

COURT OF DIRECTORS

For the period 1 January to 28 February 1986

Declaration
made before

Date

The Governor

19.12.85

Robert Leigh Pemberton Esq, Governor

*George Blunden Esq, Deputy Governor

Lord Nelson of Stafford

Sir George Adrian Hayhurst Cadbury

Sir Hector Laing

Geoffrey Ayrton Drain Esq CBE

Anthony David Loehnis Esq

David Gerald Scholey Esq CBE

Edward Alan John George Esq

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

Frederick Brian Corby Esq

Sir Robert Haslam

*Appointed 1 January 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 JANUARY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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
Sir Robert Haslam
Alan Lord, Esq, CB
David Alan Walker, Esq

Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

The Minutes of the Court of 19 December 1985 were confirmed and those of the Meeting of 24 December were approved.

There being no comments on the weekly figures, the Governor invited Mr Gill, Head of the Foreign Exchange Division, to attend in Mr Loehnis' absence, and speak about the foreign exchanges; and 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. Mr Coleby mentioned that, from that day, the Bank was conducting its own operations in the Bill market, thus ending the long association with Seccombe, Marshall & Campion PLC; and that with Central Gilts Office the first stage of the settlement mechanisms had been activated.

- 1 The Deputy Governor introduced a Report of the Reclassification Committee which had already met on three occasions and had considered a number of papers prepared by the Personnel Division. The Committee had looked at the deficiencies in the existing Scheme and two fundamental changes were considered necessary to meet future requirements. Firstly, in relation to both many routine clerical tasks and an increasing number of specialist jobs, the concept of a 40 year career for all staff, with upward progression, was no longer tenable. Secondly, the present structure contained too many levels in the hierarchy and a number of these would need to be removed to introduce the necessary flexibility for the future. Mr Dawkins added that the new Scheme was likely to require a change in management style and a great deal of effort would be needed for both implementation and training.

In the general discussion which followed a number of comments were made and it was agreed that sufficient flexibility should be built into the Scheme to meet, where possible, future demands that might be made on the Bank. Consideration should also be given to the introduction of more performance-related rewards, with the possibility of bonus payments and of a separate but parallel system to reward specialists. Members commented on the high quality of the papers which had been produced.

- 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 November and in particular the poor operating results, especially in respect of bullion trading. Futures broking in New York remained a problem but the cost of closing the operation would be substantial; and the drain on bank lending continued. Mr Walker then spoke about the AGM which had taken place on



31 December and said that efforts over the next two or three months would be concentrated on disposal; [REDACTED]

- 3 With reference to a Minute of 25 April 1985, Mr Dawkins spoke to the Court about certain changes in Pension Fund benefits which had been negotiated with BESO and authorised by the Governors for retrospective implementation from 1 March 1985. The benefits, selected from those recommended by the Standing Committee on Pensions, were aimed to match comparators, to meet Statutory requirements or to avoid divisiveness. Funding was available from that part of the Bank's present contribution not needed to finance the deficit shown by the 1984 valuation and by a change in the timing of the Bank's contribution to the Fund, from payment in arrears to payment in advance.

A summary of awards from the New Year Honours List was laid before the Court.

George Blunden

9-1-86

P. S. Johnson
Secretary

9 January 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 JANUARY 1986


Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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 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
Douglas Alfred Dawkins, 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 George described the background to the rise in base rates the previous day. Mr Loehnis also commented on the Official Reserves figures for December which had been released the previous Friday.



Also at the Governor's invitation -

- 1 Mr George introduced a statement of the provisional banking figures for the three weeks to 11 December. The 12 month growth rate in M0 was distorted because of the high level in 1984 following the British Telecom sale. £M3 had grown more slowly in December but the worrying element was high bank lending for which there was no clear explanation.
- 2 Mr Loehnis introduced a paper from the International Division on Capital Flight from Latin America between 1981 and 1984 analysing the causes of capital flight and offering estimates of the amounts involved and there was a brief discussion.
- 3 Mr George spoke to the Court about the Bank's new dealing room, which was designed to carry out three separate functions, money market operations with the discount houses, previously carried out by Secombe Marshall and Campion; the placing of deposits in the local authorities markets on behalf of the National Debt Office; and operations in the gilt-edged market. The latter two functions would be taken over from Messrs Mullens & Co and the Government broker and the chief dealer would shortly join the Bank. He described the staffing and training arrangements which had been put in hand.

George Blunden

16-1-86

R. S. J. J. J.

Secretary

16 January 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 JANUARY 1986

Present

Robert Leigh-Pemberton, Esq, Governor

George Blunden, Esq, Deputy Governor

Dr David Valentine Atterton, CBE

Frederick Brian Corby, 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 Alan Walker, Esq

William Peter Cooke, Esq

Douglas Alfred Dawkins, 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 Dawkins spoke about the position reached in the circulation of £1 notes and £1 coins, 12 months after the issue of the note had ceased. Since the peak of the note circulation at Christmas 1984, nearly 500 million £1 notes had been returned to the Bank. 2 to 3 million notes were returning to the Bank each week. The increase in the circulation of £1 coins closely matched the withdrawal of the notes. There was no intention to announce an early date when the note would cease to be legal

tender, but the position would be reviewed after Easter. The Governor then invited Mr George to speak about the state of the domestic markets and Mr Loehnis to speak about the foreign exchanges.

Following discussions at the informal meeting the evening before, the Governor announced the intention to introduce to the agenda a weekly executive report and in this connection the Deputy Governor then spoke about -

- 1 Discussions which had taken place between the Bank, representatives from the Central Bank of Nigeria and of JMB at which details of the debts were clarified. A joint statement from the Bank and the Central Bank of Nigeria might be issued shortly.
- 2 Firm bids which had been received for the purchase of the CDFC, of which the Bank is the major shareholder.

Mr Walker reported that a judgement had been reached in the case by Gomba and Mr Shamji against JMB. The allegations had been dismissed and judgement had been in favour of JMB. There was a good prospect of recovering a substantial sum.

At the Governor's invitation -

- 1 With reference to a Minute of the previous week and to the Money and Banking figures as at 11 December, Mr George introduced a discussion on monetary policy. The underlying tensions for policy had increased over recent months. On the one hand economic activity had slowed while on the other, though the immediate prospect for inflation was encouraging, there was no sign of improvement in unit labour costs and hence the inflation prospect in the somewhat longer term; and there was a developing imbalance between domestic demand and a worsening external trade balance and, within domestic demand, between consumer and investment. On the monetary front narrow money continued to grow slowly

but broad money as well as lending by both banks and building societies remained buoyant, and the exchange rate had eased.

Overall we had had the sense that the growth of broad money and softening of the exchange rate in recent months pointed to some easing of monetary conditions, and made us vulnerable to a loss of confidence in financial markets. This was the policy background to the recent 1% increase in interest rates.

Mr George also expressed concern at the burden currently being carried by monetary policy, which could in part reflect a looser fiscal stance than was apparent in the conventional measure, the PSBR. There was a brief discussion.

- 2 Mr Flemming introduced three papers on economic matters: the Economic Report for January, a paper discussing recent movements in employment, unemployment and the labour force and the Bank's confidential forecast for the UK economy.
- 3 The Deputy Governor said that -
 - (a) some Directors had commented, following visits to Branches, on the undesirability of continuing milling and on the importance of making full use of the note sorting machines; they should know that the Chief Cashier had studies in hand on both the note milling and note sorting operations.
 - (b) The composition of the Standing Committees of Court from 1 March would be considered shortly and he invited Members to express preferences for service on any particular committee.

P. R. Tomkinson
Secretary

George Blunden
23-1-'86

23 January 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 23 JANUARY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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 Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE

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.


In introducing the weekly executive report, the Governor spoke first about the position reached in the crisis in the tin market. Plans to form a company to take over the International Tin Council's obligations were likely to founder because a number of the Governments concerned felt they had no legal commitment to participate. If the suspension of the tin market were lifted there would be a substantial fall in

the price of tin with consequential losses leading to the failure of a number of LME firms and the problems could spread to other commodity and futures markets. There was a discussion and it was pointed out that the Government had made strong efforts to avert the crisis but the prospect of financial support from them was unlikely.

The Governor then announced that Mr Gavin Laird, Mr Deryk Vander Weyer and Sir Leslie Young had accepted invitations to join the Court from 1 March. Subject to Royal Assent it was hoped that an announcement would be made in the course of the next few days.

With reference to the Minutes of the previous week the Deputy Governor announced that two bids had been received for the purchase of CDFC and a third bidder had expressed firm interest. Because of the closeness of the two offers received, final bids had been requested by the end of the week. He also mentioned that representatives of the Central Bank of Nigeria had returned home after clarification of the Nigerian debt position but a joint statement now seemed less likely to be made. The Deputy Governor then advised the Court of the Bank's submission to the Monopolies and Mergers Commission about the proposed takeover of Allied Lyons by Elders/IXL. Before the Bank's views were explained, Mr Scholey and Mr Lord declared their interest in the matter, which was duly noted. It was agreed to make the submission available to the other Members and that further discussion should take place the following week.

Also at the Governor's invitation -

- 1 Mr Drain introduced a Report of the Staff Committee proposing a revision of borrowing limits under the Housing Loan Scheme, which was approved.
 - 2 The Deputy Governor introduced a Report of the Charitable Appeals Committee and drew attention to a number of unsolicited donations made from surplus funds available for distribution, in particular in respect of relief of famine in Africa.
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- 3 Mr Loehnis introduced the December paper on International Economic Developments.

- 4 Mr Galpin spoke about a number of amendments to the list of recognised banks and licensed deposit takers. Four deletions had been made recently from the latter category, where in three of them licences had been either withdrawn or surrendered following concern expressed by the supervisors. He advised the Court that 14 small deposit takers had ceased to be licensed during 1985, without any call on the Deposit Protection Fund and, since July 1984, there had been a decrease of nearly 20% in the overall number of licensed deposit takers which were not subsidiaries of foreign banks.

P. R. Tomkinson

Secretary

30 January 1986

George Blunden

30-1-86

A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 JANUARY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

Douglas Alfred Dawkins, 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 the decrease in the overall number of licensed deposit takers which were not subsidiaries of foreign banks was 10% and not 20%.

On the weekly figures Mr Dawkins drew attention to the winter low in the note issue. The Governor then invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Under the weekly executive report, the Deputy Governor informed the Court that Ensign Trust had made an offer for CDFC valued at approximately £15 1/2 million. The Bank intended to accept the offer in respect of their holding.

[REDACTED]

At the Governor's invitation:-

- 1 Mr Dawkins spoke about a Minute of the Committee of Treasury recommending two senior appointments in the Gilt-Edged Division and it was agreed that with effect from 13 April 1986:

N F ALTHAUS (56)
Government Broker
Mullens & Co

to be Government Broker
Gilt-Edged Division on
Point A

K G HILL [REDACTED]
Chief Dealer
Mullens & Co

to be a Senior Dealer
Gilt-Edged Division Scale 9
at a salary of [REDACTED].

Mr Dawkins then went on to introduce a further Minute of the Committee of Treasury recommending eight senior appointments and four awards of Personal Salary, and it was agreed that in connection with the Annual Review of Staff and with effect from 1 March 1986 -

- (i) The following Senior Appointments be made:-

IAN PLENDERLEITH [REDACTED]
Head of Gilt-Edged Division
on Point B

to be an Assistant
Director, Gilt-Edged
Division on Point A

ERIC DAVEY [REDACTED]
Agent, Newcastle Branch
on Scale 9

to be Agent
Newcastle Branch on
Point C

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

██████████ ██████████
Senior Manager
Banking Supervision Division at a basic salary of ██████████

██████████ ██████████
Personnel Manager
Printing Works at a basic salary of ██████████

██████████ ██████████
Principal
Premises Division at a basic salary of ██████████

██████████ ██████████
Seconded to ██████████
██████████ at a basic salary of ██████████

██████████ ██████████
Principal
Drawing Office at a basic salary of ██████████

██████████ ██████████
Assistant Adviser
Industrial Finance Division at a basic salary of ██████████

(iii) The following awards of Personal Salary be made:-

| | | Total pensionable salary 1.3.86 including Personal Award |
|----------------------------------------------------------------------------------------------------------|------------|----------------------------------------------------------------|
| J S RUMINS Head of Finance and Resource Planning Division and Premises Division Scale 11B | ██████████ | ██████████ |
| ██████████ Deputy General Manager Printing Works Point GMC | ██████████ | ██████████ |
| D A H BYATT Chief Manager Foreign Exchange Division Scale 11B | £1,000 | £47,599 |
| J M SAUNDERS Agent, Leeds Branch Scale 11A | ██████████ | ██████████ |

A statement of one retirement and one secondment was laid before Court.

- 2 Mr Loehnis spoke about the Overseas Trade Figures for December.
- 3 Mr Walker introduced the monthly report on the activities of JMB to Court. The results continued to be disappointing but the reasons for the variances against budget were almost entirely due to the shortfall in trading volume, with conditions in the bullion market remaining flat. There had been a favourable outcome to the cases brought against JMB by the Gomba group but the recovery of provision would be for the benefit of the indemnitors.

A particular difficulty arose with the continuing losses from the New York operation. The JMB Board were reluctant to close the operation because it would weaken the group structure prior to the expected sale; but it was not possible to provide the capital base to enable it to trade its way out of the problems. In the discussion on this particular aspect, the probability of reducing the New York commitment was explored, in the event that the sale of JMB did not take place in the next few months.

- 4 Mr Walker then went on to speak about the offer by Elders/IXL for Allied Lyons, the interests of Mr Scholey and Mr Lord having been noted. He explained some of the significant features of the Bank's submission to the Monopolies and Mergers Commission and in particular the high gearing proposed. He also drew attention to the problems of off balance sheet financing and of reciprocity.

P. R. Johnson
Secretary
6 Feb 1986

George Blunden
6-2-86

A COURT OF DIRECTORS AT THE BANK
THURSDAY 6 FEBRUARY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
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
Douglas Alfred Dawkins, 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 the Official Reserves figures for January which had been released the previous Monday. The Governor then invited Mr George to speak about the state of the domestic markets.

Under the weekly executive report the Governor outlined developments in the crisis in the tin market. Pressure had been growing on the London Metal Exchange and there were fears that any collapse could extend to other commodity markets. Proposals had been formulated for the creation of a new company to meet the needs of the tin market; but the Tin Council's offer of £60 mn towards the £200 mn equity capital required had been well below the amount expected and was seen as a rebuff by the other member governments and a means of putting pressure on HMG to bear all the costs.

The Government had agreed to contribute £50 mn if the Council could be persuaded to raise their contribution to £120 mn. The Governor had proposed that the remaining £30 mn be raised from the City with the Bank providing £10 mn. In seeking Court's approval to this course of action, the Governor explained that at present the prospects of recovery of the investment were slender but it was important to try to provide some protection for those who might be affected by a collapse and to maintain the commodity markets in the City. As part of the arrangements it was acknowledged that there would need to be changes introduced in the London Metal Exchange.

Mr Galpin then mentioned two papers relating to aspects of the Banking System which would be issued shortly. Neither were likely to be contentious. The first, on subordinated loan capital, was the outcome of consultation with the banks started towards the end of 1984. The second, on the measurement of capital, was of a technical and tidying up nature. The precise timing of release depended upon the receipt of comments from the BBA.

A letter from Messrs Freshfields having been submitted together with a document to be sealed, namely a Deed of Transfer relating to the repossession of a house in Loughton, Essex, the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.



Also at the Governor's invitation:

- 1 Mr George introduced a statement of the provisional banking figures for the five weeks to 15 January. He said that, while the latest figures appeared to be a reversal of recent trends in that narrow money (M0) had grown rapidly while broad money (EM3) was nearly flat, these movements were in large part erratic and were unlikely to reflect the underlying trends. The bank lending figure was particularly low, even after allowance for some identifiable special factors, and followed three months when bank lending had been inexplicably strong.
- 2 Mr Loehnis spoke about the January paper on International Economic Developments.

C. A. Crofton
Assistant Secretary
13th February 1986

Adrian Cadbury

13th Feb. 1986.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 FEBRUARY 1986

Present

George Blunden, Esq, Deputy Governor
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
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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 spoke about the foreign exchanges and invited Mr George to speak about the state of the domestic markets.

