should be available only where a clear business need could be demonstrated. This view had been shared by the majority of the Staff Committee who had been consulted on this matter. After a brief discussion it was agreed that the Bank's position should remain unaltered.

A letter from Messrs Freshfields having been submitted together with a document to be sealed, namely a Transfer arising from a matrimonial settlement whereby the Title Deeds of a property in Kent were being transferred from joint names into the sole name of a member of the staff, the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

L. A. Captain

Assistant Secretary

13th June 1985

Letter of Seal

A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 JUNE 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

The Minutes of the last Court, having been circulated, were approved. Arising from the Minutes the Governor informed Members that, to accommodate the Parliamentary programme, the publication of the Bank's Annual Report and Accounts would be delayed until Thursday 20 June.

In commenting on the weekly figures, Mr Galpin said that the figure for Other Deposits included a large interest payment on the National Loans Fund deposit and the figure for

Premises and Equipment included almost £0.5 million in respect of electronic equipment purchased for the Banking Supervision Division.

The Governor then invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.

Also at the Governor's invitation: -

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures as at 15 May which were better than those for the previous month and confirmed that the April figures had been erratic; nevertheless broad monetary growth was still relatively strong. This needed to be seen in the context of the current buoyancy of economic activity (which might moderate later in the year) and of the present upturn in retail price inflation. The RPI could also ease later this year, back down towards the 5% level. There was however a more fundamental worry over the level of pay settlements and earnings which were edging up and the implications for unit labour costs. The only instrument available to influence this situation was to keep interest rates relatively high, which would tend to keep the exchange rate high also, until there was a moderation in the expansion of credit and in the wage settlement process. It was in this context that we could not discount the fast growth in EM3 altogether. A brief discussion followed.
- 2 Mr Flemming introduced two papers from the Economics Division: the Economic Report for June and a paper on industrial capital expenditure, stockbuilding and leasing in the first quarter of 1985.

L.A. Croft
Asst. Secretary.
20th June 1985

Adrian Cadbury
25th June.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 JUNE 1985

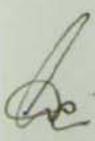
Present

Robert Leigh-Pemberton, Esq, Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

In commenting on the weekly Figures, Mr Galpin mentioned that they reflected the repayment of the £100 million deposit made with Johnson Matthey Bankers which was matched by a subscription for share capital and loan stock in JMB. The Governor then invited Mr George to speak about the state of the domestic markets and Mr Gill, Head of the Foreign Exchange Division, to attend in the absence of both the Deputy Governor and Mr Loehnis, and to speak about the exchanges.



With reference to Minutes of the previous week and earlier, the Governor announced that the Annual Report and Accounts of the Bank, containing the Annex on JMB, would be published later that afternoon after the Chancellor's statement to the House of Commons on the Review Committee Report on Banking Supervision. He went on to outline some of the conclusions and recommendations of the Review Committee Report, copies of which would be made available to Members later that day.

[REDACTED]

At the Governor's invitation:-

- 1 Mr Blunden introduced the quarterly Report of the Audit Committee. With reference to a Minute of 14 March 1985, he said that the Auditor was not yet able to give an assurance that the internal audit arrangements of JMB were satisfactory but they were progressing well. The computerisation of the Exchange Equalisation Account Investments referred to in a Minute of 20 September 1984 was not now going ahead. Consideration was now being given to seeking compensation from the suppliers and to finding an alternative system. The Report was approved.
- 2 Mr Flemming introduced the draft of the Economic Commentary which would appear in the June edition of the Quarterly Bulletin due to be published on 27 June. A discussion followed.
- 3 Mr Galpin spoke about the annual pay award for 1985. He outlined the claim submitted by the Bank of England Staff Organisation and the stance he proposed to adopt in entering into negotiations with the Union. Court agreed with the line that Mr Galpin proposed to take in respect of the across-the-board salary increase and discussed the problems associated with any attempt to identify increased productivity through the arrangements for flexible working hours.

An abstract of awards from the Queen's Birthday Honours List was laid before the Court.

Mr Blunden having withdrawn, in accordance with Section 10 of the Charter, the Court gave approval to his becoming one of the United Kingdom directors of an international investment company to be formed by Touche Remnant and others. The Governor mentioned that the information about the company was at present confidential and that its existence would not become public knowledge for about two months or until the board had met for the first time.

G. A. Crofts

Asst. Secretary.

27th June 1985

Helen of Stafel

A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 JUNE 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being little comment on the weekly figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges; a brief discussion followed. Mr Loehnis went on to introduce a statement of the Overseas Trade Figures for May which had been released that morning.

The Governor drew Court's attention to a summary of press reactions to the Bank's Annual Report and Accounts and the Review Committee Report on Banking Supervision. Both Reports had been published the previous Thursday and comment had centred almost entirely on the Johnson Matthey Bankers affair and the supervisory function of the Bank. He outlined his reactions to the press comment and in particular expressed his disappointment that little attention had been paid to the need for and the success of the rescue of JMB and that undue attention had been focussed on the loan to JMB. He said that there were lessons to be learned from the recent experiences both so far as relations between the Bank and the Treasury were concerned and for the Bank's supervisory role, not only of the banking sector but also in the new and wider areas of practitioner based regulation. A discussion followed addressing these points in detail and drawing attention to the need for suitably experienced staff to carry out the Bank's supervisory role.

Also at the Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the June edition of the Quarterly Bulletin, together with the latest version of Bank Briefing, which were due to be published that evening.
- 2 With reference to a Minute of the previous week, Mr Galpin spoke to the Court about the latest position regarding the pay claim for 1985. He explained that he had entered into negotiations with the Union along the lines previously agreed by Court. The meeting had been adjourned and would be reconvened next week after which he hoped to be able to report to Court that some progress had been made towards an overall package which might include some productivity element.
- 3 Dr Atterton spoke to the Court about some impressions he had gained during his recent visit to Switzerland.

R. Johnson
Secretary 4.7.85
4 Feb. 85.

C. W. Mahon

A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 JULY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

John Stanton Flemming, Esq

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

There being no comments on the weekly figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.
Mr Loehnis went on to comment on the Official Reserves figures for June which had been published the previous Tuesday.



Also at the Governor's invitation:-

- 1 Mr Loehnis introduced two papers from the International Division on Economic developments in both West Germany and France and there was a short discussion.
- 2 Mr Loehnis then introduced a paper on a World Payments Report for June, being the Bank's review of international balance of payments and exchange rate developments.
- 3 Mr Galpin introduced the monthly report to Court on the affairs of Johnson Matthey Bankers. He drew attention to the more significant features in the finance report including the steps being taken to improve the profitability of the Bullion dealing operation in New York which would involve changes in the management structure and a move to less expensive accommodation. He mentioned the gradual improvement in the commodity futures broking and that the commodity dealing was now back in profit and went on to describe the position reached on the recovery of bad debts.
- 4 Mr Loehnis described to the Court the reorganisation of the International and Territorial Divisions due to take effect on 21 October and Mr Galpin spoke about a forthcoming retirement in the Registrar's Department. The following recommendation by the Governors was approved:-
 - (i) Consequent upon the forthcoming retirement of M J Balfour, Assistant Director, Territorial Division and D G Holland, Chief Adviser, International Division, and with effect from 21 October 1985 -

P H KENT (47)	to be Head of International Division
Head of	(International Financial
Information	Institutions and Developing
Division	Countries) on Point B
(Scale 11a)	



J E W KIRBY (49) to be Head of International Division
 Adviser, (G.10 and Europe) on Point B
 Territorial
 Division
 (Scale 11a)

[REDACTED] to be an Adviser, International
 Acting Adviser, Division on Scale 9
 International
 Division
 (Scale 8)

- (ii) Consequent upon the forthcoming retirement of
 [REDACTED], Deputy Chief Registrar and with effect
 from 12 October 1985 -

[REDACTED] Assistant to be Deputy Chief Registrar
 Chief Registrar and Deputy Chief Accountant
 (Scale 9) on Point C

- 5 With reference to a Minute of the previous week and earlier, Mr Galpin explained that formal disagreement with the Union on the pay claim for 1985 was likely to be recorded the next day. At a meeting earlier in the week the Union had rejected the Bank's offer of 5½%, indicating their commitment to reaching a settlement comparable to that achieved by the staff of the Clearing Banks; the proposal to buy out the flexitime credit for the tea break had also been rejected. The Union had appeared unusually unanimous in their stance and might wish to take their claim to arbitration. Mr Galpin said that the Bank's next steps were being considered and these might include some proposals to phase the settlement. He undertook to keep Court informed of developments.