Under the weekly executive report, Mr Cooke spoke to Court about some impressions he had gained during his recent trip to the Middle East looking at the banking and supervisory systems in the United Arab Emirates, Bahrain, Saudi Arabia and Kuwait.

Mr Dawkins then spoke about the Printing Works' bonus which was funded from productivity gains and profit on commercial activities. He mentioned that he had authorised a bonus of 1% this year and explained that this would probably be the last payment made on this basis as a new salary structure would be negotiated in the spring. Also, the commercial work at the Printing Works would be handled by a wholly owned subsidiary which would need to accumulate profits. He said that he hoped to bring Court up to date with details on the subsidiary company in the near future.

At the Deputy Governor's invitation -

- 1 With reference to a Minute of the previous week and to the Money and Banking figures as at 15 January, Mr George introduced a discussion on monetary policy. The main policy concern over the past month had been to manage the adjustment to the sharp fall in the price of oil.

On its own the lower oil price reduced national disposable income and was damaging to the balance of payments and the PSBR; but it was helpful so far as inflation was concerned. Analytically the essential immediate policy choice had been whether to aim to maintain the exchange rate unchanged which would have improved the inflation prospect but entailed a more severe internal economic adjustment, or whether to allow the exchange rate to take some of the strain easing the internal adjustment but forgoing the benefit to counter-inflation policy. As a practical matter of market management there had been little option but to follow the latter course.

Mr George went on to explain that on the combination of the fall in the sterling oil price and in the effective exchange rate which had so far occurred (in the proportion of about four to one) the analysis suggested a broadly neutral impact on inflation.

The initial impact might be favourable, but this would tend to be eroded as the effect of the depreciation worked through. The longer term effect was more uncertain and would depend upon whether or not industry's improved competitiveness resulted in higher wage settlements and unit labour costs than might otherwise have occurred. If these costs could be contained the balance of the economy would be improved and overall activity could be higher; and the initial worsening in the balance of payments could be made good. The scope for fiscal adjustment in the Budget, for any PSBR target, would however be less than before the oil price fall.

Finally he said that the present policy position was not too uncomfortable but that there may need to be a further tightening if the exchange rate fell significantly further relative to the oil price.

- 2 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme.
- 3 Mr Flemming introduced the Economic Report for February.

G. A. Cragg

Assistant Secretary

20th February 1986

John of Bedford

A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 FEBRUARY 1986

Present

George Blunden, 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
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
Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

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

The Deputy Governor introduced a letter dated 20 February 1986 from Mr Alan Lord, which was laid before Court, giving notice of his resignation from Court as a Director on 28 February 1986.

It was RESOLVED that the Secretary be directed to communicate to the Chancellor of the Exchequer the notice of resignation of Mr Alan Lord as a Director of the Bank pursuant to Clause 8(e) of the Charter of 1 March 1946.

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

Under the weekly executive report and with reference to a Minute of 6 February 1986 and earlier, the Deputy Governor reported the latest developments in the establishment of a new company to meet the needs of the tin market and said that there was hope that agreement was imminent. The Tin Council were now assumed to be prepared to raise their offer to provide capital by £20 mn to £120 mn; Banks and Brokers had agreed to contribute £100 mn, Standard Chartered £25 mn which with the UK Government's contribution of £50 mn totalled £295 mn. The shortfall to be raised from the City was now £25 mn, compared with the previous estimate of £30 mn. It was likely therefore that the Bank would be called upon to honour the Governor's offer of £10 mn. However this might now be in the form of loan rather than equity capital and there would therefore be a possibility of recovery.

With reference to a Minute of 30 January, a letter from Messrs Freshfields having been submitted together with a Form of Transfer relating to the transfer of the Bank's holding of B shares in CDPC to be sealed, the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank. The Deputy Governor explained that as there was a possibility of a competing offer for the shares of CDPC from a Hong Kong based company the document once sealed would be held securely in the Banking Department pending confirmation that no further offer was to be made before the deadline of 25 February set for the receipt of acceptances.

A recommendation by the Governors on the appointment of Standing Committees and a Special Committee of Court for 1986/87, which also incorporated the change of name of the Supervision Committee to the City Committee, was submitted and approved. Referring to the informal discussions earlier this year, the Deputy Governor asked the Secretary to



instruct each of the Committees to review the method and frequency of their Reports to Court.

At the Deputy Governor's invitation:

- 1 Mr Dawkins spoke about Directors' visits to branches and offices and explained that before arranging the programme of visits for 1986/87 it would be helpful to establish with Members of Court the frequency which such visits might be undertaken. It was agreed that the present practice of Directors undertaking two office visits a year and a branch visit in alternate years should be reduced to an overall commitment of two visits each year. Mr Dawkins was asked to produce a programme of visits for 1986/87 on that basis. In the discussion that followed the Deputy Governor confirmed that the review of the Bank's branch structure was in hand and would be brought to Court in due course. He further explained that a similar review of the Registrar's Department would be undertaken shortly.

- 2 Mr Flemming introduced his paper on the Assessment of Fiscal Stance and its Monetary Implications.

C. A. Coughlin
Assistant Secretary.

27th February 1986.

Letter of Report

A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 FEBRUARY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Alan Lord, Esq, CB
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE

Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

[REDACTED]

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

dc

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

Under the weekly executive report:-

- 1 With reference to minutes of the previous week and earlier the Deputy Governor reported that little progress had been made towards the resolution of the tin crisis. The Tin Council had agreed to increase their offer to provide capital for the new company by £15 mn to £115 mn if the UK Government were prepared to increase their contribution by a further £5 mn to £55 mn. However, the Government had stood firm and there was therefore a shortfall of £5 mn. In addition there were indications that some members of the Tin Council were not happy with the terms of the agreement reached last week.
- 2 Mr Loehnis spoke about the proposed merger of EXCO and Morgan Grenfell and explained that the Bank's position remained as set out in the O'Brien rules. The Bank had no statutory powers in the surveillance of the foreign exchange markets and there was no evidence from the market, with whom the O'Brien rules had been agreed, that they sought any change at the present time. In any event it would be inappropriate to introduce a change to meet the needs of a specific case. However, if the market felt that changes were appropriate, the Bank would be prepared to consider them. Mr Scholey urged the Bank to stick to the existing rules.
- 3 Mr Galpin referred to a press report that morning concerning the purchase of shares in the Imperial Group by Morgan Grenfell on behalf of United Biscuits. The purchase had been challenged by Hanson Trust who were also bidding for the Imperial Group, but the Stock Exchange had confirmed that the transaction was not in breach of their regulations. Hanson Trust had then queried how such

purchases conformed to the requirements of Banking Supervision. Mr Galpin said that the matter was being examined closely by Banking Supervision.

The Governor, having joined Court, reported on his meeting with Sir Peter Middleton earlier that morning and said that it had been agreed that a statement on the affairs of JMB, referred to earlier by the Deputy Governor, (the text of which was subsequently agreed by Court) should be issued by JMB later that day.

The Court gave their approval to Mr Vander Weyer becoming Chairman of Mitel Corporation, a Canadian subsidiary of British Telecommunications plc.

A Recommendation by the Governors that the following appointment be made, with effect from a date to be agreed, was approved:-

| | |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <p>██████████ Seconded to ██████████ Scale 8</p> | <p>to be an Adviser on Capital Markets, Scale 9, at a basic salary of ██████████</p> |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|

At the Governor's invitation:-

- 1 Mr Scholey introduced a Report of the Committee to consider the Securities of Certain Funds which was approved.
- 2 With reference to Minutes of 5 September 1985, and 13 February, Mr Dawkins introduced a paper on Debden Security Printing and other Commercial Activities of the Bank of England. He summarised the current position regarding the operation of Debden Security Printing which would begin trading on 1 March and said that it was proposed to appoint Dr Alan Hayter and Mr Colin Barker as non-Executive Directors of the Company. He went on to discuss the wider issue of the Bank's involvement in other commercial activities. Although the possibility of entrusting some of these activities to BE Services had

dc

been examined in some depth it was considered that those activities not connected with the operations at the Printing Works should continue to be dealt with as at present, a view which was endorsed by Court.

- 3 Mr Loehnis spoke about the Overseas Trade Figures for December.

The Governor then spoke about his recent visit to Australia and New Zealand.

Es. A. Craghton

Assistant Secretary.

6th March 1986

John of Stafford

COURT OF DIRECTORS

For the year ending 28 February 1987.

| <u>Declaration made before</u> | <u>Date</u> | |
|------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Robert Leigh Pemberton, Esq, Governor George Blunden Esq, Deputy Governor Lord Nelson of Stafford |
| The Governor | 27. 2.86 | #Sir George Adrian Hayhurst Cadbury Sir Hector Laing Anthony David Loehnis, Esq |
| The Governor | 27. 3.86 | #David Gerald Scholey, Esq, CBE |
| The Deputy Governor | 25. 2.86 | #Edward Alan John George, Esq David Alan Walker, Esq The Hon Sir John Francis Harcourt Baring CVO Dr David Valentine Atterton, CBE Rodney Desmond Galpin, Esq Frederick Brian Corby, Esq Sir Robert Haslam |
| The Deputy Governor | 19. 2.86 | *Gavin Harry Laird, Esq |
| The Deputy Governor | 12. 2.86 | *Deryk Vander Weyer, Esq |
| The Deputy Governor | 26.2.86 | *Sir Leslie Clarence Young, CBE |

* Appointed 1 March 1986

Reappointed 1 March 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 6 MARCH 1986

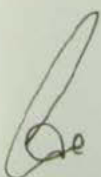
Present

George Blunden, Esq, Deputy Governor
Lord Nelson of Stafford
The Hon Sir John Francis Harcourt Baring, CVO
Rodney Desmond Galpin, Esq
Sir Robert Haslam
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq

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

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

Although there were no specific comments on the weekly figures, the question of identifying the extent of the bill mountain was raised and it was mentioned that this would be the subject of an article in the forthcoming edition of the Bank's Quarterly Bulletin. The Deputy Governor then invited Mr Loehnis to speak about the foreign exchanges, and the Official Reserves figures for February which had been released the previous Monday. The Deputy 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.



Under the Weekly Executive Report, and with reference to Minutes of the previous week:

- 1 Mr Loehnis explained that there had been no change in the Bank's position as established in the O'Brien rules with regard to the proposed merger of EXCO and Morgan Grenfell. The parties concerned were not prepared to divest their interests to the extent required to conform with the O'Brien rules and consequently they had announced the previous day that the merger would not go ahead. He said that there had been no indication that the foreign exchange market would be in favour of any change at the present time to meet the needs of a specific case. The Deputy Governor explained that the Government were considering whether the activities of the foreign exchange markets should be subject to legislation and, if the Bank were given statutory powers in this respect, it would then be appropriate actively to seek the views of those involved.
- 2 The Deputy Governor reported that during the previous week progress towards a resolution in the tin crisis had been erratic but that morning the position had deteriorated to the point that it was likely that the search for a solution would soon be abandoned.
- 3 Mr Galpin explained that, resulting from the purchase of shares in the Imperial Group by Morgan Grenfell on behalf of United Biscuits and similar purchases in other takeover situations, the Bank had issued a notice to recognised banks and licensed deposit-takers on the subject of large exposures in relation to mergers and acquisitions. He explained that the Bank would not normally regard as prudent the acquisition of shares in a company which, taken with existing exposures to that company or group, would exceed 25% of the bank's or banking group's capital base. However, it was noted that in the case in question the share purchases had been taken

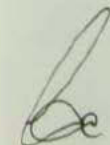
up by a consortium of banks thus spreading the exposure. Mr Galpin also drew attention to the issue by the Banking Supervision Division of a notice (which he referred to at an earlier Court meeting) on the subject of subordinated loan capital. He also referred to Mr Quinn's forthcoming visit to Japan in an attempt to resolve the supervisory concerns related to the licensing as banks in London of the Japanese Securities Houses.

With reference to a Minute of 20 February, a recommendation by the Governors' on Directors' visits to Branches and Offices during the year 1986/87 was submitted to Court and approved.

The Deputy Governor informed Court that with effect from 1 March, Mr George and Dr Atterton had become Trustees of the Court Pension Scheme in place of Mr Lord and himself. Also with effect from 1 March, Mr Galpin had become Chairman of the Bank of England Pension Fund; Sir John Baring, in the place of Mr Scholey, and Mr Dawkins had also become Trustees.

Also at the Deputy Governor's invitation:

- 1 With reference to a Minute of the previous week, Mr Walker explained that his own investigations had produced no evidence of any wrong doing within JMB in connection with gold purchases though there was undoubtedly a lack of suspicion displayed by the bullion side where, as experts, they might have been expected to be suspicious. He remained hopeful that, despite recent events, heads of agreement for the sale of JMB would be reached by about Easter. Arrangements for the disposal of JMB's insurance subsidiary were going well and negotiations over the sale price were progressing satisfactorily.



In introducing the monthly report on the activities of JMB to Court, Mr Walker said that the overall result for January showed a profit of £52,000, the first occasion on which a profit had been achieved since October 1985. There was a continuing unsatisfactory situation in respect of the New York operations but this would have to be dealt with when the preferences of a purchaser were known. Although the report indicated that the level of claims under the indemnity was likely to be of the order of £50 mn-£60 mn his own view was that £45 mn was a more realistic figure.

- 2 Mr Loehnis spoke briefly about the February paper on International Economic Developments and then introduced his paper on the international debt situation, "Third World Debt - Where do we stand?" The paper sought to take an overall look at the situation in the aftermath of the Baker Initiative of October 1985 and in particular analysed the position of certain oil exporting debtor countries. Mr Loehnis explained that, although an improvement in macro-economic conditions would ease the situation, the price of oil remained a critical factor. A discussion centring on the problems of debt servicing and considering the effects of rescheduling and adjustment programmes ensued.

The Deputy Governor reported that Mr Corby had acted as an alternate at a meeting of the Committee on Permanent Control of Expenditure on 27 February 1986.

S. A. Coughlin
 Assistant Secretary
 13th March 1986

George Blunden
 13th March 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 MARCH 1986

Present


Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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
Sir Hector Laing
Gavin Harry Laird, Esq
David Alan Walker, Esq

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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 Gill, Head of the Foreign Exchange Division, to attend in Mr Loehnis' absence, and speak about the foreign exchanges. A brief discussion concerning the instability of the price of oil ensued. The Governor then invited Mr George to speak about the state of the domestic markets.

Under the weekly executive report and with reference to a Minute of the previous week, Mr Walker informed Court that contracts had been exchanged that morning for the sale of Hinton Hill, the JMB insurance subsidiary: the purchaser



was W S Moody Holdings plc and the terms of the sale were very satisfactory. Mr Walker then spoke about the Financial Services Bill and explained that, from its inception, the powers of appointment and removal of members and chairmen of the supervisory boards had been vested in the Secretary of State and the Governor jointly. The reasons for this were both to avoid the possibility of politicisation of the Board and to ensure an appropriate level of practitioner expertise. He said that a subsequent amendment to the Bill had been put forward which would have vested these powers solely in the Secretary of State, but it had been narrowly defeated in Committee earlier that week.

At the Governor's invitation:

- 1 Mr Galpin spoke about the reorganisation of Banking Supervision Division. He said that the new structure which separated the Division into two parts, Operational Supervision and Policy and Administration, would relieve the heavy burden at present placed on Mr Quinn and would help management and the Division generally to become more effective. Responsibility for Operational Supervision would remain with Mr Quinn and Mr Barnes would assume responsibility for Policy and Administration. Mr Galpin then spoke about a Minute of the Committee of Treasury which recommended that, with effect from 1 April 1986, the following senior appointment be made:

R A BARNES [redacted]
Deputy Head of Banking
Supervision Division,
Scale 11B

to be an Assistant Director,
Banking Supervision Division
on Point A

- 2 The Deputy Governor introduced a Report of the Committee on Permanent Control of Expenditure, which was approved.

3 Mr George introduced a statement of the provisional banking figures for the five weeks to 19 February. These indicated that M0 may have fallen by 1/2% to 3/4% showing an overall increase of 3 1/2% over the previous 12 months. £M3 had risen by about 1% during the month to an annual figure of 14 3/4%. These figures were satisfactory and it was encouraging that there had been no rebound from the low rate of growth in £M3 and bank lending in the previous month.

4 Mr Flemming introduced the Economic Report for March.

P. S. Thompson
Secretary

20 March 1986

Letter of the day

A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 MARCH 1986

Present


Robert Leigh-Pemberton, Esq, Governor
Lord Nelson of Stafford
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
Sir Hector Laing
Anthony David Loehnis, Esq
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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.

Under the weekly executive report Mr Cooke spoke about the recently issued paper of the G.10 Supervisors' Committee in Basle on the treatment of off-balance sheet items. This paper, to be followed imminently by a paper from the Bank addressing the issues in a UK context, examined from a supervisory perspective recent innovations and changes in



banking markets and instruments. These developments, involving also some blurring of boundaries between banks and non-banks, required the close attention of supervisors. The paper demonstrated a good measure of agreement between countries on the analysis of the new risks but there were likely to be differences in the urgency and comprehensiveness of different authorities' response.

Also at the Governor's invitation:

- 1 Mr Fleming introduced a paper summarising the main proposals contained within the Chancellor's Budget statement.

- 2 With reference to a Minute of the previous week and to the Money and Banking figures as at 19 February, Mr George introduced a discussion on monetary policy. M0 growth continued to be restrained; and while the rate of growth of both £M3 and bank lending remained high, there were signs of some moderation in the past three months. There were grounds for thinking that there would be a further acceleration in the next month or two, but the underlying position was judged to be not unsatisfactory. There had been a marked improvement in the Government's fiscal position with public expenditure apparently under better control and non-oil revenues buoyant. This had been helpful in underpinning the credibility of the PSBR forecast made by the Chancellor in presenting his Budget.

Economic activity continued to increase, though more slowly than in the earlier part of last year, and unemployment had recently again increased more strongly. The immediate inflation prospect was encouraging but concern over unit labour costs remained. The prospect was affected by the relative change in the oil price and the exchange rate, which in the past month had moved in a direction which was favourable to counter-inflationary policy. Against

this background, with lower interest rates abroad, the OPEC meeting for the time being exerting a favourable influence on the exchange rate and the Budget well received, we had finally allowed interest rates to fall by 1% on the previous day.

Mr George then described the targets set in the Budget for the following year in respect of M0 and £M3.

- 3 With reference to a Minute of 6 March 1986, Mr Loehnis introduced a further discussion on the paper entitled "Third World Debt - Where do we stand?" The subsequent comments covered, in particular, the question of capital flight, the steps taken since 1982 to improve provisions and the risks of relaxing supervisory rules.

A letter from Messrs Freshfields having been submitted together with a document to be sealed, namely a Deed of Variation, in triplicate, permitting Arthur Andersen and Company to sub-let part of the 11th floor of the Bank House Manchester, the Court approved thereof and ORDERED that the documents in question be sealed with the Common Seal of the Bank.

The Governor announced that Their Royal Highnesses the Duke and Duchess of Gloucester would be paying a visit to the Bank on 13 June.

P. C. Sumner
Secretary

27 March 1986

Adrian Cadbury

27 March 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 MARCH 1986

Present

Robert Leigh-Pemberton, Esq, Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Gavin Harry Laird, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq

Douglas Alfred Dawkins, 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 Byatt, Chief Manager in the Foreign Exchange Division, to attend in Mr Loehnis' absence, and speak about the foreign exchanges; and Mr George to speak about the state of the domestic markets.

Under the weekly executive report Mr Walker informed the Court that agreement had been reached on the sale from JMB of the London Futures Broking operation and it was hoped that this would be followed shortly by the sale of the New York operation.

With reference to a Minute of 13 March, a letter from Freshfields having been submitted together with a document to be sealed, namely a Deed of Indemnity, in duplicate relating to the sale of Hinton Hill Group Limited to W S Moody Holdings plc, the Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

At the Governor's invitation:

- 1 Mr Flemming, in the absence of Mr Loehnis, spoke about the Overseas Trade Figures for February.

- 2 Mr Charkham then attended Court to introduce a paper entitled "The View from the Chair" which summarised the results of his discussions with over 30 of the United Kingdom's leading company chairmen. There was a wide ranging discussion and particular attention was paid to what the report described as "short-termism"; the quality of non-executive directors; the impact on industry of the forthcoming changes in financial services; and the problems which needed to be tackled on mergers and acquisitions. It was agreed that further examination was required to determine the steps to be taken by the Bank in addressing these problems. Consideration might be given to raising them in articles in the Quarterly Bulletin, in seminars or including comment in speeches made by the Governor.

The Governor advised the Court that following further consideration of the availability of members and the regular items which appeared on agendas, it had been agreed that long Courts would be held on the fourth Thursday of the month from September. The long Court scheduled for the following week had been deferred to 17 April and would be concerned with Reclassification.

P. S. Johnson
 Secretary
 3 April 1986

George Blanche
 3rd April 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 APRIL 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Gavin Harry Laird, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE


Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

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

With reference to a Minute of 27 February and, at Mr Scholey's request, the Governor introduced a proposed amendment to item 2 of the Executive Report, to read as follows:

Mr Scholey expressed his concern that no changes should be made which might weaken the integrity of world wide respect for the London Foreign Exchange market. He therefore urged that any change in the present rules should only be made after the fullest consideration and not under any "transactional pressure".

The amendment was approved.



There being no comments on the weekly figures, the Governor invited the Deputy Governor, in the absence of Mr Loehnis, to speak about the foreign exchanges, and the Official Reserves figures for March which had been released the previous day; and Mr George to speak about the state of the domestic markets.

There being no items for inclusion under the weekly executive report, the Governor went on to invite Mr Scholey to speak about the Audit Committee's quarterly Report which incorporated the Annual Review of the Committee's work, and the Audit Division's programme for the year beginning 1 March 1986. The Report also contained a Recommendation revising the Committee's Terms of Reference. In presenting the Report, Mr Scholey said that it was proposed that the Audit Division should examine the processing and the timing of the receipt of information by the Banking Supervision Division. It was agreed that this would be helpful and the Report was approved. It was also agreed that the Terms of Reference of the Audit Committee should incorporate an amendment proposed earlier by the Committee of Treasury and be as follows -

- 1 The Audit Committee shall submit annually to the Court for approval a general programme of internal audits designed to ensure that all work, appropriate for audit, of the Bank and its Branches is audited and examined at suitable intervals. These audits should not unnecessarily duplicate the work of the external auditors.

Additional audits and special investigations shall be ordered as necessary by the Committee or by the Governors.

- 2 The Committee shall meet quarterly and shall receive the Auditor's Reports covering the progress of audits and the work of the Audit Division. The Committee shall also receive an annual report from the external auditors of the results of their audit of the Bank's accounts and shall report to the Court the results of their deliberations thereon.




- 3 The Committee shall submit to the Court a general review of the Committee's work each year or at such other time as is appropriate.
- 4 The Committee shall recommend to the Court such revision of their Terms of Reference as from time to time they think necessary.

At the Governor's invitation:

- 1 The Deputy Governor introduced a proposal regarding the Bank's interim payment in lieu of dividend to HM Treasury. He explained the background to the calculation of the amount and said that the final dividend would not be affected by any changes which might arise from provisions in the Accounts for JMB. The proposal for a payment of £18 3/4 million to be made on 4 April, pursuant to Section 1(4) of the Bank of England Act 1946, was then approved.
- 2 Mr Walker spoke to the monthly report on the activities of JMB. He said that the momentum of overall profit achieved in January had not been maintained in February due to disappointing results from the bullion, foreign exchange and commodities dealing operations. He then spoke about the progress made towards disposals, with particular reference to the core business where discussions were now reduced to bids from two interested parties with a further bid to come; all three were banks.

There were now reasonable grounds for expecting full recovery of the £100 mn put into JMB just over a year before, and beyond this the prospect of retrieving a substantial part of the amounts committed by the Bank and the co-indemnitors. In view of the rival bids now in prospect and the need to reach a settlement speedily, authority was sought for the Governor or Deputy Governor to authorise conclusion of heads of agreement, with announcement possibly before the next Court, if a price could be achieved which ensured that, as a minimum, the



erosion of some £13 million in JMB's net worth would be offset. The Court agreed thereto.

- 3 Mr Flemming introduced the draft of the Economic Commentary which would appear in the March edition of the Quarterly Bulletin due to be published on 10 April.

Letter of Staff

P. S. Zimmerman

Secretary

10 April 1986

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A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 APRIL 1986

Present

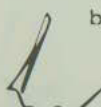
George Blunden, Esq, Deputy Governor
Lord Nelson of Stafford
Dr David Valentine Atterton, CBE
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Gavin Harry Laird, Esq
Deryk Vander Weyer, Esq

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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, 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.

Under the weekly executive report, Mr Dawkins explained that, following the transfer of the function of Government Broker within the Bank and the ending of the official link with Messrs Mullens & Co, it had been necessary to consider the arrangements for the transaction of securities business for customers. After discussions with Mullens they had agreed to continue to act for the Bank in that capacity at rates of commission which would still be very favourable.



The Deputy Governor then described the background to the bid for Standard Chartered Bank made the previous week by Lloyds Bank, who had previously advised us of their intention. In view of Standard Chartered's response that the bid was unwelcome and of the possibility of other bids emerging the Bank was keeping a close eye on developments but without a public stance.

With reference to the minutes of the previous Court, the Deputy Governor reported that the sale of the core business of JMB at a premium of £17 1/2 mn over net worth, to Westpac Banking Corporation, had been agreed that day. There was every confidence that the Bank's original investment of £100 mn was now secure and modest repayments to the Bank and the co-indemnitors were expected; [REDACTED]

The Deputy Governor pointed out that in terms of preserving the gold market and the good name of the City, the cost to the Bank compared favourably with the "lifeboat" operation a decade earlier.

He described the background to the sale and said that Westpac would be welcomed by the gold market as a member. The other indemnitors were satisfied with the sale arrangements. Disposal of the remaining commodities and futures broking business was anticipated shortly.

[REDACTED]

At the Deputy Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures for the four weeks to 19 March. M0 had grown at a stable rate but there was disappointment over £M3 which had risen by 2 1/4% and was above the top of the target range. Assessment of the underlying reasons for the increase was

difficult: there were certainly a number of erratic elements in the surge in bank lending, with increased leasing activity, corporate borrowing before the end of the tax year and significant merger and takeover activity. The high figures had been expected and were likely to be repeated the following month; but the rise in M3 had not stood in the way of the reduction in interest rates earlier in the week.

- 2 Mr Price, Head of the International Division concerned with Financial Markets and the World Economy, attended Court in Mr Loehnis' absence, to introduce the March paper on International Economic Developments; and Mr Flemming then drew attention to some aspects of the March edition of the Quarterly Bulletin which was due to be published that evening. There was a short discussion on both papers and it was suggested that some investigation might be made into the effects over the coming months of the fall in oil prices particularly with reference to other energy industries.

The Economic Report for April was laid before the Court without discussion.

George Blunden

17th April 1986

P. R. [Signature]

Secretary

17 April 1986

A COURT OF DIRECTORS AT THE BANK
THURSDAY 17 APRIL 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Sir Hector Laing
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq
Sir Leslie Clarence Young, CBE

William Peter Cooke, 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 Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges, and Mr Coleby, in the absence of Mr George, to speak about the state of the domestic markets.

With reference to a Minute of the previous week, and to the Money and Banking figures as at 19 March, Mr Coleby then went on to introduce a discussion on monetary policy. The provisional figures published a week earlier had been confirmed. The main cause for concern remained the rate of growth of broad money, though there were grounds for regarding the March £M3 figure as an over-read. It was proving as difficult as ever to judge how much weight to attach to broad money but, in the absence of strongly favourable signals from the other indicators, it was necessary to remain cautious over any relaxation of policy.

In the discussion which followed the Governor spoke of his attendance earlier in the week at the Treasury and Civil Service Committee where he had explained that our general approach to monetary policy had not changed. It was necessary to maintain confidence in the counter-inflationary stance but there were limits to what could be done. A paper on the effects of the overhang of broad money was being prepared for the Committee and copies would be circulated to Members of Court.

Under the weekly executive report the Governor said that the report on the future and the functions of the Banking Department had been completed and the report had been welcomed by the Chief of the Banking Department. Copies of the report would be circulated to Members for consideration by Court on 1 May when decisions on the recommendations would be sought; Members who would be absent on that day were invited to make their comments beforehand.

At the Governor's invitation:-

- 1 Mr Galpin introduced the Report and Accounts of the Deposit Protection Board for the year ended 28 February 1986, which was laid before Court. He said that no institution had become insolvent during the year, although one likely failure had since been reported. He mentioned some changes proposed under the Banking Act to the Deposit Protection Scheme.

- 2 With reference to a Minute of 2 January, Mr Dawkins introduced a paper on Reclassification which summarised the work of the Reclassification Committee that had since taken place. He outlined the shortcomings of the existing Scheme of Classification, with its emphasis on potential, the decline in promotion and progression opportunities, unsatisfactory overtime arrangements, technological changes and changes in the structure of the Bank. He also said the Scheme was not suited to meeting market pressures on the remuneration of specialist skills. There was a need to change expectations and attitudes

which would most readily be facilitated by a new Scheme of Classification and the prototype outlined in the paper before Court had been endorsed by the Reclassification Committee. There were a number of questions on which views and advice were sought before further, more detailed work was undertaken.

There was a wide-ranging discussion. Differing views were expressed on whether the concept of fixed salary points rather than scales should be extended to managers; but advantages were seen with one long scale at the Central Banking Staff level instead of several short scales; retention of flexibility was however considered to be important. Job Advertising and Appointments Boards did not find particular favour. It was felt that they might diminish local management responsibility and that there should be sufficient confidence in the reporting system to avoid setting up cumbersome selection procedures.

There was considerable discussion on the arrangements for specialist staff. Mr Dawkins said that the present practice of initial appointments on contract provided the most flexible way of dealing with them and use of the proposed specialist scale would be limited. The possibility of appointment to a scale to which could be added a premium for market-related skills was suggested, with the premium reduced or eliminated over a period.

The matter of titles had to be given proper weight as these provided a means of denoting the progress of the jobholder and became a source of pride since they reflected achievement.

Court were content with the direction which the proposed Scheme was taking.

The Governor mentioned the question of security in the light of recent events and reminded Members of the need to maintain an enhanced state of vigilance, particularly with regard to mail and unattended vehicles.

P. J. Tomkinson
Secretary 24 April 1986

George Blunden 24 April 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 APRIL 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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
Sir Hector Laing
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Alan Walker, Esq
Deryk Vander Weyer, Esq

Douglas Alfred Dawkins, 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.

Under the weekly executive report the Governor drew attention to a paper which had been circulated to Members on the growth of liquidity in recent years which had been prepared for the Treasury and Civil Service Committee. He also mentioned the appointment of Mr Archibald Cox Jnr. to the Securities and Investments Board.

At the Governor's invitation Mr George, in the absence of Sir Robert Haslam, introduced the Annual Report of the Registrar's Department Liaison Committee which was laid before Court. There


was some discussion on the strategic study being carried out on the role and operations of the Department; on the assumption that the Department should remain at New Change; and on the planning of the refurbishment programme and the need to avoid subsequent changes in it.

The Court gave their approval to Sir Leslie Young becoming a Director of National Westminster Bank PLC and Chairman of the North Regional Board.

Also at the Governor's invitation the Deputy Governor introduced a paper on the proposed extension to the Bank's Museum. He explained the background to the development of the existing Museum and the decision to set up a working party to examine how this could be refurbished and modernised. The Museum did not have a rational or coherent layout and did not meet present day needs. There was a great deal of interest in the Bank, evidenced by the rising number of visitors, and it was considered that there was a public duty for the Bank to display itself and show its present day role.

The working party's recommendations, as presented by the designers, would meet these requirements and would also allow free public access; the additional security problems could be met. Either of the proposed schemes would be expensive and the Bank's capital expenditure was already planned to exceed the PESC guidelines because of other projects in hand. But the Bank's capital expenditure was not covered by cash limits and it would be for the Bank to decide whether such costs were justified.

In the discussion which followed it was suggested that the proposed expenditure to advertise the role of the Bank and its history was not out of line with similar costs by other organisations. An option might be to establish the Museum elsewhere but it was felt that it would lose much of its impact if not situated in the Head Office building; there was also some discussion about the possibilities of charging an entrance fee. Some merit was seen in the possibility of linking the new Museum with the Bank's tercentenary.



It was agreed that the proposals should be examined again at the next meeting of Court and following a presentation on the project by the designers.