With reference to a Minute of the previous week the Governor drew to the Court's attention a summary of press reactions to the publication, the previous Thursday, of the June edition of the Quarterly Bulletin and to further comment in the weekly press on Johnson Matthey Bankers.

11.7.85
C.W.Mahon
P.S. Formanov. Secretary 11 July 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 11 JULY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

John Stanton Flemming, Esq

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

There being no comment on the weekly figures, the Governor invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the exchanges.

Also at the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures as at 19 June which were disappointing. £M3 had risen steeply. There had clearly been distortion following the Abbey Life share issue but it was difficult to know the size or even the direction of

this effect. In the discussion which followed the value of £M3 as an indicator was discussed and it was also suggested that the economy might be behaving rather better than the monetary statistics indicated. Questions were also asked about the effect of high interest rates.

- 2 Mr Flemming drew Court's attention to the main features of the Economic Report for July and a brief discussion followed.
- 3 Mr Loehnis spoke about the June paper on International Economic Developments.
- 4 Sir Hector Laing introduced a Report from the Board of Directors of BE Services Limited, and the annual accounts for the year ended 28 February 1985, which were laid before the Court. He mentioned that one of the Company's Unit Managers had recently won an award as Catering Manager of the Year.
- 5 Mr Blunden presented a Report of the Trustees of the Bank of England Pension Fund and the Annual Report and Accounts for the year ended 28 February 1985.
- 6 The Deputy Governor explained the background to a recommendation by the Committee of Treasury on a senior appointment, and it was agreed that, with effect from 9 September 1985:

[REDACTED] to be a Senior Manager
 Assistant Secretary, in the Gilt-Edged Division,
 [REDACTED] Scale 9

The Governor drew Court's attention to the programme of redecoration of part of the First Floor Parlours due to begin the following Thursday and to the arrangements for access to the area.

Mr. F. J. M. Tammam 18.7.85 *C. W. Malton*
Secretary, 18 July 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 JULY 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comment on the weekly Figures the Governor asked Mr George to speak about the state of the domestic markets; Mr Loehnis then spoke about the exchanges.

Also at the Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures as at 19 June. The figures were distorted, in particular £M3, and the

picture given by the rates of growth over the previous three months were misleading. Nevertheless the underlying growth in broad money, and the rise in bank lending to the private sector which could moderate later in the year, were uncomfortably fast; and earnings in manufacturing continued to accelerate, as did unit labour costs. But the RPI had not risen further, and industrial confidence might be weakening under the influence of the strengthening exchange rate. The indicators of the effect of policy overall therefore remained conflicting. Given the strength of the exchange rate, however, which was doing more of the work of counter-inflation, we had made a small reduction in interest rates though remaining very cautious.

A discussion followed on the difficulties of balancing the needs of industry and the maintenance of a counter-inflationary policy.

- 2 Mr Galpin spoke about the events leading up to the announcement, made by the Chancellor in the House the previous day, that JMB had called in the City of London Police to conduct an enquiry to see whether any criminal offences had been committed leading to the losses suffered the previous year. It remained the case that, *prima facie*, there was still no evidence of fraud.

A letter from Messrs Freshfields, having been submitted, together with a document to be sealed, namely a Lease of shop premises at 44 Cheapside, granted by the Bank to J Hepworth & Son plc ("Next"), the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

The Governor invited Mr Somerset, Chief Cashier and Mr Wheatley, General Manager at the Printing Works to present preliminary sketches of designs for the next series of banknotes.

H. D. Somerton

Scansy 28 July 1985

L. C. S. Hafford

A COURT OF DIRECTORS AT THE BANK

THURSDAY 25 JULY 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Professor Brian Griffiths
Sir Robert Haslam
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

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

There being no comments on the weekly figures, the Deputy Governor invited Mr Coleby, Assistant Director in charge of the Money Markets Division, to attend in the absence of Mr George to speak about the state of the domestic markets; and Mr Loehnis to speak about the exchanges and a statement of the Overseas Trade figures for June.

Also at the Deputy Governor's invitation:-

- 1 Mr Loehnis introduced a paper from the International Division about the development of the four Asian newly industrialised countries, namely Hong Kong, Singapore, Taiwan and South Korea and a discussion followed.
- 2 Mr Galpin introduced a Report of the Staff Committee covering the Chief of Corporate Services' Report on Staffing Policy for Banking Staff, which was laid before the Court. He drew attention to comments in the Report concerning the review of the Scheme of Classification and mentioned a seminar held recently to examine some of the issues to be faced. There was a brief discussion on this aspect of the Report and it was agreed to consider the setting up of a small committee of Court to examine, in broad outline, proposals for a new Scheme.
- 3 With reference to Minutes of the 4 July and earlier, Mr Galpin spoke to the Court about the latest developments regarding the pay claim for 1985. He reminded Court that negotiations had reached a critical stage: disagreement had been recorded with the Union who had rejected the Bank's offer of 5½% and the proposal to buy out the flexitime credit for the tea break. The Union were claiming an increase of 8% plus some other additions, based largely on the settlement of 6½% made by the Clearing Banks. Mr Galpin then made a number of suggestions about the way in which the negotiations might be carried forward. After some discussion a particular procedure was agreed, subject to the views of the Governor.

In reporting on the affairs of JMB, the Deputy Governor informed the Court that -

i)

- ii) a short debate was due to be held in the House of Commons the following day;
- iii) a report 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.

The Deputy Governor reported that Professor Griffiths had acted as an alternate at a meeting of the Charitable Appeals Committee on 18 July.

P. R. Townsend

Secretary

1 August 1985

Adrian Cadbury

1/8/85.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 AUGUST 1985

Present

Robert Leigh-Pemberton, Esq, Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Anthony David Loehnis, Esq
Alan Lord, Esq, CB

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the exchanges and Mr Coleby, Assistant Director in charge of the Money Markets Division and attending in the absence of Mr George, to speak about the state of the domestic markets.

At the Governor's invitation:-

- 1 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme and passed to the Court a number of expressions of appreciation from former Governors and Directors for the recent increase in pensions. There was a short discussion on the Report and the recommendation to maintain the rate of contribution was approved.



2 With reference to Minutes of the previous week and earlier, Mr Galpin spoke to the Court about the latest position regarding the pay claim following the meeting of the Negotiating Council the previous Monday. He reported that, following protracted negotiations, he had been able to reach a settlement with the Union for an across-the-board award of 6½% from 1 July. This was approved by Court and it was further agreed that the same award be applied to the salaries of those above the bargaining unit, including those on fixed points.

With reference to a Minute of the previous week, the Governor turned to the affairs of JMB and invited Mr Galpin to outline the main points of a paper on possible fraud within JMB which had been provided for the Economic Secretary to the Treasury for the debate in the House of Commons.