George Blucke
1st May 1986

P.S. Inman
Secretary
1 May 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 MAY 1986

Present

Robert Leigh-Pemberton, Esq, Governor

George Blunden, Esq, Deputy Governor

Rodney Desmond Galpin, Esq

Edward Alan John George, Esq

Sir Robert Haslam

Sir Hector Laing

Anthony David Loehnis, Esq

David Alan Walker, Esq

Deryk Vander Weyer, Esq

William Peter Cooke, Esq

Douglas Alfred Dawkins, 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 went on to speak about the Overseas Trade Figures for March which had been released the previous Friday.

Under the weekly executive report the Governor conveyed the appreciation of the Sports Club, expressed at their Annual General Meeting, for the support given to them by the Court. He then mentioned his attendance the day before at the BESO Annual Delegate Conference. Mr George spoke about a paper issued by the Bank on the introduction of a sterling commercial paper market. Mr Dawkins then reported on the background to the pay settlement for staff at the Printing Works which would provide increases

generally around 5.12% with an increase in the pay bill of 5.15%. The General Manager was confident that savings would be achieved to keep the increase within cash limits. Mr Dawkins drew attention to the higher levels of remuneration paid by other security printing firms and the need to address this problem.

The Governor reported that Sir John Baring had acted as an alternate at a meeting of the Committee on Permanent Control of Expenditure on 30 April.

At the Governor's invitation:-


- 1 The Deputy Governor spoke about the draft Accounts of the Bank for the year ended 28 February 1986, which were laid before Court. He explained that confirmation from the Auditors was expected shortly over the amount of provisions for JMB and that the precise amount of the payment in lieu of dividend had yet to be agreed with HM Treasury, reminding Members that, in line with the previous year, the effect of the JMB operation would be reflected fully in the Bank's reserves and would not alter the dividend. The amount of operating profit was the largest recorded but it was unlikely to be repeated. There was some discussion on the question of including a separate statement of accounts on a current cost basis and it was agreed that this should be retained for a further year.

It was then 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 the draft accounts and the level of the dividend would be submitted for the approval of Court the following week.



2 With reference to a Minute of the previous week the Deputy Governor introduced a further discussion of the proposed extension to the Bank's Museum. He relayed the opinions of a number of Directors who were not able to be present. With one exception, their view was that the project should proceed with a firm preference for Scheme A: the expenditure would be worthwhile in terms of the status of the Bank as a national institution and as an example of its public image. He suggested that the possibility of delaying the project to link it more directly with the Bank's tercentenary be rejected since momentum would be lost and the work already done would be wasted. After some further discussion Members agreed that the project as outlined in Scheme A should be carried forward to detailed design, with a view to linking the Scheme with the tercentenary of the "glorious revolution" in 1801; it was noted that this would coincide with the bicentenary of Sir John Soane's appointment as architect to the Bank; to this end the designers should be asked to complete the initial design development programme in six months rather than nine months.

3 With reference to a Minute of 17 April, Mr Dawkins spoke about the report on the review of the banking and note issue functions of the Banking Department, and introduced a discussion on the recommendations contained therein. He said the principal issue was the recommendation to close the Liverpool and Southampton branches and a further matter for consideration was whether the industrial liaison function in those areas should be retained. There were also problems over the timing of the promulgation of decisions arising from the report and the question of making the report available to the Staff.



In the discussion which followed no firm decisions were taken but there was a general consensus that the two branches should be closed in their present form. The effectiveness of industrial liaison work was questioned but it was considered that the contribution was valuable and that a Bank presence in the branch areas was important. Doubts were also expressed about the value of banking at the branches. A need was seen for clear objectives to be set for the Banking Department. There was strong resistance to making the report available to the Staff. It was agreed that Court should examine the report again in due course.

George Blundell

8th May 1986

P. C. Tomkinson
Secretary

8 May 1986

0477a

A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 MAY 1986


Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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
Sir Robert Haslam
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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 the Official Reserves Figures for April, which had been released the previous Friday; and Mr George to speak about the state of the domestic markets.



Under the weekly executive report the Deputy Governor reported that supervision of the wholesale money, foreign exchange and bullion markets would be excluded from the scope of the Financial Services Bill and responsibility would remain with the Bank. Mr Galpin spoke to the Court about an advertisement in the press that day for additional staff for the Banking Supervision Division.

At the Governor's invitation:

- 1 The Deputy Governor introduced a Report of the Committee on Permanent Control of Expenditure covering various aspects of the Bank's operations. He drew particular attention to the high level of capital expenditure arising over the next two to three years and, after a brief discussion, the Report was approved.

- 2 With reference to a Minute of the previous week, the Deputy Governor spoke about the Annual Report and Accounts of the Bank for the year ended 28 February 1986. He reported that the proposals with regard to the payment in lieu of dividend had been agreed with HM Treasury who had also agreed that future releases of provision in respect of JMB should not affect the amount of the dividend. The Auditors had now given unqualified approval to the Accounts; and, at the suggestion of the Chancellor, it was proposed to incorporate some amendments to the section of the Report dealing with JMB.

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.


- 3 Mr George introduced a statement of the provisional banking figures for the four weeks to 16 April. Whilst M0 continued to grow modestly, EM3 had again

increased rapidly with bank lending particularly strong. Reasons for the increase were not easy to identify but it seemed likely that the changes in capital allowances were again a major factor at this time of year. A discussion followed about the increase in personal borrowing and the extent to which it was affected by changes in interest rates.

- 4 Mr Dawkins spoke about the Bank's proposals for the 1986 pay award which were to be discussed at the opening of negotiations with the Union later in the day. He outlined the Union's claim and the Bank's proposed response. Apart from 10% across the board, the Union had asked for an undertaking to implement the findings of the joint comparability study of pay at the recruiting level, which the Bank was not prepared to give; for improved banking facilities, which was not a negotiable matter; for overtime to be calculated on a 35 rather than a 40 hour week, which would be rejected because the overtime provisions were already generous in relation to comparators; and to some increase in leave quotas. There might be some scope for improvement in this area.

In view of the proposed rejection of most of these items, Mr Dawkins considered it unlikely that any agreement could be reached on the pay claim below the figure of 5.6% reached in the Clearing Banks. It would be possible to accommodate a claim of up to 6% within the cash limit and he sought the agreement of Court to open negotiations at 5% with discretion to move to 6% at a later stage.

There was a discussion on the level of settlements in the banking industry and the Civil Service and on the expected fall in the cost of living index over the next months. The view was expressed that there was no particular need at this stage to exceed the figure agreed by the Clearing Banks nor to agree the pay claim so far in advance of the settlement date of



1 July. It was agreed that Mr Dawkins should be authorised to offer 5% across the board and that Court would review the situation before considering any further increase.

- 5 Mr Walker commented on recent developments at JMB and explained that although there was no Report available for the preceding month, there was nothing of note to bring before the Court. He mentioned that there was likely to be a delay of about one week in the timetable for the sale to Westpac but that matters were progressing satisfactorily.

P. S. Tomlinson

Secretary

15 May 1986

John of Stafford

A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 MAY 1986

Present

George Blunden, Esq, Deputy Governor
Lord Nelson of Stafford
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Gavin Harry Laird, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

In the absence of Mr Dawkins, the Deputy Governor invited Mr George to comment on the weekly figures and he explained the substantial decline in the holding of Commercial and Corporation bills. The Deputy Governor then invited Mr Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges, and Mr George to speak about the state of the domestic markets.

Under the weekly executive report Mr Walker said that the core business of JMB would be taken over by Westpac Banking Corporation from 19 May. The intention was that JMB would be renamed Minorities Finance and would be mainly involved with [REDACTED], the bad loan book and disposal of remaining subsidiaries. The Deputy Governor then informed the Court of the names of the members of the Board of Banking Supervision. He

went on to say that the announcement of the appointment to the Court of Sir Martin Jacomb from 19 May, in the place of Mr Alan Lord, would be made the following day.

With reference to a Minute of 10 April, the Deputy Governor introduced two letters from Messrs Freshfields, together with documents to be sealed, namely the Deeds of Indemnity, relating to the sales of Johnson Matthey Wallace Ltd to G N I Holdings, and of Johnson Matthey Bankers core banking and bullion business to Westpac Banking Corporation.

The Court approved thereof and ORDERED that the documents in question be sealed with the Common Seal of the Bank.

At the Deputy Governor's invitation:

- 1 With reference to a Minute of the previous week, and to the Money and Banking figures as at 16 April, Mr George introduced a discussion on monetary policy. Developments generally over the past month had sharpened the dilemma for policy. Of the monetary indicators, one could point to slow growth in M0 and a firm exchange rate on the one hand, and to accelerating broad money growth and stronger demand for credit on the other. Short-term, the economic indicators (falling inflation and sluggish activity) suggested a case for some easing of policy. But longer-term, say a year or more ahead, the prospect was for more rapid inflation (with accelerating unit labour costs) and faster growth.

Against this conflicting background and also in the context of international interest rate developments, interest rates had been reduced; but the more recent aim had been to stop markets running away and consolidate the position before contemplating further reductions.

The discussion which followed incorporated the Economic Report for May and was mainly concerned with

the possibility of encouraging further falls in interest rates to assist manufacturing industry.

- 2 Mr Corby spoke about the Chief of Corporate Services' annual report on salary policy and fringe benefits.
- 3 Mr Price attended Court in Mr Loehnis' absence to introduce the April paper on International Economic Developments which had been deferred from the previous week.

George Blundell

22nd May 1986

P. C. Johnson

Secretary

22 May 1986

COURT OF DIRECTORS

For the period 19 May 1986 28 February 1987

Declaration
made beforeDate

| | | |
|---------------------|----------|----------------------------------------------|
| | | Robert Leigh Pemberton, Esq Governor |
| | | George Blunden Esq, Deputy Governor |
| | | Lord Nelson of Stafford |
| The Governor | 27. 2.86 | Sir George Adrian Hayhurst Cadbury |
| | | Sir Hector Laing |
| | | Anthony David Loehnis, Esq |
| The Governor | 27. 3.86 | David Gerald Scholey, Esq, CBE |
| The Deputy Governor | 25. 2.86 | Edward Alan John George, Esq |
| | | David Alan Walker, Esq |
| | | The Hon Sir John Francis Harcourt Baring CVO |
| | | Dr David Valentine Atterton, CBE |
| | | Rodney Desmond Galpin, Esq |
| | | Frederick Brian Corby, Esq |
| | | Sir Robert Haslam |
| The Deputy Governor | 19. 2.86 | Gavin Harry Laird, Esq |
| The Deputy Governor | 12. 2.86 | Deryk Vander Weyer, Esq |
| The Deputy Governor | 26. 2.86 | Sir Leslie Clarence Young, CBE |
| The Deputy Governor | 19. 5.86 | *Sir Martin Wakefield Jacomb |

* Appointed 19 May 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 MAY 1986

Present


Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq

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

The Governor welcomed Sir Martin Jacomb, whose first appearance this was and said that he was being appointed to serve on the Staff, Permanent Control of Expenditure, Registrar's Department Liaison and City Committees.

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

Mr Dawkins drew attention to the effect on the weekly figures of the annual transfer to reserves and of the repayment of the JMB loan stock. The Governor invited Mr Loehnis to speak about the



foreign exchanges and Mr George to speak about the state of the domestic markets.

Under the weekly executive report Mr Walker mentioned that Mase Westpac had commenced operations with the core business of JMB the previous Monday and gave brief details of the consideration paid. He also reported the repayment of the £25 mn loan stock. The Governor spoke about his visits to Hungary and Czechoslovakia.

The Deputy Governor's actual interest having been declared, the Governor invited Mr Corby to introduce a Report of the Staff Committee on the increase to be awarded in pensions and allowances payable from the Staff Pension Fund. The Governor drew attention to the provision in the rules of the Fund that where the rise in the Retail Prices Index was less than 2%, an increase should not be paid but the review period be extended, normally for one year. Subject to this proviso the recommendations in the Report were approved.

The Deputy Governor's actual interest again having been declared, the Governor then introduced a Minute of the Committee of Treasury recommending increases with effect from 1 July 1986, in the pensions and allowances in payment to former Governors and Executive Directors, and to the widows of three former Executive Directors, subject to the proviso that no increase should be paid if the rise in the Retail Prices Index was below 2%.

The Minute was approved.


The Governor drew Court's attention to press reactions to the Bank's Annual Report and Accounts. He then spoke about the proposed wording of the text of a Loyal Address to be presented to HM the Queen, on the occasion of the betrothal of HRH Prince Andrew to Miss Sarah Ferguson; subject to one minor change the text was approved for submission to the Home Office.

With reference to a Minute of 1 May the Governor introduced further discussion of the Kentfield Report. He referred to the letter he had subsequently circulated to Members indicating the particular areas for consideration. He invited the Deputy

Governor to speak about the discussions he had had with the Union on the question of the closure of the Liverpool and Southampton branches. They had expressed their firm opposition to any closures but recognised the strong possibility of this step being taken. They had therefore sought an assurance that the staff affected would be sympathetically treated and this had been confirmed. It was resolved that the note issue and banking work of the Liverpool and Southampton branches should be phased out and the branches closed as soon as appropriate arrangements could be made for customers and for the redeployment of staff.

There was then a discussion on the question of retaining an industrial liaison function in the two areas concerned. The value of the service was questioned and it was considered that it would be wrong to maintain a presence for purely cosmetic reasons. However the industrial liaison function was seen as extremely useful in gathering intelligence, detecting problems at an early stage and providing a significant role in the local financial community. It was important to retain this particularly in Liverpool although it was felt that some further consideration should be given to the task in Southampton in conjunction with industrial liaison undertaken from Head Office for the South of England and East Anglia. It was resolved that industrial liaison in the areas presently covered from the two branches should be continued - in the case of Liverpool from a small agency to be established on the lines of the agency in Glasgow; further consideration should be given to the arrangements for industrial liaison in Southern England and East Anglia.

On the question of retaining the remaining branches, some doubts were expressed as to the validity of maintaining what might be considered note-issuing centres to which banking had been added; but the difficulty of running the branches without the banking business was seen as a strong argument for retaining them. It was agreed that the role of the rest of the Banking Department should continue but stronger emphasis needed to be placed on modernising its approach to business; its role in the inter-bank field should be confirmed.



It was resolved that the continued role of the remaining five branches - Birmingham, Bristol, Manchester, Leeds and Newcastle - in carrying out note issue, banking and industrial liaison functions should be confirmed; and that the importance of the provision by the Department of banking facilities to HM Government, other public sector bodies and the financial sector generally, as an essential element of our central banking role, should be confirmed, together with the need for the Department to have the right tools to carry out this task.

It was further resolved that the role of the Department in the inter-bank field in ensuring the good order, financial integrity and stability of money transmission systems should also be confirmed. Banking facilities should continue to be made available to the staff and the title of the Department should remain unchanged.

The Functional Objectives drawn up by the Chief of the Banking Department were approved and the Governor then described the proposals for making an amended version of the Report available. It was resolved that a version of Mr Kentfield's Report in a form suitable for communication to the staff should be made available to the staff and to the Union through local management in a controlled manner.

Finally the Governor turned to the steps being taken to communicate the decisions to the staff and arrangements for dealing with the closure of the Liverpool and Southampton branches.

George Blunden

29 May 1986

P. S. Jordan
Secretary

29 May 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 MAY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, 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.

Under the weekly executive report and with reference to a Minute of the previous week, the Deputy Governor reported that there had been little surprise shown by the staff at Liverpool over the decision to close the branch and over half of them had indicated

an interest in working elsewhere. At Southampton, however, the decision to close seemed to have come as a shock and so far none of the staff had shown any inclination to transfer to work in London. Press reaction to the closures had been muted. Some interest had already been expressed by certain institutions in acquiring the buildings.

At the Governor's invitation:-

- 1 Mr Loehnis spoke about the Overseas Trade Figures for April which had been released the previous day.
- 2 Dr Atterton introduced a Report of the Charitable Appeals Committee. There was a brief discussion about the possibility of concentrating support among the larger charities and thereby reducing the number of small donations made. But it was noted that even modest Bank support was considered valuable, particularly by lesser known charities, and it was agreed that the present arrangements should continue. It was also agreed that there were occasions when there were grounds for supporting charitable organisations both centrally and at the branches.

The Report and its recommendations, including an increase in the overall annual budget to £140,000, was approved.

Two letters from Messrs Freshfields were submitted together with two documents to be sealed, in duplicate, namely two Deeds of Appointment relating to the new Trustees of the Court Pension Scheme, and of the Bank of England Pension Fund respectively. The Court approved thereof and ORDERED that the documents in question be sealed with the Common Seal of the Bank.

A statement of two retirements and four secondments was laid before Court.

At the Governor's further invitation:-

- 1 Mr Walker spoke about the May finance report for JMB. He drew attention to the structure of JMB after disposal of

the core bullion business and said that the Group name would be changed shortly to Minorities Finance. There was a brief discussion and it was agreed that reports should be made quarterly after the next balance sheet, as at 30 June, had been presented.

- 2 Mr George and Mr Loehnis introduced a discussion on a paper which had been circulated on UK membership of the exchange rate mechanism of the European monetary system. They drew attention to the main arguments both for and against membership. It could not be taken for granted that membership would lead to greater exchange rate stability in a general sense: at times it could aggravate pressures on the exchange rate and cause greater interest rate volatility. As a framework for policy it could have presentational advantages when, as now, the monetary indicators were difficult to interpret; but it would not make a fundamental difference to the operation of policy or, per se, to the Government's commitment to policy discipline. In general, expectations of the benefits of joining should not be exaggerated.

Membership would improve our European image and demonstrate our commitment to Europe. But, as an oil currency and a major trading currency, sterling faced particular pressures; its membership would alter the character of the system.

Other points made suggested that membership might bind the Government to a firmer economic strategy and provide greater stability for the future. There might be better control over increases in earnings and it might convince others that sterling would be more stable, thus encouraging inward investment: but interest rates might well have to remain high.

It was considered that the arguments were finely balanced and that any decision on membership would be more likely to be political rather than economic.

P. R. D. [Signature]
Secretary. 5 June 1986

John of Stafford

A COURT OF DIRECTORS AT THE BANK

THURSDAY 5 JUNE 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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
Sir Robert Haslam
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, 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 Loehnis to speak about the foreign exchanges and the Official Reserves figures for May which had been released the previous Tuesday; and Mr George to speak about the state of the domestic markets.

There being no comments under the weekly executive report the Deputy Governor invited Mr Loehnis to introduce the May paper on

International Economic Developments and a paper on the World Economy Forecast for Spring 1986, deferred at Court on 8 May. He explained that the Forecast was prepared as part of the background to the Bank's advice to Government on monetary policy and in particular to establish the external framework in which our detailed domestic forecast is set. In the following discussion there were questions on the continuing high level of interest rates in the United Kingdom and the likely trend in oil prices. It was agreed that a paper on real interest rates should be made available for Court.

The Governor, having joined the meeting, invited Mr Flemming to introduce a paper on the Weitzman Proposal for Profit Sharing and a background paper on Company Profitability and Finance in 1985. Mr Flemming mentioned that the Chancellor had shown interest in the Weitzman Proposal and that HM Treasury were producing a consultative paper. He described the different philosophies behind such propositions and pointed to some of the difficulties.

A discussion followed and a number of members suggested that the Proposal lacked reality and took little account of the practicalities involved in implementing such a system. Although some form of incentive scheme was welcome, employees would be unlikely to accept a system which was difficult to understand and where the profit element would be subject to influences outside their control. The Weitzman Proposal would involve unnecessary stresses for management which would outweigh the benefits.

Other members expressed disappointment with these reactions. In their view it was imperative to find a way to link pay more directly to productivity in such a way as to encourage growth in employment; and pay would inevitably be affected by outside factors in the end, the only question was how many jobs were lost in the process of adjustment. After further discussion it was agreed that the two possible roles for profit sharing - as an incentive to efficiency within the firm and as a device for making pay effectively more flexible and thus improving the functions of the labour market - were unlikely to be promoted by any one Government scheme. It might be appropriate to return to the subject when the Treasury Consultative Document appeared.

P. R. Johnson
Secretary. 12 June 86 *George Blaker* 12th June 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 JUNE 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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 Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Under the weekly executive report the Governor spoke about the visit the previous day of the Treasury and Civil Service Select Committee. He then mentioned the annual visit which had taken place the previous week of Governors of the Central Banks of the

former sterling area. The value of the meetings had increased over the years and had encouraged a welcome increase in the number of bilateral contacts.

The Deputy Governor announced that, on the retirement of the Secretary on 15 September, Mr G A Croughton would be appointed Secretary of the Bank and that Mr B A Hoffmann would succeed him as Assistant Secretary.

Mr Dawkins then spoke about the reaction from BESO following the announcement of the closure of the Liverpool and Southampton branches and their press release and notice to members, both of which contained a number of inaccuracies. He gave an account of the differing reactions of the staff at the two branches and reported the interest shown by prospective purchasers in the buildings.

Mr Dawkins went on to outline the position reached in the pay negotiations and the rejection by the Union of the Bank's offer of 5% across the board. It was likely that formal disagreement would be registered at the next meeting, scheduled for 24 June and he described the steps which could then lead to arbitration. The Governor invited Court to consider the option of offering 5.6%, in line with the award to the Clearing Banks, provided a settlement could be reached; but a number of Members considered that, in view of the continued fall in the cost of living, an increase in the Bank's offer would be difficult to justify. The Governor noted the general view as being that the present position should be held and that the Bank should go to arbitration if necessary.

At the Governor's invitation:-

- 1 Mr Corby introduced a Report of the Staff Committee incorporating a Recommendation revising the Committee's Terms of Reference. It was agreed that the Terms of Reference of the Staff Committee should read as follows:-

The Committee shall -

- i) Consider matters of general policy affecting the conditions of service of the staff: and

make such reports as they deem appropriate to the Committee of Treasury for submission to the Court.

- ii) Consider and, if appropriate, report on such other matters as may be specially referred to them by the Court, by the Committee of Treasury or by the Director of Operations and Services.
- iii) Receive regular reports on matters affecting staff from -
 - (a) The Chief of Corporate Services.
 - (b) The Heads of Departments and Divisions.
- iv) Pass to Court, with their own comments, the periodic general reviews of staff matters produced by the Chief of Corporate Services.
- v) Recommend to Court such revision of their Terms of Reference, from time to time, as they think necessary.

2 Mr George introduced a statement of the provisional banking figures for the five weeks to 21 May. He spoke in particular about the sharp rise in £M3. There were some erratic elements in the increase. One was the under-funding of the Public Sector, arising from a concentration of gilt maturities in recent months. Another, probably, was the external element of the other counterparts.

3 Mr Flemming spoke about the Economic Report for June.

There was some discussion about the quality of the statistics used for both the banking figures and for the Economic Report. It was agreed that for some of the latter the sampling might be defective; but with others, eg with the banking figures, it was much more a question of the interpretation to be put on them.

4 Mr Pforde attended Court to give a progress report on his "History of the Bank 1945-1961".

L. A. Craghton
 Assistant Secretary
 19th June 1986

George Blunden
 19th June 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 JUNE 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

William Peter Cooke, 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 the absence of Mr Loehnis, to speak about the foreign exchanges, and Mr George to speak about the state of the domestic markets.

Under the weekly executive report:

- 1 The Governor mentioned that the Board of Banking Supervision had met for the first time the previous week and referred to the arrangements, mostly domestic, which had been agreed for future meetings of the Board.

- 2 With reference to a Minute of 22 May Mr Walker explained that it was his proposal that the industrial liaison work should continue to be conducted from an office in Southampton similar to that in Glasgow and that to be installed at Liverpool.
- 3 With reference to a Minute of the previous week Mr Dawkins mentioned that BESO did not now wish to pursue their campaign against the closure of the Liverpool and Southampton Branches. The Union was now engaged in constructive discussion with the Bank about ways of moderating the impact of the closures on the staff affected.

A letter from Messrs Freshfields was submitted, together with a document to be sealed namely a Deed of Variation, in duplicate, granting approval for S P Consumer Products Limited, the former tenants of 44 Cheapside, to assign their lease to J Hepworth and Son plc. The Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

At the Governor's invitation and with reference to a Minute of the previous week and to the money and banking figures as at 21 May, Mr George introduced a discussion on monetary policy. Despite some erratic element in the latest figures the underlying growth of broad money and credit, including mortgage lending, taken together with an associated acceleration in house prices, was disturbing. But against this, M0 continued its modest progression and the exchange rate remained remarkably firm given the fall that had occurred in oil prices. These conflicting monetary indicators had to be interpreted along with other evidence of the development of the economy, but these too were difficult to interpret. Output had been low but there was an expectation of a possible brisk recovery later this year and into next as the rise in real incomes resulting from the fall in oil prices fed through into spending. Retail price inflation had fallen to 2 3/4% and was likely to go lower, but other measures of inflation, including unit labour costs, suggested that the underlying rate of price increase was more like

be

4 1/2 - 5%. On the evidence as a whole therefore it was hard to see any justification for a further relaxation of policy.

Mr George acknowledged that opinion in the country generally tended to ignore the monetary indicators and looked only at the figures indicating a flat economy, rising unemployment and very low inflation. If policy remained completely unyielding in that situation business confidence could be seriously damaged, though the direct evidence suggested it was in fact holding up reasonably well for the time being. Equally we needed to be sensitive to financial confidence, which could be upset by premature action on interest rates not evidently justified by the monetary and economic evidence. If that were to happen the exchange rate would suffer and interest rates might then have to be raised again very sharply, which in turn would be deeply damaging to business confidence. The brittle state of financial confidence could perhaps be seen in the weakening of the gilt market at a time when the money market was still anticipating an early fall in short-term interest rates despite the unpromising monetary and economic background.

The discussion which followed was concerned particularly with the level of real interest rates which it was noted would be the subject of a paper to be submitted to Court the following week.

An abstract of awards from the Queen's birthday Honours List was laid before Court. The Governor drew Members' attention to the Knighthood awarded to the former Deputy Governor, Sir Kit McMahon and congratulated Mr Vander Weyer on the award of the CBE.

G. A. Coughlin
Assistant Secretary
26th June 1986

George Blunden
26th June 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 JUNE 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
Rodney Desmond Galpin, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Alan Walker, Esq
Deryk Vander Weyer, Esq CBE

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 Coleby, in the absence of Mr George, to speak about the state of the domestic markets.

Under the weekly executive report:

- 1 Mr Loehnis spoke about his appearance before the Treasury and Civil Service Select Committee and mentioned that questions had been related mainly to sovereign debt.
- 2 The Governor reported to Court that first disagreement had been registered with BESO on pay negotiations, with the practical result that no increase could be paid on the July pay date.

With reference to a Minute of 22 May, the Governor said that the text of the Loyal Address, to be presented to HM the Queen on the occasion of the betrothal of HRH Prince Andrew to Miss Sarah Ferguson, had been agreed by the Home Office with some minor additions. The Governor explained that the Address was not yet available in its final form but it was proposed that the sealing should take place before Court the following week. The Court approved thereof and ORDERED that the Loyal Address be sealed with the Common Seal of the Bank.

At the Governor's invitation:

- 1 Mr Loehnis commented on the Overseas Trade Figures for May which had been published that morning.
- 2 Sir Hector Laing introduced a Report from the Board of Directors of BE Services Ltd, and the annual accounts for the year ended 28 February 1986, which were laid before Court.
- 3 In the absence of Mr Flemming, Mr Taylor, the Head of the Economics Division, drew attention to some aspects of the June edition of the Quarterly Bulletin together with the latest edition of Bank Briefing which were due to be published that evening.

A paper on Nominal Interest Rates and Unit Labour Costs in the UK and Abroad which had been prepared by the Economics Division was also before Court for discussion. It considered the use of unit labour costs as an alternative deflating factor in measuring real interest rates. It was observed that the arguments for this formula were not particularly convincing although it provided an alternative to using the retail price index which could itself be distorted because of the impact of mortgage rates and import prices upon it. In the absence of Mr George, Mr Coleby attended Court for this item.

George Blunden

3rd July 1986

P. G. Tomman

Secretary

3 July 1986

0617a

A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 JULY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, 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 the Official Reserves figures for June which had been released the day before; and Mr George, to speak about the state of the domestic markets.

There were no items for inclusion under the weekly executive report, but the Governor took the opportunity to apologise for his,

and the Deputy Governor's, unavoidable absence from the meeting of the City Committee on 1 July.

At the Governor's invitation:-

- 1 Mr Dawkins spoke about the claim from BESO for the fixed element in the Town Allowances paid to the staff to be made pensionable. He described the background to the Allowances and the origins of the fixed and variable elements. He had been opposed to pensionability because he thought it would be divisive amongst the staff and the costs would be heavy; first disagreement had been recorded in the Negotiating Council. He advocated attempting to reach a solution by offering to make the fixed element of town allowances pensionable in stages from 1 July 1987, the rate of progress to be dependent on circumstances.

In the ensuing discussion the problems of introducing differential salaries and the effect on staff mobility were raised and concern was expressed that the principle on which the allowances were introduced, which argued against pensionability, was being overlooked. It was suggested that the possibility of buying out the allowances within the framework of Reclassification should be explored with the Union.

- 2 Sir Hector Laing introduced a Report of the Debden Committee on the annual report and accounts of the Printing Works for the year ended 28 February 1986. The Report also contained a Recommendation revising the Committee's Terms of Reference, which was agreed.
- 3 Mr Loehnis spoke about the International Economic Developments paper for June.

The Governor drew the Court's attention to a summary of press reaction to the June edition of the Quarterly

Bulletin, which had been published the previous Thursday. He then invited Mr Walker to present a paper on the "Composition of Boards: a need for initiative". He drew attention to a paper on the subject by Mr Vander Weyer.

Mr Walker stressed the urgency of the problem because of the deterioration in performance by boards generally with a number of businesses in a critical state. He spoke of the difficulties of large institutional shareholders in exercising their responsibilities in ensuring that boards were of adequate quality; of the increases in short-term pressures brought about by new technology; and of the discontinuity of investment decisions. A way of improving the situation would be to make it a condition of Stock Exchange quotation that companies should have a specified minimum proportion of non-executive directors, and that companies' audit committees should be composed exclusively of such directors. Sir Adrian Cadbury then spoke about the role of the non-executive director and the efforts made by PRO NED in this area; the Bank's assistance had been welcomed.

There was a discussion in which the importance of the role of the non-executive director was emphasised. But some reservation was expressed about requiring the Stock Exchange to adopt the proposals at a time when many other changes in supervisory functions were taking place. Improvements might more effectively be obtained through persuasion; but the Bank's role in promoting these changes should be carefully considered.

It was agreed that the discussion should be continued at a later meeting, and consideration be given to the initiatives which might be followed.

P. R. Tomkinson
Secretary
10 July 1986

Adrian Cadbury

0632a

A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 JULY 1986

Present

George Blunden, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq CBE

Douglas Alfred Dawkins, 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 Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.

Under the weekly executive report:-

1

- 2 Mr George said that discussions would begin shortly with the market makers in the Gilt-edged market on the manner under which the Bank would operate with them. There was no intention at this stage to change completely to an auction system in preference to the present tap system.

The Deputy Governor as Chairman of the Company, spoke about the Annual Report and Accounts of Slater, Walker Ltd, a wholly-owned subsidiary of the Bank, for the year ended 28 February 1986, which were laid before the Court. Recoveries were now down to a very small number - the outstanding matters were the claim on Britannia Arrow in 1988 and some small loans to Mexico. The lower profit in the current year had been entirely due to the incidence of redemptions of Gilt-edged stock. There was a brief discussion and it was pointed out that significant factors which would need to be taken into account in any winding up of the company would be the tax position and the extent of the hidden reserves. A suggestion to change the name of the company had been rejected because the costs would not be justified by the benefits.

At the Deputy Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures for the four weeks to 18 June. Although the increase in £M3 was somewhat lower than in recent months, it was still above the target range. Bank lending was again high but the figures were thought to contain a number of erratic elements.
- 2 Mr Flemming commented on the Economic Report for July, and then went on to speak about the Bank's latest economic forecast. He drew attention to the slightly more optimistic forecasts made by the Bank compared with outside forecasters, in respect of both output and inflation. This was partly due to assumptions about the oil price and the associated path of the exchange rate. A discussion followed and included comment on the assumptions used in the calculations.

C. A. Craghton
 Assistant Secretary
 107th July 1986

Heckler Laming

A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 JULY 1986

Present

George Blunden, Esq, Deputy Governor
Sir Hector Laing
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
Sir Leslie Clarence Young, CBE

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 invited Mr Loehnis to speak about the foreign exchanges and Mr George to speak about the state of the domestic markets.