The Governor then referred to a copy of a letter which he had just received, addressed to the Prime Minister from Dr David Owen, urgently requesting a public Tribunal of Inquiry into the affairs of JMB and JMPLC. There was a general discussion and it was agreed that an inquiry of the nature proposed would make the successful restoration of JMB much more difficult and inhibit its return to the private sector. Some of the points raised by Dr Owen were considered and the Governor touched on some steps which might be taken at a later stage to redress the balance in terms of improving the Bank's public relations.

Finally, the Governor spoke about the Bank's attitude to the possibility that, as the financial revolution in London



gathered pace and the search for suitable office accommodation intensified, some banks and financial institutions might wish to locate their operations outside the traditional City boundaries. There was a brief discussion and it was agreed that the Bank would not wish to influence the commercial judgement of companies in the financial sector about the choice of location beyond expressing a general wish to see the traditional coherence of the sector maintained.

8 . 8 . 85

Cwmniadau

P.R. Williams
Secretary
8 August 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 AUGUST 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB

William Peter Cooke, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the exchanges and Mr Coleby, Assistant Director in charge of the Money Markets Division, and attending in the absence of Mr George, to speak about the state of the domestic markets. The Governor then invited Mr Loehnis to comment on the Official Reserves figures for July which had been published the previous Friday.

Also at the Governor's invitation:-

- 1 Mr Coleby introduced a statement of the provisional banking figures for the four weeks to 17 July. The only indicator not affected by the Abbey Life sale was M0 which remained in the middle of the target range. Abbey Life made it

necessary to look at a two month period when assessing the other indicators, and that also eliminated a distortion caused by misreporting by banks in June. The growth of EM3 over the two months was at an annual rate of 9%, right at the top of the target range and over the most recent twelve-month period, the rate of growth was 12%, compared with 11½% recorded a month ago. Bank lending was somewhat down on the exceptionally high levels of recent months, but still uncomfortably high. There was some evidence of a resumption of growth in lending to persons associated with active marketing of mortgage lending.

- 2 Mr Taylor, Head of the Economics Division attended in the absence of Mr Flemming and introduced the Economic Report for August. In the brief discussion which followed, attention was drawn to the unreliability of some of the statistics emanating from the Central Statistical Office.

With reference to a Minute of the previous week, the Governor spoke about an exchange of letters involving Dr David Owen, the Prime Minister and himself and Dr Owen's request for a public Tribunal of Inquiry into the affairs of JMB and JMPLC. He confirmed that the Prime Minister had seen no grounds for the setting up of such an Inquiry. He also spoke about a further letter he had received from Dr Owen and there was a discussion about the comments made in the letter and the form of the Governor's response.

The Governor then asked Mr Galpin to introduce the monthly Report to Court on the current activities of JMB. Mr Galpin drew attention to certain features in the finance report: results had been mixed with a loss on the bullion operation overall, particularly in New York where the removal of some staff was expected to lead to a substantial reduction in overheads. Commodities dealing had shown a profit and insurance broking continued to perform well; the Hinton Hill Insurance group might well be sold off shortly. Mr Galpin also mentioned JMB's commercial relationship with JMPLC and drew attention to the

improved position since September 1984: he briefly described the implications for JMB of the more relaxed attitudes of PLC's bankers; these were reflected in a new syndicated financing facility about to be signed and which would replace that put in place at the time of JMB's rescue.

Mr Galpin then turned to the difficulties in complying with the procedures laid down in the Indemnity Agreement. The Bank had lent a number of staff to JMB to analyse accounts in order to arrive at the indemnitors' liability for principal and interest. He also spoke about the preparation of a consolidated balance sheet and there was some discussion on this.



P. R. Jonson
Secretary

15 August 1985

Adrian Cadbury

15th August .

A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 AUGUST 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Alan Lord, Esq, CB

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

There being no comments on the weekly figures, the Deputy Governor, in the absence of Mr Loehnis, spoke about the foreign exchanges. He then invited Mr George to speak about the state of the domestic markets.

Also at the Deputy Governor's invitation, and with reference to a Minute of the previous week, Mr George commented on the Money and Banking figures for the four weeks to 17 July to be announced later that day. The economic background appeared modestly more encouraging: in particular the data for manufacturing output had now been revised upwards; unemployment was perhaps increasing more slowly; and inflation was moderating. But pay settlements and the increase in unit labour costs in manufacturing were still too high and carried a threat to inflation and employment looking further ahead. And the growth of broad money, while



moderating in the previous three months, was still too high. This pointed to a continuation of a cautious policy stance. A general discussion followed on the problems of holding down wage claims and the difficulties of interpreting statistics which were often inaccurate.

With reference to a Minute of 25 July, the Deputy Governor spoke about the proposal to establish a Special Committee of Court to provide guidance for the work on and to oversee the introduction of the new Scheme of Classification. It was proposed that the Committee be called the Reclassification Committee (1987) and that the members of the Committee should be Sir Adrian Cadbury, Mr Blunden, Mr Drain, Sir John Baring, Mr Lord and Mr Galpin, with R J Woodley as Secretary. A Governor's recommendation on the appointment of the Special Committee was approved, but it was agreed that appointment of a Chairman should be considered at a later stage.

A statement of four secondments and a retirement was laid before the Court.

Georg Drain

22.8.85

H. T. Forman
Secretary

22 August 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 AUGUST 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Alan Lord, Esq, CB
David Alan Walker, Esq

William Peter Cooke, Esq

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

There being no comments on the weekly figures, the Deputy Governor, in the absence of Mr Loehnis, spoke about the foreign exchanges. He then invited Mr George to speak about the state of the domestic markets. Mr George went on to explain some of the background to the announcement, earlier in the week, of the choice of Stock Exchange money brokers and inter-dealer brokers; a brief discussion ensued.

The Deputy Governor, Chairman of the Trustees, introduced a Report of the Advisory Committee of the Houblon-Norman Fund, which was laid before the Court.

He then outlined to the Court two major building projects in the early stages of planning which, it was considered, should be referred to the Premises Committee. They concerned the Record Office, Roehampton and the proposals to modernise and extend the Bank's Museum. A Governor's recommendation was approved to the effect that the Premises Committee be invited to examine proposals for -

1. The remedial work necessary at the Record Office, Roehampton, the future use of the building and future methods of record storage.
2. The development and extension of the Bank's Museum.

The Deputy Governor informed the Court of proposals to dispose of Transfer books, dating from 1694 to 1900, held by the Registrar's Department. He drew attention to some aspects of their historical value, and the need to set this against the large amount of space required for their storage. It was agreed that disposal should be delayed whilst consideration was given to alternative methods of retention.

29. viii. 85 C Wm Mahon

P. E. Bonham

Secretary

29 August 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 AUGUST 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly figures, the Governor invited the Deputy Governor, in Mr Loehnis' absence, to speak about the foreign exchanges. He then invited Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation:-

- 1 Mr Flemming introduced a statement of the Overseas Trade Figures for July, which had been published the previous Tuesday.
- 2 Mr Blunden introduced a quarterly Report of the Charitable Appeals Committee, which was approved. It was agreed

that consideration should be given to making a donation to an appropriate charitable organisation in Northern Ireland and ways in which this might be achieved were discussed.

- 3 Mr Blunden, as Chairman of the Company, then introduced the Report and Accounts of Slater, Walker Ltd for the year ended 28 February 1985, which were laid before the Court.

The Governor mentioned that Professor Griffiths had been offered the post of Head of the Government Policy Unit and was likely to accept. This would entail his resignation as a Director of the Bank.

The Deputy Governor then spoke to the Court, at the invitation of the Governor, about the consideration being given to recent developments in South Africa and the forthcoming visit of the Governor of the South African Reserve Bank.