Under the weekly executive report, the Deputy Governor

- 1 with reference to a Minute of 31 October 1985, mentioned to Court that at the time of his appointment as Deputy Governor concern had been expressed that his continued membership as a non-Executive Director of Portals could

give rise to a potential conflict of interests; Freshfields' advice had since been sought, which confirmed this concern. Additionally, he now found that he no longer had sufficient time to carry out his duties as a non-Executive Director and consequently had resigned from the Board of Portals Holdings plc.

- 2 reported that the Board of Johnson Matthey Bankers had changed the name of the company which, with effect from the following week, would be known as Minorities Finance Ltd. The name of JMB had however been protected by acquiring a shelf company; the company would be wholly owned by Minorities Finance but would do no business. He further mentioned that Minorities Finance would surrender recognised banking status under the Banking Act but would seek licensed deposit taker authority in due course.
- 3 informed Court that Gerrard and National who had purchased the New York futures broking subsidiary of JMB had now uncovered a bad debt of £1/4 mn which appeared to be the result of fraud on JMB by their German agent. The matter was still under investigation by the police but JMB would undoubtedly have to take over the bad debt.
- 4 spoke to Court about meetings that the Governor had had that week with Sir Thomas Risk, and that he and the Governor had had later with Lord Iveagh and Messrs Saunders and Ward. These meetings arose because of Board changes introduced by Guinness, following their acquisition of Distillers plc, which were in total disregard of the statements and terms set out in the offer documents. The Deputy Governor explained that it had been made clear to those concerned that the Bank strongly disapproved of the action taken, and over which Guinness' financial advisers were prepared to resign.

The Guinness Directors had subsequently agreed to place before their shareholders at an Extraordinary General Meeting revised proposals for their Board.



Some concern was expressed at Court about the Bank's role in this issue but it was agreed that it was important that the Bank had taken a stance to preserve the morality of the City and its reputation.

At the Deputy Governor's invitation:-

- 1 With reference to a Minute of the previous week and to the Money and Banking figures as at 18 June, Mr George introduced a discussion on monetary policy. He said that the position remained difficult; neither the monetary nor the wider economic indicators gave any clear guide and, in these circumstances, it seemed sensible to aim to avoid any violent movement in interest rates. There was accumulating evidence that growth in the industrial world had been slower than hoped, although the expectation remained that demand would strengthen - perhaps sharply - in due course.

In the UK there had not yet been the strong upturn in consumer spending, which was looked for to provide the principal stimulus to activity. This picture affected the balance between financial confidence and business confidence discussed a month ago. Business confidence had held up but may have become more vulnerable. Even so, there were very narrow limits to what could be done to sustain it without undermining financial confidence. We had seen just how narrow these limits were in the exchange market response to the impression conveyed through our money market operations on 11 July that we might consider following the US reduction in interest rates. The easier exchange rate position against the DM and Yen would be mildly encouraging to business. But the underlying and bigger question remained as to whether it was possible to keep unit labour costs and inflation down without damaging business confidence.

- 2 Mr Loehnis spoke about the World Payments Report for July 1986, and a paper on Japan's balance of payments, both of which had been prepared in the International Divisions.

The WPR concentrated on the US current account deficit, while the other paper highlighted three different, yet not unconnected, aspects of Japan's balance of payments. A brief discussion followed.

P. V. Inman

Head of Staff

Secretary

24 July 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 JULY 1986

Present

Robert Leigh-Pemberton, Esq, Governor
Lord Nelson of Stafford
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
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
Deryk Vander Weyer, Esq, CBE


Douglas Alfred Dawkins, 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.

Under the weekly executive report:-

- 1 Mr Loehnis spoke about the loan agreement between Mexico and the IMF and the arrangements to be made to provide the funds.

- 2 The Governor referred to a Minute of the previous week and said that the Department of Trade and Industry were likely to exert pressure on Guinness to concede the principle of the appointment of a non-executive Chairman.
- 3 Mr Galpin reported that -
 - a) a sale of the Futures and Broking business of JMB in New York had been negotiated.
 - b) 
 - c) three consultative papers on aspects of Banking Supervision would be circulated during the following week.

At the Governor's invitation:-

- 1 Mr Loehnis introduced the 1986 LDC Disaggregated Forecast which considered the balance of payments and debt prospects for 22 of the less developed countries, up to 1990. Discussion included comment on the reasons behind the success of certain countries despite a lack of natural resources; the bleak outlook for world trade; and the Baker initiative, on which a paper was available which might be discussed at a later meeting of Court.
- 2 With reference to a Minute of 10 July, Mr Flemming spoke about the accuracy of the economic forecasts contained in the July Economic Report.

At the Governor's invitation Sir Adrian Cadbury spoke about the review of levels of remuneration for the Governors, Executive and Associate Directors, and the Economic Adviser to the Governor which had been examined that morning by the Committee of Treasury. Further consideration needed to be given to the proposals arising from the review and these would be reported to Court in due course.

With reference to a Minute of 26 June the Governor advised Court of the stage reached in the pay negotiations. It had taken some time to convince BESO that the Bank would not concede an increase of 6% or more. It was now understood that a settlement could be reached at 5.6% which would be in line with the settlement made by the Clearing Banks; the alternative would certainly be arbitration.

A number of Members expressed concern at making an offer above the current rate of inflation and preferred to face arbitration. But considerable importance was attached to maintaining comparability with competitors, particularly in the face of the rising number of staff leaving the Bank.

After further discussion it was agreed that, subject to acceptance by the Union, an increase in pay of 5.6% with effect from 1 July 1986 be awarded to Staff in the bargaining unit, the same increase to be awarded to staff above the bargaining unit including those on fixed points. It was further agreed that with effect from 1 July 1986 the Special Remuneration of the Governor, the Deputy Governor and the Executive Directors, and the salaries of the Associate Directors and the Economic Adviser to the Governor, be increased by 5.6%, unless other arrangements were introduced as a result of the current review of their remuneration.

The involvement of Court in decisions over the pay award was questioned and it was agreed to examine this.

Chair of Staff.

P. S. Johnson
Secretary

31 July 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 31 July 1986

Present


Robert Leigh-Pemberton, Esq, Governor
Lord Nelson of Stafford
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
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
Sir Leslie Clarence Young, CBE

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.

As there were no items to be raised under the weekly executive report, the Governor invited Mr Loehnis to comment on the Overseas Trade Figures for June which had been published the previous



Friday, before inviting him to introduce a paper on Eastern Europe and the USSR which had been produced by the International Division. The paper outlined the changes that had taken place in the economic policies of a number of Eastern European countries during the 1970's, before going on to discuss the consequences for economic relations with the West. A brief discussion followed.

The Governor, Mr Loehnis, Mr George, Mr Galpin and Mr Dawkins having withdrawn in accordance with Section 10 of the Charter, Lord Nelson took the chair in accordance with Section 6 (2) of the Charter. With reference to a Minute of the previous week, Lord Nelson then invited Sir Adrian Cadbury to report on the discussion on the review of levels of remuneration for the Governors, Executive and Associate Directors, and the Economic Adviser to the Governor, which had been further examined that morning by the Committee of Treasury.

Sir Adrian Cadbury said that the Bank's Auditors, Deloitte Haskins & Sell had examined the levels of remuneration amongst comparable organisations particularly in the City. Their findings underlined the need for upward revision. It was important for the Bank to have a coherent structure and to be able to recruit and retain people of the right calibre. There had been a thorough examination by Committee of Treasury and its proposals for remuneration, which were based on the realities of the market place, were as follows:-

| | |
|---------------------|----------|
| The Governor | £120,000 |
| The Deputy Governor | 95,000 |
| Executive Directors | 80,000 |

As regards timing, it was necessary for the Governor to consider the implications but the Committee had been of the opinion that the changes should be introduced earlier rather than later and certainly by the end of 1986. They also considered that some differential should be introduced between the remuneration of the Executive and Associate Directors.

In the discussion which followed, support was given to the Committee of Treasury's proposals. It was felt important, not

only to introduce the appropriate remuneration as soon as possible, but also to ensure that comparability reviews were carried out at regular intervals to avoid the need for large increases at some future date.

Court agreed to the levels of remuneration proposed and were content that Committee of Treasury should agree the date of implementation after further consultation with the Governor.

P. V. Johnson
Secretary

John of Stafford

7 August 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 AUGUST 1986


Present

Robert Leigh-Pemberton, Esq, Governor
Lord Nelson of Stafford
Dr David Valentine Atterton, CBE
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

William Peter Cooke, 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 Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges and the Official Reserves figures for June which had been released the previous Monday; and Mr George to speak about the state of the domestic markets.



Under the weekly executive report, the Governor spoke about the composition of the reconstituted Board of SIB, details of which were to be made public in the near future.

At the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures for the four weeks to 16 July. Whilst the growth of M0 continued to be orderly, the apparently small increase in £M3 was deceptive, with the year on year increase at a disturbing level. A new record rise in bank lending in July had been offset by large overfunding of the PSBR and by negative "other counterparts" which included National Westminster Bank's £700 mn rights issue: neither of these latter influences were likely to recur on the same scale in the months ahead.

- 2 Mr Price attended Court in Mr Loehnis' absence to introduce the July paper on International Economic Developments. In the discussion which followed, it was noted that the fall in oil prices had still to be reflected in world economies. Lack of stability in commodity prices might well lead to the introduction of quotas or of physical controls and the outlook for world trade was not good. Protectionist pressures were building up in the United States and the difficulties and imbalances for international economies could not be corrected by exchange rate mechanisms alone.

- 3 Mr Cooke presented his paper on International Financial Supervisory Issues: the Bank's interest. The paper described the extension of the Bank's international activities in recent years to include much increased attention to supervisory matters internationally - a development closely linked to the Bank's continuing concern to sustain London's position as an international financial centre. The paper also addressed the development of international supervisory co-operation, particularly in banking supervision and the leading role played by the Bank in this work.

He stressed the importance of maintaining London's role of an international financial centre and the combination of an attractive business environment and effective supervision.

Globalisation of financial markets and particularly the increased integration of banking and securities business was posing many new problems for effective financial supervision internationally. Among these were the overlap and underlap of different supervisory responsibilities; the movement towards a homogeneous system internationally; and the achievement of equality of regulatory treatment of international financial businesses. Progress in these matters was made more difficult by the absence of a legal framework internationally to effect changes - except within the relatively narrow context of the European Community.

In the discussion that followed the increased significance of supervision internationally was acknowledged and it was agreed that it was important for the Bank to continue to be involved both nationally and internationally. It was recognised that there were many difficulties in achieving convergence in national supervisory systems and in reconciling different supervisory responsibilities.

The Court gave their approval to Dr Atterton becoming a part-time member of the Board of British Coal.

P. R. Atterton

Secretary

14 August 1986

Letter of Staffed.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 AUGUST 1986

Present


George Blunden, Esq, Deputy Governor
Lord Nelson of Stafford
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
Sir Martin Wakefield Jacomb
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

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 invited Mr Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges, and Mr George to speak about the state of the domestic markets.

Under the weekly executive report Mr Walker spoke first about a subsidiary of Minorities Finance; this New York commodity broking firm had an exclusive contract to broke platinum sold by Rustenburg and had thus been involved in the recent heavy trading in platinum. Should sanctions be imposed on South Africa, a problem of exposure could arise in respect of the higher claims on South Africa that the higher turnover of business unavoidably entailed. It was difficult to see any way out of this problem in the very short-term but it was hoped that substantial progress



toward disposal of the business would be made within the next two months.

He then spoke with reference to a Minute of 17 July and described the Bank's involvement in the discussions to resolve the dilemma created by the departure by the Guinness board from their earlier commitment to shareholders - in an offer document - in respect of the direction of the business of Guinness/Distillers.

At the Deputy Governor's invitation:-

- 1 With reference to a Minute of the previous week and to the money and banking figures as at 16 July, Mr George introduced a discussion on monetary policy. Despite slower £M3 growth in the latest month the monetary situation had not improved. Nearly all the other monetary aggregates were now growing rapidly where before they had been a source of some comfort; and the composition of money holdings was now showing stronger growth of personal sector deposits. Moreover credit growth remained extremely strong, notably in the form of mortgage lending, by both banks and building societies, which was helping to fuel an accelerating rise in house prices. It was possible that other elements of the demand for credit (associated with take-over activity and the acquisition of foreign currency assets) might moderate, but, taking the monetary data together with the fall in the exchange rate which had occurred, there was little doubt that monetary conditions overall had eased over the past month.

Mr George then spoke about the wider economic prospect. The combination of the lower exchange rate and a firmer oil price in the latest period meant that the outlook for inflation, which had previously improved from a 1985 third quarter base, had reverted to unchanged. It was now less likely that the RPI would fall significantly further before rising again next year under the impact of domestic cost pressures, notably continuing high unit labour costs. The outlook for production remained more favourable than at the Q3 base, though this improvement was slower than had been

hoped in coming through. And although the PSBR prospect was somewhat worse on the basis of the exchange rate/oil price effects, this was not true of the prospect for the current account of the balance of payments, which was if anything better than a year earlier.

To underline the fundamental dilemma for monetary policy, Mr George drew attention to a recent summary of Regional Business Reports from the Agents, which, as in the past juxtaposed expectations of a continuing rise in unemployment and no improvement in wage settlements. This situation, which was typical of similar reports in recent months, presented stark alternatives for monetary policy: either we persisted in the counter-inflationary objective in which case unemployment was likely to rise further or we gave up in the hope of arresting the rise in unemployment. The former course could provide a longer term improvement if the labour market finally became more flexible, whereas all past experience suggested that the latter course may buy time at the expense of making the longer term problem worse.

In the discussion which followed, reference was made to the problems of unemployment, and the extent to which the black economy affected the figures; this was not capable of accurate measurement but could be less than sometimes imagined, and probably did not vary a great deal so not distorting the trends shown by the statistics.

- 2 Mr Walker spoke about the appointment of new Agents at both Liverpool and Southampton to undertake industrial liaison. It was explained that the Agent at Leeds Branch would be replaced, on retirement later in the year, by the present Agent at Liverpool and that the present Agent at Southampton would retire. Mr Dawkins then outlined the position reached in the sale of the two branches and in the deployment of the staff.

A statement of one retirement and three secondments was laid before Court.

P. V. Tomkinson
 Secretary 21. 8. 86.

Adrian Cadbury
 21st August.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 AUGUST 1986

Present

George Blunden, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Gavin Harry Laird, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, 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 Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges, and Mr George to speak about the state of the domestic markets. Mr Gill mentioned a survey carried out by the Bank in March which had shown that London was well ahead of New York and Tokyo in terms of foreign exchange turnover.

Under the weekly executive report Mr George spoke about a change in the cash deposit ratio to be announced the following day. As a result of the change to calendar month statistical reporting

some small reduction in the mandatory cash deposit ratio was needed to honour our undertaking that the amount of deposits required to be placed with the Bank by the banking sector as a whole would not be increased. But since these deposits had already increased much more rapidly than was expected when the arrangements were introduced in 1981, and having looked carefully at the impact on the Bank's finances, we had decided to make a larger reduction in the ratio, from 0.5% to 0.45%. This would significantly reduce the number of individual banks disadvantaged by the change. There was a discussion on the effect on the Bank's profit and the implications for the dividend payable to HM Treasury.

At the Deputy Governor's invitation:-

- 1 Mr Galpin 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 1986. He drew attention to the sizeable change in the Fund's membership since 1979 and to the growth in the value of the Fund since that date. He also said that the Report and Accounts for the current year would provide a more detailed analysis of the Fund's investments in order to meet the requirements of the Social Security Act 1985.
- 2 Mr Flemming commented on the Economic Report for August and pointed to a number of subsequent developments. He spoke about the effect which the oil price and the exchange rate were expected to have on the Retail Price Index, Output, consumer spending and the current account. He then introduced a Report of the Advisory Committee of the Houblon-Norman Fund, which was laid before the Court.

P. R. Ingham
Secretary

George Blunden

4 Sept 1986

4 September 1986

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 28 AUGUST 1986

Present


George Blunden, Esq, Deputy Governor
Anthony David Loehnis, Esq
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Sir Robert Haslam
David Alan Walker, 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 Deputy Governor invited Mr Loehnis to speak about the foreign exchanges, and Mr Coleby, in the absence of Mr George, to speak about the state of the domestic markets.