At the Governor's invitation, Mr George, Mr Walker and Mr Galpin having withdrawn in accordance with Section 10 of the Charter, and Mr Cooke and Mr Flemming having also withdrawn, Sir Adrian Cadbury introduced a recommendation concerning increases, with effect from 1 July 1985, in the Special Remuneration of the Executive Directors and in the salaries of the Associate Director, Mr Cooke, and the Economic Adviser to the Governor, Mr Flemming; and the Court confirmed their approval of the recommendation.

The Governor and the Deputy Governor having withdrawn in accordance with Section 10 of the Charter, Lord Nelson took the chair in accordance with Section 6(2) of the Charter and invited Mr George and Mr Walker to return to maintain a quorum. Lord Nelson then invited Sir Adrian Cadbury to introduce a second recommendation concerning increases, with effect from 1 July 1985, in the Special Remuneration of the Governor and the Deputy Governor, which was approved. It was agreed that a full review of levels of remuneration for the Governors, Executive and Associate Directors and the Economic Adviser to the Governor should be undertaken in the early part of the following year.

H.R. Forman, Secretary. 5 Sept 1985. Cwm Mawr

A COURT OF DIRECTORS AT THE BANK

THURSDAY 5 SEPTEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
George Blunden, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets. Mr Loehnis then commented on the Official Reserves figures for August which had been published the previous Tuesday.

Also at the Governor's invitation:-

- 1 Mr Loehnis introduced the International Economic Developments paper for August.

- 2 Mr Galpin spoke about the recommendation of a Working Party which had been set up earlier in the year to examine the possibility of establishing a separate subsidiary company to handle all commercial work at the Printing Works. It was agreed that a wholly-owned subsidiary of the Bank, to be known as Debden Security Printing Limited, should be established. The proposed equity capital would be £500,000 of which £100,000 would be issued, with powers to issue loan stock up to £1 mn. The company, whose registered office would be at Debden, would be operated wholly independently and would employ no staff.
- 3 Mr Galpin introduced the monthly report to Court on the current activities of JMB. He drew attention to certain features in the finance report for July which was the first month of a new financial year and compared results against operating budgets. Group results showed a loss, largely in New York, but changes made there in personnel were expected to provide improved results in due course. The bullion market had been quiet but futures broking in London was showing a profit for the first time.

Mr Galpin described changes in the loan-loss provisions and explained that recoveries would pass to the benefit of the indemnitors. Steps were being taken with PLC to formalise the position regarding ownership of small gold bars during refining; and agreement was likely to be reached with the Inland Revenue on the tax problems associated with JMB's disposal. The AGM, due to be held the following week as a statutory requirement, would be adjourned until December.

There was some objection expressed by Members of Court to the use of flexible budgeting; and after some discussion it was agreed that JMB's Singapore operation should be closed at an appropriate time. Mr Galpin also spoke about the continuing interest being expressed for the purchase of JMB.

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The Governor then mentioned to Court a suggestion from the Chancellor of the Exchequer that the Department of Trade and Industry should set up an enquiry into the affairs of JMB. Court agreed that this should be firmly resisted.

A recommendation by the Committee of Treasury on two senior appointments was agreed as follows:-

[REDACTED] Assistant to the Chief Registrar, Scale 8	to be Assistant Chief Registrar, Scale 9, with effect from 12 October 1985, at a basic salary of [REDACTED]
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P J WARLAND [REDACTED] a Manager, Personnel Division, Scale 8	to be Head of the Information Division, Scale 9, with effect from 21 October 1985, at a basic salary of [REDACTED]
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Two letters from Messrs Freshfields having been submitted, together with two documents to be sealed, namely a Deed of Substitution relating to a leasehold property in Essex and a Transfer, in duplicate, relating to the purchase by the Bank of the freehold of the Printing Works site from the GLC, the Court approved thereof and ORDERED that the documents in question be sealed with the Common Seal of the Bank.

With reference to a Minute of the previous week, and at the Governor's invitation, the Deputy Governor mentioned that a further visit had been made by the Governor of the South African Reserve Bank. He also confirmed that the Bank of England's involvement had been confined to providing technical help and advice.

The Governor reported to Court the death the previous Sunday of Sir James Pitman KBE, who had been a Director of the Bank from 1941 to 1945.

12.9.85

C W M Grahame

L. A. Langdon
Asst. Secretary 12.9.85

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 SEPTEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures for the five weeks to 21 August. The underlying growth of M0 remained modest. Broad money on the other hand, including EM3, continued to grow rapidly.



It was possible to identify some lumpy, probably non-recurring factors in the latest month's figures. Local authorities had borrowed heavily from the central government and repaid debt to the non-bank sector, while bank lending to the private sector had been inflated by the financing of takeovers. Nevertheless the underlying rate of broad money growth was uncomfortably fast.

- 2 Mr Flemming introduced the Economic Report for September which indicated that the economy had grown at an annual rate of almost 4½% during the first half of the year. However much of this growth had been attributable to the ending of the miners' dispute and discounting the strike the real position remained at around 3% growth p.a.
- 3 The Deputy Governor reported that the Secretary had received a letter from a member of the public asking for a copy of the paper on Research & Development Expenditure by companies, and quoting precise details of its presentation to Court. The writer was not known to the Bank and enquiries within the Bank had failed to identify his source of information.

Mr Walker then introduced the paper on Research and Development Expenditure in companies which had been prepared by the Industrial Finance Division. Although the paper itself was of interest it raised wider issues concerning the availability of finance for research and development and the criticisms of industrialists that institutional investors were more concerned with short term investment. A recent survey carried out in the USA had contradicted the short term hypothesis but the prospects of conducting a similar survey here had to be discounted because of the absence of data. Nevertheless the concerns about the availability of finance and investment horizons raised important points deserving further serious attention. In the discussion which followed it was accepted that the lack of data was in part



due to problems of definition and interpretation and the need for confidentiality in the area of research and development. The concerns of both companies and institutional investors were considered together with the need for greater contact and confidence between them.

- 4 Mr Loehnis introduced a detailed paper from the International Division presenting a disaggregated forecast of the less developed countries which considered the balance of payments, debt and internal economic prospects for 23 countries up to 1990.
- 5 The Deputy Governor reminded Court that arising from the Governor's Review Committee Report on Banking Supervision it had been proposed that Mr Sidney Procter, who had recently retired as Chief Executive of the Royal Bank Group, should be appointed an Adviser to the Governor on matters of banking supervision.

The Governor's recommendation formalising Mr Procter's appointment was approved.

- 6 With reference to a Minute of 15 August the Deputy Governor informed Court that Mr Blunden had agreed to be Chairman of the Reclassification Committee (1987).

P.R. Zimmerman
Secretary

19 September 1985

Adrian Cadbury
19th Sept 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 SEPTEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation -

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking figures for the five weeks to 21 August. The basic dilemma for monetary policy remained. There was concern over the
- dc*

sustainability of the upturn in activity on the one hand and over the prospect for the underlying rate of inflation in the light of the trend in earnings and unit labour costs on the other. Recent figures suggested that the tension between these end objectives was, if anything, increasing.

The monetary indicators continued to point in different directions and did not for the time being provide clear guidance to the way ahead. This meant more emphasis had had to be put on the exchange rate, which had been generally lower than in July. Taken together, the available evidence had provided no justification for any further easing in interest rates. Mr George then spoke about the reduction in funding over recent months and the effect this had had on the bill mountain.

- 2 Mr Scholey introduced a Report of the Committee to consider the Securities of Certain Funds and the Report was approved.
- 3 Mr Flemming introduced a draft of the Economic Commentary which would appear in the September edition of the Quarterly Bulletin, due to be published on 26 September. He mentioned that this would be the 100th edition of the Bulletin and went on to describe some of the salient features in the Commentary.
- 4 Mr Walker informed the Court of the response which the Bank proposed to make to the Inland Revenue on their proposals, as recommended by the Keith Report, to extend their powers to obtain information about taxpayers from third parties. In speaking about the Bank's stance on this matter he explained that the introduction of the proposed new powers would override the confidentiality of the information obtained by the Bank in the course of its operations under the Banking Act. The Bank had consistently urged the Government to pursue cases of fraud

and brought such cases to the attention of the Revenue where fraud was evident. But the Bank would be strongly opposed to an extension of powers which would inhibit banks to supply information and discuss business freely. The potential harm to the public interest would outweigh any likely gains in terms of tax collection and the Bank proposed to seek exemption from any obligation to disclose information on demand to the Revenue, a response which was being made known to HM Treasury. After a brief discussion the Court agreed with the form of the reply which it was proposed to make.

The Governor announced to Court certain measures which were being taken to strengthen and improve the supervision of banks and other financial institutions. These would involve substantial increases at all levels in the resources devoted to the supervision of individual institutions, to supervisory policy, and to co-ordination between different supervisors internationally and domestically.

A new high-level supervisory committee would be set up under the Chairmanship of the Deputy Governor, with Messrs Cooke, George, Galpin and Walker as members. This would be ultimately responsible under the Governor for all decisions on supervisory policy and especially its evolution; for co-ordinating supervisory principles and practice where differing institutions were involved; and for monitoring and minimising underlap and overlap between different supervisory regimes.

He then outlined the changes which would take place in Banking Supervision, the Gilt-Edged Division and in the functions of industrial finance and securities supervision. He explained that as a consequence of Mr Galpin's forthcoming involvement with Banking Supervision his present responsibilities in the Bank would be assumed by Mr Dawkins and that Mr Walker would succeed him as Chairman of JMB. Mr Lord would be joining the

Board of JMB as a non-Executive member. The Governor then introduced a Minute of the Committee of Treasury arising from the changes and it was agreed that -

- 1 With effect from 1 October 1985 -

D A DAWKINS (58) to be an Associate Director at
Assistant Director, a salary of [redacted] per annum
Scale 12,
Financial Supervision:
General Division

- 2 With effect from a date to be agreed -

J P CHARKHAM (54) to be Chief Adviser on Point 'B'
Senior Official,
seconded to PRO NED

26. 9. 85

Cumulation

L. A. Crofton

Assistant Secretary

26 September 1985.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 SEPTEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Edward Alan John George, Esq
Sir Robert Haslam
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

The Governor introduced a letter dated 24 September 1985 from Mr C W McMahon, which was laid before Court, giving notice of his resignation from Court in the Office of Deputy Governor on 31 December 1985;

It was RESOLVED that the Secretary be directed to communicate to the Chancellor of the Exchequer the notice of resignation of Mr C W McMahon from the Office of Deputy Governor of the Bank pursuant to Clause 8(e) of the Charter of 1 March 1946.



Lord Nelson, as the Senior Director, in commenting on the Deputy Governor's resignation, said that he would leave with the good wishes of all his colleagues on the Court; his departure would be a great loss to the Bank.

At the Governor's invitation and with reference to a Minute of 7 March 1985, the Deputy Governor said that arising from the organisational changes mentioned to Court the previous week it would now be appropriate for Mr Galpin to join the Supervision Committee. Mr Walker would remain on the Committee after assuming the Chairmanship of Johnson Matthey Bankers: appropriate steps would be taken to ensure that no conflicts of interest were raised in any of the Committee's deliberations. This was approved and it was noted that the composition of certain other Standing Committees would need to be reconsidered in due course.

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

The Governor then spoke about his visit to New York with the Chancellor the previous weekend for meetings of G5 and outlined some of the issues that had been considered; a brief discussion ensued.

Also at the Governor's invitation:

- 1 Mr Loehnis introduced a statement of the Overseas Trade Figures for August, which had been released the previous day.
- 2 Mr Drain introduced a Report of the Staff Committee on Educational Loan borrowing limits. The recommendations contained in the Report were approved.

- 3 With reference to a Minute of the previous week,
Mr Flemming drew attention to some aspects of the
September edition of the Quarterly Bulletin, together with
the summary version of Bank Briefing, which were due to be
published that evening.

Lelan of Raffad

P. E. Morrison

Secretary

3 October 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 OCTOBER 1985

Present

Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Edward Alan John George, Esq
Professor Brian Griffiths
Sir Hector Laing
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Deputy Governor, in Mr Loehnis' absence, spoke about the foreign exchanges. He then invited Mr George to speak about the state of the domestic markets. The Deputy Governor also commented on the Official Reserves figures for September which had been released the previous day.

At the Deputy Governor's invitation -

- 1 Mr Blunden introduced a quarterly Report of the Audit Committee, including a proposal to amend the Committee's Terms of Reference by an addition to Clause 2. After some discussion the amendment was revised to read -
"The Committee shall also review with the external auditors their annual report of the results of their audit of the Bank's accounts."

The Report including the amendment to the Terms of Reference, was approved.

- 2 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme, together with the Annual Report and Accounts of the Scheme for the year ended 28 February 1985, which were laid before the Court. There was a brief discussion.
- 3 Mr Flemming introduced a paper from the Economics Division entitled the "First Quarter Investment Surge: Forecasts and Outturn". A discussion ensued.

The Deputy Governor explained the Bank's involvement in EBS Investments Limited, a wholly-owned subsidiary of the Bank, and commented on the Report and Accounts of the Company for the year ended 28 February 1985, which were laid before the Court.

Arising from the organisational changes announced the previous week, the Deputy Governor then introduced a recommendation concerning certain changes in membership of the Standing Committees and the Special Committee of Court. He mentioned that Mr Scholey would join the Audit Committee and would succeed Mr Blunden as Chairman from 1 January to 28 February. The recommendation was approved.

With reference to Minutes of the previous week, the Deputy Governor drew attention to a summary of press reactions to both the organisational changes which had been announced the previous week, and to the September edition of the Quarterly Bulletin, which had been published the previous Thursday.

The Court gave their approval to Mr Scholey becoming a non-executive director of British Telecommunications plc.

The Deputy Governor informed the Court that Sir Robert Haslam had accepted an invitation to succeed Mr Ian MacGregor as Chairman of the National Coal Board.

With reference to a Minute of 29 August, the Deputy Governor announced that Professor Griffiths was attending Court for the last time before taking up his new appointment. He paid tribute to the contribution made by Professor Griffiths over the previous 18 months.

Mr. Tommason
Secretary
10 October 1985

John of Rofford.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 OCTOBER 1985

Present

Christopher William McMahon, Esq, Deputy Governor
George Blunden, Esq
Geoffrey Ayrton Drain, Esq, CBE
Edward Alan John George, Esq
Sir Robert Haslam
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

The Deputy Governor introduced a letter dated 2 October from Professor Brian Griffiths, which was laid before the Court, giving notice of his resignation from Court in the Office of Director on 16 October 1985.

It was RESOLVED that the Secretary be directed to communicate to the Chancellor of the Exchequer the notice of resignation of Professor Brian Griffiths from the Office of Director of the Bank of England on 16 October 1985, pursuant to Clause 8(e) of the Charter of 1 March 1946.



There being no comments on the weekly figures, the Deputy Governor, in Mr Loehnis' absence, spoke about the foreign exchanges. He then invited Mr George to speak about the state of the domestic markets.