Under the weekly executive report Mr Loehnis said that a short-term bridging loan arrangement totalling \$1.1 bn had now been agreed between the Mexican Government and a group of Central Banks (G10 countries, Spain and four Latin American) and it was hoped that an additional \$500 mn loan from the commercial banks would be finalised imminently. It was likely that the first tranche of the official facility (\$850 mn) would be drawn by the Mexican Government under the facility the following day. The Bank's commitment amounted to \$55 mn.



At the Deputy Governor's invitation:

- 1 Mr Loehnis commented on the Overseas Trade Figures for July which had been published the previous day.

- 2 With reference to a Minute of 29 May Mr Walker spoke about the finance report as at 30 June for Minorities Finance Limited. He drew attention to the change of name from Johnson Matthey Bankers which had been effected on 23 July 1986, and outlined the immediate management objectives which included the disposal of the remaining subsidiaries. He explained that the maximum liability under the indemnity claim was now £46 mn but the recovery programme was unlikely to realise sufficient funds to repay the indemnitors fully; [redacted]
[redacted]

George Blunden

4th September 1986

R. Johnson

Secretary

4 September 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 SEPTEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor

George Blunden, Esq, Deputy Governor

Frederick Brian Corby, Esq

Sir Robert Haslam

Sir Hector Laing

Anthony David Loehnis, Esq

Lord Nelson of Stafford

David Gerald Scholey, Esq, CBE

David Alan Walker, Esq

Deryk Vander Weyer, Esq, CBE

Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq

John Stanton Flemming, Esq

The Minutes of the Court of 21 August were confirmed and those of the Meeting of 28 August were approved.

In the absence of Mr Dawkins the Governor invited Mr Loehnis to comment on the weekly figures. In speaking next about the foreign exchanges, Mr Loehnis drew attention to the introduction the previous day of a record \$4 bn Floating Rate Note Issue for HMG, which had had an excellent market reception. He then spoke about the Official Reserves figures for August, which had been released the previous Tuesday, before the Governor invited Mr Coleby, in the absence of Mr George, to talk about the state of the domestic markets.

Under the weekly Executive report:-

- 1 The Deputy Governor informed Court that the practise of milling used notes at the Branches, before despatch to Debden for destruction, would cease. He then announced that the sale of the Liverpool and Southampton branches to the Trustee Savings Bank was close to agreement, subject to contract. It was expected that any staff still seeking employment would be offered jobs by the new owners. Satisfaction was expressed at the successful outcome to the process of closing the two Branches.
- 2 Mr Cooke described the background to the decision to grant Nomura Securities a deposit-taking license and spoke of the possibility of applications from other Japanese Securities houses.
- 3 Mr Walker referred to the Bank's concern, expressed earlier to the Monopolies and Mergers Commission, about the extent of the high gearing in the bid by Elders/IXL for Allied Lyons, and the recent decision to allow the bid to proceed; it was important to note that the MMC had acknowledged that the general question of leverage was one of major significance and one for the Bank of England to consider further.
- 4 Mr Loehnis referred to Minutes of the previous week and said that the additional loan to Mexico from the commercial banks had now been agreed, although drawdown was subject to certain conditions.
- 5 The Governor said that, at the request of the Nigerians, the IBRD and IMF, he would be taking the lead in exploring the possibility of a bridging loan to Nigeria, with other Central Banks at the forthcoming BIS meeting.

A Recommendation by the Governors that the following appointment be made, with effect from 1 November 1986, was approved -

T R SMEETON [redacted]
Senior Manager,
Foreign Exchange Division
Scale 8

to be Chief Manager,
Foreign Exchange Division,
Scale 9, at a basic salary
of [redacted]

At the Governor's invitation:

- 1 The Deputy Governor commented on the Annual Report and Accounts of EBS Investment Ltd, for the year ended 28 February 1986, which were laid before the Court.
- 2 Mr Loehnis introduced the August paper on International Economic Developments and there was a brief discussion.
- 3 Mr Corby spoke about the impressions he had gained from his recent visit to South Africa.

A request from Sir Robert Haslam to become an Advisory Director of Unilever was approved.

The Governor expressed the Court's appreciation of the work of the Secretary, who was attending the meeting for the last time before retirement.

C. A. Cragg
Assistant Secretary
11th September 1986

George Blunden
11th September 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY, 11 SEPTEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
Frederick Brian Corby, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

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 Coleby, in the absence of Mr George, to speak about the state of the domestic markets.

The Governor then invited Mr Coleby to introduce a statement of the provisional banking figures for the five weeks to 20 August. He explained that the year on year increase of 4% in MO took it up to the mid-point of the target range and the annual growth of

18 1/2% in £M3 remained well above the target range. Broad money had grown less rapidly in the most recent three months than in the previous three, but the continuing strength of bank lending suggested that the underlying factors had not changed much. It was disappointing that bank lending had not fallen back a little more from July's record level, but personal borrowing remained conspicuously buoyant, particularly for house purchase.

Under the weekly Executive report:-

- 1 With reference to a Minute of 1 May 1986 and earlier, the Deputy Governor explained that although the City Planning authorities had supported the Bank's proposals for an enlarged Museum, English Heritage were opposed to the introduction of a mezzanine floor in the Soane Hall. He said that further discussions would take place with English Heritage but it may be necessary to return to the alternative scheme which Court had considered earlier.
- 2 With reference to a Minute of the previous week the Governor said that the task of raising a bridging loan for Nigeria which he had explored with other Central Banks at the BIS meeting the previous week would not be easily accomplished. A Nigerian delegation had now arrived in the UK and would be having discussions with the commercial banks.

At the Governor's invitation:-

- 1 Mr Flemming commented on the Economic Report for September and a brief discussion followed.
 - 2 Dr Atterton introduced a Report of the Charitable Appeals Committee which was laid before Court. In particular he drew attention to the marked increase in the number of appeals received by the Bank so far this year compared with the previous two years.
- de*

- 3 The Deputy Governor then spoke about the wider issue of the Bank's charitable giving, which had been considered earlier that day by Committee of Treasury. He said that Members had expressed some interest in learning the extent of the Bank's overall charitable giving which in addition to donations made by the Charitable Appeals Committee, included contributions for educational and research purposes to various Institutes and Colleges whose work was of relevance to the Bank. It was appropriate also to include the secondment of staff and the provision of accommodation for various charitable institutions. These had now been brought together in a Report which was laid before Court; this indicated that in 1985/86 the Bank's overall contributions for charitable purposes had amounted to 0.52% of the Bank's pre tax profit.

It was agreed that in future a similar statement should be submitted to Court annually in May as part of the Report of the Committee on Permanent Control of Expenditure.

- 4 Mr Laird spoke to Court about the TUC's Annual Conference which he had attended the previous week.

C. A. Craghton

Securay. 18 September 1986

George Blundell
18-9-86

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A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 SEPTEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

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.

There being no items to be raised under the weekly executive report, a letter from Messrs Freshfields was submitted together with a document to be sealed, in duplicate, namely a management contract between the Bank and Bovis Construction Limited for the refurbishment of the New Change building. The Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

At the Governor's invitation:-

- 1 With reference to a Minute of the previous week and to the money and banking figures as at 20 August, Mr George introduced a discussion on monetary policy. He said that after a pause earlier in the year there were now some signs internationally of a pick up in economic activity. This was a more helpful environment for the UK. External demand would be helped by the more competitive exchange rate; and there was continuing growth in consumer spending. However, there was little sign of progress against inflation; the growth of unit labour costs continued to threaten and RPI, which may now be at a trough, certainly understated the underlying inflationary position. The changes in the exchange rate were probably in lagged response to the weakness in oil prices but there were indications that the financial pressures on the non-oil sector of the economy had eased.

Among financial indicators, the fall in the exchange rate had relieved the pressure on the non-oil tradeable goods sector of the economy. And there was continuing rapid growth in nearly all the monetary aggregates. Credit demand from both banks and building societies showed no sign of letting up. Financial market confidence was much more fragile than two months ago and certainly domestically, and possibly internationally, the balance of considerations had shifted clearly against any move towards lower interest rates, at least for the time being.

- 2 Mr Flemming introduced the draft of the Economic Commentary which would appear in the September edition of the Quarterly Bulletin due to be published on 25 September and drew attention to some of the salient features of the Commentary. During the discussion which followed attention was focussed on the high rate of increase in wages and unit labour costs in the UK in comparison with other countries and the relationship between the published data and employers' perceptions.

L. A. Cragg

Assistant Secretary

25th September 1986.

George Blunden

25th September 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 25 SEPTEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Anthony David Loehnis, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

In accordance with Section 10 of the Charter, the Governor convened Court in the presence of the Deputy Governor and the Non-Executive Directors. At the Governor's invitation and with reference to a Minute of 31 July the Deputy Governor introduced a recommendation of the Committee of Treasury concerning the date of implementation of the increases in Special Remuneration for the Governors and Executive Directors and further proposals regarding the salary levels for the Associate Directors and the Economic Adviser to the Governor, which was agreed.

The Governor then invited Mr Loehnis, Mr George, Mr Walker, Mr Galpin, Mr Flemming and Mr Dawkins to join Court.

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.

Under the weekly executive report:-

- 1 Mr George mentioned that a dress rehearsal of the Gilt Edged market would be carried out the following Saturday, involving the Bank's Dealing Room and Supervisory Unit and the Stock Exchange money brokers and the inter dealer brokers.
- 2 The Deputy Governor spoke about the fire that had broken out in the early hours of that morning in the huts occupied by the contractors Higgs and Hill which were situated on the 1st Floor roof area of Head Office. He explained that although the damage was quite extensive the Bank would nevertheless continue to be fully operational.

At the Governor's invitation:-

- 1 Mr Loehnis commented on the Overseas Trade Figures for August which had been published the previous day.
- 2 Mr Dawkins introduced a recommendation of the Committee of Treasury concerning three senior appointments at the Printing Works and explained the changes to the management structure that would result. It was then agreed that consequent upon the forthcoming retirement of G L Wheatley, the following appointments be made with effect from 6 April 1987:-

A W JARVIS [redacted]
Deputy General Manager,
Senior Official Point GMC

to be General Manager,
Senior Official Point GMB

[redacted] [redacted]
Manager,
Engineering Services Division,
Scale M1

to be Projects and
Commercial Manager,
Senior Official Point GMC

[redacted] [redacted]
Production Manager,
Scale M1

to be Works Manager,
Senior Official Point GMC

A statement of one retirement and two secondments was then laid before Court.

- 3 Mr Corby introduced two Reports of the Staff Committee. The first concerned a revision of the borrowing limits under the Educational Loan Scheme; the recommendations contained in the Report were approved. The Chief of Corporate Services Report on Staffing Policy for Banking Staff was laid before Court.
- 4 With reference to a Minute of 24 July, Mr Loehnis presented a further paper on the International Debt Situation and introduced a discussion which focused on the impact of fluctuating oil prices on the world economy and the economy of LDCs in particular.
- 5 Mr Flemming drew attention to some aspects of the September edition of the Quarterly Bulletin, which, together with the latest edition of Bank Briefing, was due to be published that evening.

L. A. Croft.

Secretary.

2nd October 1986

George Blunck

2nd October 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 OCTOBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Lord Nelson of Stafford
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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 Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges and the Official Reserves figures for September which were due to be released later that day; and Mr George to speak about the state of the domestic markets.

Under the weekly executive report:-

- 1 Mr Dawkins mentioned that last year the Bank had agreed to commission in the autumn of this year jointly with BESO an independent pay review to compare developments since 1979 in the pay and other benefits at recruitment levels in the Bank

with those in eight analogous organisations. An Assessor, Dr G J Bamber had now been appointed and it was expected that he would present his findings to the Bank and the Union by November. There was then a commitment to enter into negotiations with the Union to discuss the implications of the review for the Scheme of Classification.

- 2 Mr Walker said that the two remaining subsidiaries of Johnson Matthey Bankers, namely Johnson Matthey Commodities which was London based and Johnson Matthey Commodities Inc, the New York counterpart, were now up for sale. The two companies had a combined net value worth of approx £20 mn which it was hoped would be realised. He went on to mention that the finalisation of the accounts of Minorities Finance to June 1986 could not be achieved until agreement is reached with the indemnitors on the future treatment of the indemnity.
- 3 With reference to a Minute of the previous week Mr George spoke about the dress rehearsal for the Gilt-Edged Market which had taken place the previous Saturday. He said that the exercise had been generally successful and a further practice would take place on 18 October.

A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a lease granted by the Bank to Fairhursts in respect of the surplus space at Manchester Branch. The Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

At the Governor's invitation Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme, together with the Annual Report and Accounts. The recommendation of the Trustees that the rate of contribution be maintained at its present level until the result of the valuation as at 1 March 1987 is known, was approved.

The Governor spoke about some of the significant points which had arisen at the IMF and IBRD annual meetings which he had attended recently in Washington.

The Governor then drew the Court's attention to a summary of press reaction to the September edition of the Quarterly Bulletin which had been published the previous week.

Having outlined the arrangements that had been made for the dinner to be given for HRH Princess Anne and Captain Mark Phillips the following week, the Governor reminded Court that earlier that year the Bank had made a donation of £2,500 to the Save the Children Fund, of which Princess Anne was President. At the Governor's suggestion it was agreed that a further donation of £5,000 be made to the Save the Children Fund on the occasion of Her Royal Highness' forthcoming visit.

L. A. Craghton
Secretary
9 October 1986

George Blundell
9th October 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 OCTOBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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.

Under the Weekly Executive Report:

- 1 With reference to a Minute of 11 September and earlier the Governor said that although a bridging loan of £250 mn for Nigeria had now been put together its availability was still contingent upon negotiations between the commercial banks and the Nigerian authorities.



- 2 The Deputy Governor referred to the injunction granted in the High Court to restrain the New Statesman from publishing an article containing extracts from the valedictory despatch of Sir James Craig, a former Ambassador to Saudi Arabia, a copy of which had been received by the Bank. He said that there was a risk of embarrassment for the Bank since a former member of the Staff, who had had access to the document, was one of the journalists on the New Statesman responsible for the article.

At the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures for the four weeks to 17 September. He said that there was little to remark on the increase of about 3/4% in M0 which despite recent acceleration still stood comfortably within the target range. The increase of 1 1/2 - 1 3/4% in £M3 was considerably below the figure that the markets had expected. Nevertheless the annual growth rate of 18 1/4% remained well in excess of the target range of 11 - 15%. He went on to say that although the figures were more encouraging than had been expected much of their impact had been lost because of previous press comment.
- 2 Mr Loehnis introduced the September paper on International Economic Developments and spoke particularly about the growth prospects of Japan and Germany.
- 3 Mr Flemming commented on the Economic Report for October and a discussion followed.

The Governor spoke about the documentary film of the Bank which was to be made by TV South for release in the spring of the following year. He said that the project had been agreed on the understanding that the Bank would see the film in advance of its release and would have the opportunity to remove from it anything which was, in the Bank's opinion, either objectionable or sensitive. The filming would take place over a period of three weeks from 16 October; it was agreed that the proceedings of the Court of 30 October should be filmed and, subject to their agreement, the lunch with the Accepting Houses Committee the following week.

L. A. Haylett
Secretary 16 October 1986

George Blunden 16 October 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 OCTOBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
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
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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 Gill, in the absence of Mr Loehnis, to speak about the foreign exchanges, and Mr George to speak about the state of the domestic markets.

Under the weekly executive report:-

- 1 With reference to a Minute of 2 October Mr George mentioned that the proposals which had been discussed with the market makers for the form of the Bank's secondary gilt-edged market dealings had been made public that week. Press comment had drawn particular attention to the Bank's intention to explore a possible experimental series of gilt-edged auctions once the market had settled down after Big Bang. He also mentioned that a final dress rehearsal would take place the following weekend when particular emphasis would be placed on the settlement function.

- 2 With reference to a Minute of the previous week the Deputy Governor explained that there was now further evidence to suggest that a former member of the staff may have been responsible for the article containing extracts from the valedictory despatch of Sir James Craig, a former Ambassador to Saudi Arabia, and that the matter was now the subject of a full police investigation. He said that as a result of this incident the Bank was now reviewing the procedures for dealing with sensitive documents of that nature and also looking at recruitment procedures.