Also at the Deputy Governor's invitation -

- 1 Mr George introduced a statement of the provisional banking figures for the four weeks to 18 September. The trend was similar to recent months with moderate growth in M0 but very strong growth in M3, taking it to twice the implied target figure. The only encouraging aspect was some easing in the level of bank lending though this may in part have reflected an erratically high PSBR. A brief discussion followed of the difficulty of seeing a way through to lower interest rates.
- 2 Mr Walker introduced the monthly report to Court on the current activities of JMB. He first drew attention to certain features of the finance report for August and in particular the continuing disappointing results which were generally below budget. The bullion operation in New York had not yet improved following the management changes and it was likely that a decision to close the Singapore operation, which had consistently lost money, would be taken shortly.

[REDACTED]

He spoke of progress being made on the repayment of one of the major debts and the steps being considered to deal with a number of allegations made in a letter received from a Member of Parliament.

There were a number of questions concerning the possible disposal of some of the subsidiary operations.

- 3 With reference to Minutes of 12 September and earlier, Mr Blunden introduced to Court the Terms of Reference of the Reclassification Committee (1987), which were approved.

With reference to a Minute of 4 July on the reorganisation of the International and Territorial Divisions, the following recommendation by the Governors was approved -

Consequent upon the forthcoming retirement of [REDACTED] as an Adviser in the International Division, and with effect from 21 October 1985,

[REDACTED] to be an Adviser,
An Assistant Adviser, International Division, Scale 9,
International Division, at a basic salary of [REDACTED].
Scale 8

17. 10. 85

C. M. Mahon

P. J. Bonham

Secretary

17 October 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 OCTOBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Governor invited the Deputy Governor, in Mr Loehnis' absence, to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures as at 18 September. He introduced the discussion on monetary policy by saying that the confusing economic picture of



recent months continued. The latest data showed that the tension between inflation and activity looking into next year remained, and the conflicting signals from the monetary indicators persisted. In these conditions short-term interest rate policy was "on hold".

Mr George then spoke of the difficulties of controlling broad money growth on a longer term perspective as background to the Mansion House speeches that evening. A short discussion followed.

- 2 Mr Flemming drew Court's attention to the main features of the Economic Report for October.

The Governor spoke to the Court in the terms used earlier that day to the Committee of Treasury on the proposal for the formation of a Banking Commission, a statutory body which would assume authority for Banking Supervision. He outlined the aims of the Commission and then spoke of the practical difficulties of such a proposal. An alternative might be an advisory rather than an executive body. This would allow for the Governor to accept advice on matters of Banking Supervision; where difficulties arose, they would be brought to Court and this would be a more acceptable arrangement than the one proposed by HM Treasury. But neither proposal would affect the Bank's position as lender of last resort.

There was some discussion of the implications particularly in regard to staffing and it was agreed that a paper outlining the proposal for the formation of an Advisory body should be prepared and submitted to HM Treasury. The paper would be circulated to Members in the immediate future.

With reference to a Minute of 19 September, the Governor announced that the appointment of J P Charkham to be Chief Adviser on Point B would be effective from 4 November 1985.

31.10.85

C. W. Malor

P. R. Bowdler, Secretary 31 Oct. 85

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 24 OCTOBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Edward Alan John George, Esq
Sir Hector Laing

John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

The number of Directors assembled being insufficient to form a Court, those present proceeded to the business, subject to ratification by the next Court.

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

There being no comments on the weekly figures, the Governor invited the Deputy Governor, in Mr Loehnis' absence, to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation Mr Flemming introduced a statement of the Overseas Trade Figures for September, which had been released that morning.

With reference to a Minute of 17 October the Governor spoke further about the possible new arrangements for Banking Supervision. He thanked Members for the helpful comments which had been received and which had been incorporated in a submission which was to be made to the Prime Minister, prior to a meeting the following week.

It was generally felt that the case for such a legislative step was not warranted by events and the Governor's Review Committee had already pointed the way to a number of significant changes to the Banking Act. There were other areas of supervision which should be considered, particularly with the many new arrangements evolving in the City. Under the proposed separate Commission, the Bank would lose its authority for Banking Supervision and for the Staff who operated it. It was doubtful that Court would be able to endorse such proposals. There was a discussion on some possible responses which might be made should the Bank's alternative proposals be rejected.

The Governor then explained the steps which were likely to be taken by the Chancellor to deal with the allegations being made by Mr Brian Sedgemore.

He went on to describe some of the significant points which had arisen during the IMF and World Bank meetings which he had attended in Seoul. He referred in particular to the Baker initiative and the response from leading commercial banks.

The Governor also drew attention to the press comments which had followed the speeches at the Mansion House the previous week.

31.10.85

P.G. Sommerson

Sesetary 31 October 1985

C W M Mahon

A COURT OF DIRECTORS AT THE BANK

THURSDAY 31 OCTOBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

The Minutes of the Court of 17 October were confirmed and those of the Meeting of 24 October, which had also been circulated, were approved.

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation, Mr Loehnis introduced a paper from the International Division on the Canadian economy.



With reference to Minutes of the previous week and earlier, the Governor spoke to the Court, in terms he had used earlier at a meeting of the Committee of Treasury, about the meeting he had attended with the Prime Minister and the Chancellor the previous Monday on HM Treasury's proposal to establish a Banking Commission as a statutory body which would assume authority for Banking Supervision. The Prime Minister had decided that the proposals from the Treasury and from the Bank were not too far apart and that the differences could readily be resolved. A further submission from the Treasury was now awaited. Progress had also been made on the other matters arising from the review of Banking Supervision.

Mr Flemming introduced two papers from the Economics Division: on Company Profitability and Financing for the first six months of the year and on Wage Developments which discussed the outturn for the 1984/85 payround and prospects for the 1985/86 payround. A discussion followed.

A statement of eight retirements was laid before the Court.

The Governor informed the Court that the Committee of Treasury had earlier discussed an approach from the Chairman of Portals Holdings PLC that Mr Blunden should remain as the Bank's nominee on the Board of Portals after his appointment as Deputy Governor. 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, but no particular conflicts of interest had emerged and there was advantage in maintaining close contact with the company. It had however been suggested that the appointment of an alternate might be pursued with Portals. Meanwhile it was agreed that Mr Blunden should continue to serve on the Board as the Bank's nominee.

7. xi. 85

C. W. M. C. Mahon

P. L. J. - Secretary, 7 November 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 NOVEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the
Governor invited Mr Loehnis to speak about the foreign
exchanges and Mr George to speak about the state of the
domestic markets. Mr Loehnis also commented on the
Official Reserves figures for October which had been
released the previous Monday.



Also at the Governor's invitation -

- 1 Mr George introduced a statement of the provisional banking figures for the four weeks to 16 October. There had been little change in the pattern established in recent months, with slow growth in M0 and continuing rapid expansion in £M3. He explained the different presentation of the counterparts to the change in M3 which made explicit the basis for funding policy described in the Mansion House speeches.
- 2 Mr Walker introduced the monthly report to Court on the current activities of JMB. He first drew attention to certain features of the finance report for September which showed that operating profit was below budget. The bullion operation had shown better results but the very significant rise in insurance costs had affected the overall position. Steps were being taken to overcome the losses in commodity broking in New York and the Singapore operation had been closed; but JMB was not directly much affected by the problems in the tin market. A satisfactory position had been reached with the Revenue on JMB's stock relief claim.

Mr Walker explained that in the present circumstances it was not possible to take initiatives to expand the business and there was a real danger of the asset eroding. It was therefore important to move rapidly on the sale of JMB and he referred to the announcement made the previous day. He then spoke about the receivers appointed to the Gomba Group;

[redacted]; and the further allegations made in the House by Mr Sedgemore.

L

The Governor then raised with the Court the question of the timing and content of the offer document for the sale and there was a discussion on the appropriate steps that needed to be taken.

- 3 Mr Loehnis introduced a paper on the economic prospects for South Africa which had been commissioned following discussion in September of the the Overseas Trade Figures.

The Governor spoke about developments in the tin market and outlined the measures under consideration to reduce the present difficulties.

The Governor invited Members to attend an informal working dinner, to be held in January on a date to be agreed, to discuss the form of the Court agenda.

P.R. Jonathan
Secretary

Letter of Receipt

14 November 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 NOVEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation -

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking Figures as at 16 October. He introduced the discussion on

monetary policy by saying that both monetary developments and the development of economic activity and inflation continued to give conflicting policy indications; and the monetary policy stance had remained unchanged. Three events in recent weeks placed more emphasis on interest rate policy: the G5 meeting in September; the Mansion House speeches; and the Chancellor's autumn statement, if, as was widely expected, it was accompanied by tax cuts in the Budget. These events were likely to mean that a cautious approach to interest rates would need to be maintained. A number of Members commented on the continuing high level of interest rates and a discussion followed.

- 2 Mr Blunden introduced a quarterly Report of the Charitable Appeals Committee, which was approved.
- 3 Mr Loehnis introduced two papers from the International Division: the October paper on International Economic Developments and the Autumn World Economy Forecast paper.
- 4 Mr Dawkins spoke about the need for continuing vigilance with regard to security and drew Members' attention to advice which had been provided by the Chief Cashier.

The Governor conveyed to the Court an expression of appreciation which he had received from the Chairman of the Bank's Soccer Section for the good wishes sent to them before a recent tournament.

P.E. Johnson
Secretary

John of Stafford

21 November 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 NOVEMBER 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Deputy Governor, in Mr Loehnis' absence, spoke about the foreign exchanges. Mr George then spoke about the state of the domestic markets.

At the Deputy Governor's invitation, Mr Flemming drew Court's attention to the main features of the Economic Report for November. There was a discussion of the demography of the working population and the effects of part-time work on employment statistics and it was agreed that further information on this would be provided.

The Deputy Governor introduced a Report of the Committee on Permanent Control of Expenditure covering various aspects of the Bank's operations. He drew attention to the strategic decisions which would need to be taken, with the prospect of a greatly increased operating profit at the end of the current year. The Report was approved.

Also at the Deputy Governor's invitation -

- 1 Sir Hector Laing introduced a Report of the Debden Committee about the operation of the Printing Works for the half-year ended August 1985, which was laid before the Court.
- 2 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme.
- 3 Sir Adrian Cadbury, Sir Robert Haslam and Mr Corby described their impressions of the annual national conference of the Confederation of British Industry, which had been held in Harrogate earlier that week.

It had become apparent at the conference that a considerable divide had opened up between trade and manufacturing industry on the one hand and the financial community on the other: the City was not seen to be as supportive of industry as it should be.

Members agreed that this was a matter of serious concern and that the changes taking place in the City were unlikely to make the situation any easier. A number of views were expressed and it was decided that further discussion would be necessary; a first step would be the identification of the various strands of concern. To this end, a paper would be produced for Court.

Three letters from Messrs Freshfields having been submitted, together with three documents to be sealed, namely a Deed of Grant, in duplicate, relating to a property in Buckinghamshire, a Lease between the Bank and Swiss Life Insurance and Pension Company for office premises at New Change and a Supplemental Lease between the Bank and A&O Services covering additional office and storage areas, also at New Change, the Court approved thereof and ORDERED that the documents in question be sealed with the Common Seal of the Bank.

The Deputy Governor and Sir Adrian Cadbury spoke about developments in the crisis in the tin market and the effects on the London Metal Exchange; the efforts to meet these difficulties were explained.

Mr Walker advised the Court of the timetable for the publication of JMB's accounts and undertook to report on the accounts the following week.

R. A. Cragg
Assistant Secretary
28th November 1985.

Below is Stamped

A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 NOVEMBER 1985

Present

Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Deputy Governor, in Mr Loehnis' absence, spoke about the foreign exchanges. He then invited Mr George to speak about the state of the domestic markets.

Also at the Deputy Governor's invitation -

- 1 Mr Flemming introduced a statement of the Overseas Trade Figures for October, which had been published the previous Monday.





[REDACTED]

Finally he reported to Court that there was positive news on the possibility of a sale in that several major interested parties had been identified.

The Deputy Governor informed Court about the re-structuring of the London-based payment clearing systems to be formally implemented on 2 December. This reflected the recommendations of the Child Committee report on the organisation, membership and control of payment clearing systems, published in December 1984 and accepted by all members of the London Clearing House. The new structure would come under the overall guidance of a new organisation, the Association for Payment Clearing Services (APACS) which would be responsible for overall policy on matters affecting the clearings, including membership questions. The clearings would be run by three separate companies, the Cheque and Credit Clearing Company Limited, CHAPS and Town Clearing Company Limited and Bankers' Automated Clearing Services (BACS) which would be restructured and renamed BACS Limited. They would be subject to the authority of APACS.

The new clearing structure would open membership to Citibank and Standard Chartered: both of these banks would be founder members of the CHAPS and Town Clearing Company Ltd and would become settlement members of the



Town Clearing from 2 December but for technical reasons neither would become settlement members of CHAPS until well into 1986.

The restructuring of the clearings would mean that the description "clearing bank" would cease in a number of respects to have its former meaning and in future would need to be used with care.

The Deputy Governor then spoke about the Houblon-Norman Fund, of which he was currently Chairman of the Trustees, and explained that it was the Governor's wish that Mr Blunden should succeed him as a Trustee. It was RESOLVED that:- pursuant to Clause 3 of the Trust Deed of the Houblon-Norman Fund, Mr George Blunden, Deputy Governor designate be appointed to succeed Mr C W McMahon as a Trustee of the Fund with effect from 1 January 1986.

At the Deputy Governor's request -

- 1 Mr Galpin spoke about a matter relating to Banking Supervision. He explained that it had become necessary to give notice of revocation of a licence of a small LDT. Because of the implications that this could have in a wider sphere it was likely that this action might attract some publicity.
- 2 Mr Dawkins explained the difficulties that had been experienced with the electricity supply following the failure of the LEB supply early that morning. He said that only two of the four new generators in the Bank were commissioned but nevertheless they should be able to cope with essential supplies. They had duly come into operation but due to technical problems it had not been possible to keep them running and it had been some hours before they could be brought back into use. The Deputy Governor expressed his concern that the standby generators had not proved effective on this occasion and asked that steps be taken to ensure that it did not happen again.

With reference to Minutes of 31 October and earlier, the Deputy Governor informed Court that the Bank's submission on the proposed Banking Commission was with the Chancellor of the Exchequer and he hoped that the minor differences that still remained would soon be resolved. It was now proposed that the body should be known as the Banking Supervisory Board but that its role would remain advisory.

5.12.85

Cuthmahan

P. J. Forman

Secretary

5 December 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 5 DECEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the domestic markets. Mr Loehnis also commented on the Official Reserves figures for November which had been released the previous Tuesday.



Also at the Governor's invitation -

- 1 With reference to Minutes of the previous week and earlier, Mr Walker reported that the publication of the JMB report and accounts to 30 June 1985 was now expected to take place on the following Tuesday or Wednesday and that the auditors would be able to sign off the accounts. A view had been taken by the JMB Board, supported by the auditors, that £140 mn should be attributed to under-provisioning for the period before the rescue [REDACTED]

[REDACTED]
With a further £54 mn in respect of the first six months and suspended interest payments, total provisioning amounted to £255 mn. With regard to the indemnity, principal claims were expected to total £42 mn with a further £11 mn in respect of interest.

Mr Walker then touched on the reasons for the erosion of the net worth of JMB pointing out that - after adjustment in exceptional factors - a break-even position had been achieved over the last nine months and then spoke about the [REDACTED]

[REDACTED] There was a discussion about the publicity which would surround the publication of the report and accounts and the ways in which this might be handled.

- 2 Mr Loehnis introduced a paper from the International Division on Economic Developments in Japan.

The Governor spoke about three organisations in which the Bank had a participating interest and that Mr Dawkins would replace Mr Galpin as the Bank's representative. It was RESOLVED that pursuant to Section 139 of the Companies Act 1948 and until otherwise resolved by the Court of Directors, and with immediate effect -

- 1 MR D A DAWKINS 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.
- 2 MR D A DAWKINS be authorised to act as the representative of the Governor and Company of the Bank of England at any Meeting of Business in the Community.
- 3 MR D A DAWKINS or failing him MR R J WOODLEY be authorised to act as the representative of the Governor and Company of the Bank of England at any Meeting of Project Fullemploy Limited.

The Governor then spoke about his recent visit to Latin America with Mr Loehnis.

12 - 12 - 85

Cuth Malow

P. R. Formanow
Secretary

12 Dec. 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 DECEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation -

- 1 Mr George introduced a statement of the provisional banking figures for the five weeks to 20 November.
The underlying growth rate in M0 was low but the

continuation in the growth of broad money was disturbing. Bank lending remained very strong, with an apparent revival in company borrowing coming on top of strong borrowing by the personal sector.

- 2 Mr Flemming drew Court's attention to the main features of the Economic Report for December. He then spoke about the draft of the Economic Commentary which would appear in the December edition of the Quarterly Bulletin due to be published on 19 December.
- 3 Sir Adrian Cadbury introduced a report and recommendation of the Trustees of the Court Pension Scheme relating to changes in the rules for deferred pensions which was agreed.
- 4 Sir Adrian Cadbury then spoke to Court in terms used earlier to Committee of Treasury concerning proposals for the remuneration and pension arrangements for Mr Blunden as Deputy Governor from 1 January 1986. It was agreed to endorse the proposals in principle but to explore the possibility of providing pension arrangements which overcame the presentational difficulties.
- 5 Mr Galpin spoke about the White Paper on Banking Supervision due to be published the following Tuesday. He drew attention to a number of features in the paper which largely incorporated the recommendations made by the Governor's review committee. The flexible approach to Banking Supervision would continue but certain powers would be enhanced. Discussions with Auditors on the question of confidentiality were continuing. Of particular note was the creation of the Board of Banking Supervision, which would be chaired by the Governor, and would have an advisory rather than an executive role. The Governor would not have to accept the advice of the Board but would be required to report any disagreement to the Chancellor; the work of the Board

would be included in the Bank's Annual Report. The Board was likely to be in place before enactment. There was a brief discussion arising from which it was felt that the role of the Standing Committee of Court on Supervision should be reviewed.

- 6 Mr Walker commented on the publication, that day, of the JMB Report and Accounts to 30 June 1985 and on press comments which had been made that morning.
- 7 Mr Loehnis introduced the November paper on International Economic Developments.

A Minute of the Committee of Treasury concerning the membership of the Standing Committees and the Special Committee of Court for the period 1 January to 28 February 1986 was approved.

19.12.85

Communication

P. Tormans
Secretary

19 Dec 1985

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 DECEMBER 1985

Present

Robert Leigh-Pemberton, Esq, Governor
Christopher William McMahon, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
George Blunden, Esq
Sir George Adrian Hayhurst Cadbury
Geoffrey Ayrton Drain, Esq, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Alan Walker, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

There being no comments on the weekly figures, the Governor invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Also at the Governor's invitation -

- 1 With reference to a Minute of the previous week, Mr George commented on the Money and Banking figures as at 20 November which were due to be published

later that day. The trends established in the summer both on economic and monetary developments persisted. Short-term prospects for inflation were good, but this was essentially because of weak commodity prices, rather than better domestic performance: unit labour costs had risen much faster than elsewhere. The continuing growth of broad money had left us exposed to serious risks. The build up of liquidity could spill over into spending or into an outflow from sterling and the inflationary prospect could rapidly deteriorate. The vulnerability required a cautious stance on interest rates. This would tend to lock cost pressures into the domestic economy and, unless unit labour costs improved, the prospect for activity would worsen.

There was a discussion on the apparently puzzling position of continuing high interest rates in the UK compared with elsewhere; and whether our past labour cost performance was principally due to low productivity or high wages.

- 2 Mr Blunden introduced a quarterly Report of the Audit Committee. He drew attention to three matters of concern to the Committee: losses due to errors, on which more information would be sought; banking practice compared with the clearing banks, which was to be reviewed; and deficiencies in the systems of inspection under the National Vulcan Engineering Insurance group. Mr Blunden spoke of the efficient work undertaken by the staff of the Audit Division and indicated that the Division provided an excellent training ground. The Report was approved.
- 3 The Deputy Governor spoke about Wallace Brothers Ltd and reminded the Court about the background to the rescue of the Wallace Group following its failure in 1976. It was agreed that the indemnity to cover losses should be extended for a further period until the end of 1987.

4 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the December edition of the Quarterly Bulletin which was due to be published that evening and there was a brief discussion.

5 Mr Loehnis introduced a paper from the International Division concerning economic developments and prospects in Spain and Portugal.

A Minute of the Committee of Treasury was laid before the Court recommending changes to certain of the Bank's subsidiary companies and recommending the consequential changes in representation at Meetings pursuant to Section 375 of the Companies Act 1985. The recommendations in the Minute were approved.

A further Minute of the Committee of Treasury was laid before the Court recommending that arising from Phase 1 of the Central Gilt Office Service and with effect from 2 January 1986 the Chief Registrar's Office (Bank Buildings) be disbanded and the Central Gilt Office be created. The Minute was approved.

Mr Blunden having withdrawn in accordance with Section 10 of the Charter, the Governor invited Sir Adrian Cadbury to speak to the Court in terms used earlier to the Committee of Treasury concerning proposals for the remuneration and pension arrangements for Mr Blunden as Deputy Governor from 1 January 1986. A Minute of the Committee of Treasury was approved.

In concluding the meeting, the Governor paid a warm tribute to the Deputy Governor and to his extensive and distinguished service to both the Bank and the Court.

*H.R. Forman
Secretary
2 January 1986*

A MEETING OF DIRECTORS AT THE BANK
TUESDAY 24 DECEMBER 1985

Present

The Hon Sir John Francis Harcourt Baring, CVO
Geoffrey Ayrton Drain, Esq, CBE
Edward Alan John George, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

Douglas Alfred Dawkins, Esq

In the absence of the Governor and the Deputy Governor,
Mr Drain was chosen Chairman pursuant to the provisions of
Clause 6(2) of the Charter of 1 March 1946.

The number of Directors assembled being insufficient to form
a Court, those present proceeded to the business, subject to
ratification by the next Court.

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

In commenting on the weekly figures Mr Dawkins said that the
Christmas peak of the note circulation, which had been
reached the previous Friday, was higher than expected.
Mr Drain then invited Mr George, in the absence of Mr Loehnis
and the Deputy Governor, to speak about the foreign
exchanges. Mr George then spoke about the state of the
domestic markets.

Also at Mr Drain's invitation -

- 1 Mr George introduced a statement of the Overseas
Trade Figures for November which had been published
the previous Friday.

- 2 Mr Walker spoke to the Meeting about a number of matters relating to JMB. Information memoranda had been sent out to 24 banks interested in JMB and it would be a few weeks before discussions started. Disposal of the insurance broking subsidiary on satisfactory terms would hopefully take place by the end of January. Trade in the bullion market in November had been very flat but some improvement had been seen during December.

Mr Drain drew the Meeting's attention to a summary of press comment to the December edition of the Quarterly Bulletin, which had been published the previous Thursday.

George Blundell
P.R. Johnson
Secretary
2 January 1986