At the Governor's invitation and with reference to a Minute of the previous week and to the money and banking figures as at 17 September, Mr George said that these figures would be the last published on the basis of a banking month; future statistics would be based on a calendar month which would, for the time being, make comparisons difficult.

In introducing a discussion on monetary policy Mr George said that there had been an indication for some time that monetary conditions were becoming easier. M0 had recently accelerated, and although the growth rate of £M3 had slowed during the recent three month period, the expansion of liquidity and credit remained very strong. Some fall in the exchange rate had been necessary to compensate the balance of payments for the fall in the price of oil but over the past month it had fallen further than necessary and gave rise to renewed concern over inflation. Economic

activity which had been depressed earlier in the year had picked up in recent months, under the influence especially of consumer spending. Inflation as measured by the RPI may now have bottomed out and understated the underlying rate of inflation. Although pay settlements had shown a modest improvement, overall earnings and unit labour costs remained unsatisfactory.

Mr George went on to say that earlier in the year there had been concern of serious risk to industrial confidence if a tighter policy had been pursued, but at the same time financial confidence had been holding up well. During the summer however the position had changed with industrial confidence holding up but financial confidence becoming noticeably weak. The need for some tightening of policy had been considered some weeks earlier, before the latest fall in the exchange rate and the round of international meetings. The decision then was to hold the position until some of the uncertainties had been resolved and a considered decision could then be taken. That moment came earlier that week when interest rates were raised.

In the discussion which followed, the conditions under which the UK might contemplate joining the EMS and the merits of such a move, were considered.

Bob Hoffman
Assistant Secretary

23.10.86

Letter of Report.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 23 OCTOBER 1986

Present

George Blunden, Esq, Deputy Governor
Lord Nelson of Stafford
The Hon Sir John Francis Harcourt Baring, CVO
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

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

Mr Dawkins drew attention to the autumn low of note circulation. Mr George, in the absence of Mr Loehnis, spoke about developments in the foreign exchange markets as well as those in domestic markets.

Under the weekly executive report:

- 1 Mr George mentioned that the previous weekend's dress rehearsal for Big Bang had gone off very well. A turnover of four billion pounds in sterling had been

generated in two hours; twice that on an active full trading day. So far as the Bank was concerned the emphasis had been placed on the testing of the settlement procedures which had worked well. However, the whole exercise had nearly come to grief as a result of two fires at New Change, the second of which had involved shutting down the mainframe settlement computer for a time. Both fires had taken place in a document lift shaft where contractors had been working with oxy-acetylene cutters. The first at 9.00 am had been dealt with quickly; the second at 1.00 pm had proved more serious with extensive damage resulting to the Transfer Office. Some documents had been lost but the position had largely been retrieved by weekend work by the Chief Registrar and his team. Mr Dawkins added that one of the contractors had reacted in a particularly courageous manner which had stopped the consequences being far more serious. Investigations were continuing as to whether or not the required precautions had been in operation.


- 2 With reference to a Minute of 9 October, the Deputy Governor informed Court that the bridging loan to Nigeria had now been signed. It was probable that Nigeria would be drawing on the loan next week. It was considered that the United Kingdom's relations with Nigeria, which had received a number of well publicised setbacks in recent years, would be enhanced as a result.

- 3 With reference to a Minute of 11 September, the Deputy Governor said that it was likely that agreement would be reached with English Heritage over a compromise plan for the Museum; a plan which was as satisfactory as the previous choice and better than the original alternative. It included the reinstatement of the original Soane Hall, with a mezzanine floor in the Baker extension and in the Rotunda for office accommodation. The latter, however, might still prove a stumbling block with English Heritage.

be

- 4 Mr George reported to the Court on the First Loughborough Banking Centre Annual Lecture given by the Governor the previous evening. There had been two particularly important aspects to the Lecture. First, it provided a considered look at the behaviour of broad money. Secondly, although it was suggested that broad money targetting had outlived its usefulness (and this had caught the headlines), it was made equally clear that this did not involve any less emphasis on broad money and credit as indicators of monetary conditions. A brief discussion then ensued.
- 5 Mr Walker reported on Mr Farrow's appearance the previous day before the Select Committee of the Department of Trade and Industry that was looking into the Tin Crisis. A sour note had been set when Mr Farrow was pressed to reveal to the Committee information made available to the Bank in documents received from the Department of Trade and Industry. This Mr Farrow had declined to do on the grounds that the documents were not the Bank's to reveal. They also wanted to know about advice given by the Bank. There would be serious implications for the Bank if the advice we gave to Government, and papers received from Departments, could become available through evidence to Select Committees. The Bank could find itself in the midst of a constitutional dispute over the rights of such Committees. If the outcome went against the Government the Bank would have to reconsider the whole structure of its operations and the way it handled papers. Mr Walker added that the occasion had been a thoroughly disagreeable one, and Mr Farrow had batted very well on a difficult wicket - subsequently being complimented by the Chairman of the Committee on his performance.

At the Deputy Governor's invitation, and in Mr Loehnis' absence, Mr Flemming commented on the Overseas Trade Figures for September which had been published the previous day.



Court agreed that the two non-Bank Trustees of the Houblon-Norman Fund should in future be Non-Executive members of Court. Sir Adrian Cadbury and Sir John Baring had indicated their willingness to become Trustees in the places of Sir Alec Cairncross and Sir Peter Thornton, who were standing down.

At the Deputy Governor's invitation Mr Flemming introduced a paper on Unit Labour Costs in the United Kingdom and abroad. The paper mentioned that the Bank had said that unit labour costs were rising faster in the United Kingdom than in most major competitors; the Chancellor accepted this as a reason for UK interest rates being relatively high. Despite what official statistics might show, many industrialists did not accept that labour costs were growing unreasonably and denied that they were granting wage settlements that were excessive in relation to productivity growth. In spite of this there was wide agreement that unit labour costs were rising. Many employers were understandably not fully aware of what their unit labour costs actually were. The discussion also touched on the general field of wage negotiations. Mention was made that nationally negotiated wage settlements could prove disastrous because they were then applied in depressed areas where they were not nearly so appropriate. Also, many senior managers found it very difficult to say to lower paid workers that they should have smaller increases than themselves. It was up to them to give leadership. In conclusion, Mr Flemming said he had mixed feelings as a result of the discussion. Whilst there was some comfort to be derived from the acceptance of the official statistics it was evident that unit labour costs were rising and that the situation was unlikely to get better quickly.

L. A. Cragg

Belum of Stafford.

Secretary 30th October 1986

A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 OCTOBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
Lord Nelson of Stafford
Dr David Valentine Atterton, CBE
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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.


Under the weekly executive report:-

- 1 With reference to a Minute of the previous week Mr George said that the introduction of Big Bang the previous Monday had taken place against very steady and helpful market conditions. There had been a calm and sensible start: the gilt market systems had worked very well, the supervisory reporting had been satisfactory and the settlement system had functioned well. Turnover with investors had been at about the level of a good day in the old markets and there had in addition been a somewhat larger turnover between the market makers through the new inter-dealer brokers.

However, difficulties had been experienced with the TOPIC system which was used by the market makers to disseminate prices. Because of overloading the Stock Exchange had had to exclude some other users from the system and the gilt edged market makers had been among those. This had been particularly unfortunate as many investors expecting more information from the system had in fact received much less; and as some British market makers were more dependent on the TOPIC system than others there had inevitably been some distortion in the level of competition.

In response to the suggestion that the Stock Exchange computer did not have adequate capacity to cope, Mr Walker said that this had arisen because of under-estimation of demand, especially in respect of the frequency of changes on quotations; the problem was not a design deficiency in the new SEAQ system. It had not been a question of inefficiency on the part of the Stock Exchange.

The Governor said that he had visited the various areas of the Bank involved in Big Bang earlier that week and had been impressed with the calm and poised manner that was being exhibited by the staff involved. He said that it reflected creditably on the staff and on Mr George in particular, who had shouldered the responsibility for the operation within the Bank.



- 2 Mr Walker mentioned that the first tranche of equity capital for the Euro tunnel project, totalling in excess of £200 mn, had now been put together, and went on to outline some of the difficulties that had been experienced. He emphasised that the Bank had not been involved in any disagreeable arm-twisting to achieve the input of the package as had been reported in the press, but explained that the Bank regarding this as a major national long term Project, had felt it important to ensure that it was appropriately seriously considered by potential investors.
- 3 Mr Loehnis spoke about the fifth series of bilateral negotiations which had taken place with the Japanese on questions related to financial liberalisation.

At the Governor's invitation:

- 1 Mr Loehnis introduced a paper on the Autumn World Economy Forecast which had been prepared by the Financial Markets and World Economy area of the International Divisions. He explained that the forecast was in some respects similar to that of June this year but drew attention to certain projections which had changed since that time and which might now have important repercussions for policy and financial markets.
- 2 Mr Scholey introduced a Report of the Audit Committee which summarised their review of the Report submitted by Deloitte, Haskins and Sells, the external auditors, on the results of their audit of the Bank's accounts. He explained that although the Audit Committee had not reviewed Deloitte's Management Letter, they had nevertheless received assurances that it did not contain any material or significant criticisms. He went on to explain that Deloitte had said that they did not operate under written terms of reference. The Committee had instructed the Auditor to develop this point with Deloitte and to ask them to submit draft terms of reference.



- 3 Sir Hector Laing and Mr Laird spoke to Court about some of the impressions they had gained during their recent visits to Japan.

The Governor said that it was proposed to continue the discussion, at Court on 20 November, on some of the important points that were raised in his recent Loughborough lecture, copies of which, together with a resume of subsequent press comment, had been made available to Members.

In connection with the documentary film of the Bank the cameras and crew of TV South were present in the Court Room throughout the proceedings, except for item 3 of the weekly executive report, the Autumn World Economy Forecast and the Report of the Audit Committee.

L. A. Craggs.
Secretary.

6 November 1986

George Blanche
6-11-86

A COURT OF DIRECTORS AT THE BANK

THURSDAY 6 NOVEMBER 1986

Present

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

Douglas Alfred Dawkins, 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 the Official Reserves figures for October which had been released the previous Tuesday; and Mr George to speak about the state of the domestic markets.

Under the weekly executive report:-

- 1 Mr Walker mentioned that earlier in the year the Bank had contributed towards the cost of a video film made by the Institute of Chartered Accountants in connection with Industry Year. He said that arrangements had been made for Members to view the film before Court the following week if they so wished.
- 2 Mr Walker said that he had agreed to speak at the CBI Conference in Bournemouth the following week. The subject of his speech would be the City and Industry and he outlined some of the specific suggestions that he proposed to make.
- 3 With reference to a Minute of 23 October, the Deputy Governor said that English Heritage had agreed to the proposals for the new Museum, subject to certain conditions relating to the reinstatement of the Soane Hall. Mr Peter Thornton, the Curator of the Sir John Soane Museum, had supported the Bank's proposals provided the restoration was properly researched and to this end he had offered the assistance of the Soane Museum.

At the Governor's invitation:-

- 1 Mr Loehnis introduced the International Economic Developments paper for October and a brief discussion ensued.
- 2 Sir Hector Laing introduced the Report of the Debden Committee for the half-year ended August, which was laid before Court.

Bob Hoffman
Assistant Secretary

13. 11. 86

John Gifford

A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 NOVEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
Lord Nelson of Stafford
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
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

Douglas Alfred Dawkins, Esq

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

Before asking Mr Dawkins to comment on the weekly figures the Governor mentioned that following some comment by members earlier in the year on the way the figures were presented, the Chief Cashier had produced a new format. The revised version set out in greater detail the full balance sheet of the Issue and Banking

Departments showing the actual level of the previous week instead of the change from that level. The new format, which had been considered by the Committee of Treasury the previous week, was intended to present the figures in a more helpful and informative manner. The Court agreed that this was the case.

Mr Dawkins having commented on the weekly figures, the Governor then invited Mr Loehnis to speak about the foreign exchanges, and Mr George to speak about the state of the domestic markets.

Under the weekly executive report:-

- 1 Mr Walker commented on the Stock Exchange's vote in favour of merging with the International Securities Regulatory Organisation. He regarded this as a satisfactory outcome which in the future could well be seen as of greater significance than Big Bang.
- 2 Mr Walker went on to speak about the difficulties being experienced by the Stock Exchange over settlements. This was mainly attributable to human error but after much hard work, some of it at weekends, the position had improved and there was a fair degree of optimism by the Stock Exchange staff that settlement day would be completed satisfactorily. Nevertheless, some anxiety still persisted about the resulting vulnerability of some of the smaller firms. The Stock Exchange was going to investigate the whole question and a lot more progress would need to be made before the forthcoming issue of British Gas.
- 3 Mr Galpin reported that the Banking Bill would receive its first reading that day prior to publication on the following day. It was hoped Royal Assent would be received next year with the Bill coming into force at the beginning of 1988, at which time the existing Banking Act would be repealed.

At the Governor's invitation:-

- 1 Sir John Baring introduced a Report of the Committee to consider the Securities of Certain Funds which was approved.
- 2 Mr Taylor, in the absence of Mr Flemming, commented on the Economic Report for November, and a discussion then followed which concentrated mainly on the reliability of the figures involved and, as a consequence, the validity of some of the conclusions that were drawn from them.

At the Governor's invitation Mr Laird, who had spoken at the annual meeting earlier in the week of the CBI, was invited to comment on the proceedings. He said he had found the Conference to be well organised and non-controversial. It was evident that there was a considerable degree of enthusiasm for the United Kingdom joining the EMS. Mr Corby, who had also attended the Conference, had been heartened by the atmosphere. The general theme had been very much that it was up to those in senior positions in Industry and Commerce to manage. He added that the paper that Mr Walker had presented to the Conference had been well received.

Mr Loehnis, Mr George, Mr Walker and Mr Galpin having withdrawn in accordance with Section 10 of the Charter and Mr Dawkins having also withdrawn, the Governor introduced certain changes he wished to make in the responsibilities of Executive and Associate Directors. In anticipation of the retirement of Mr Dawkins in the latter part of 1987 at the age of 60, he had decided to reallocate some of Mr Dawkins' responsibilities with effect from 1 January 1987, which would enable him to devote more time to the forthcoming Reclassification. Mr Dawkins would retain

ba

responsibility for Corporate Services until his retirement. Thereafter, responsibility would pass to the Deputy Governor who, to counterbalance this accretion of duties, would pass responsibility for Financial Statistics Division onto Mr Loehnis with effect from 1 January 1987. From that date also, Mr Galpin would become Executive Director responsible for the Banking Department as well as continuing his responsibilities for Banking Supervision Division; Mr Walker would have similar responsibility for the Printing Works as well as the Finance and Industry Divisions and Mr George for the Registrar's Department as well as continuing to have responsibility for the Market Operations and Supervision. Additionally he would assume responsibility for the operation of the Foreign Exchange Division. Mr Loehnis would continue to be responsible for foreign exchange policy as part of his general responsibility for international monetary and external financial affairs. The reallocation would bring together, under a single Director, the Bank's widening responsibilities for supervision of the wholesale markets both in sterling and foreign currency.

Consequent upon these changes Court approved a recommendation by the Governors that the following appointment be made with effect from 14 November 1986 -

A L COLEBY [redacted]
An Assistant Director and Head
of Money Markets Division
Scale 12

to be Chief Monetary Adviser
to the Governor at a salary of [redacted] and with effect from 1 January 1987 his salary to be increased to [redacted] in line with the minimum salary in the range applicable to Associate Directors without Executive responsibility.

E. A. Cragg.

Secretary.

20th November 1986

John of Haffaq

A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 NOVEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
Lord Nelson of Stafford
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

Anthony Laurie Coleby was also in attendance.

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 foreign exchanges and the domestic markets.

Under the weekly executive report Mr George spoke about the withdrawal of the O'Brien rules which had been announced the previous week. He explained that with the extension of the Bank's supervision for the wholesale markets it had been necessary to review the application of the O'Brien rule forbidding banks from owning more than a 10% stake in a foreign exchange broker, which had originally been introduced to prevent potential conflicts of interest. In line with the practice adopted in the domestic markets, banks would in future be allowed to own foreign exchange brokers but, to prevent conflicts of interest, they would not be allowed to deal through such brokers where they had more than a 10% shareholding.

A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a Transfer arising from a matrimonial settlement whereby the Title Deeds of a property in Loughton, Essex were to be 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.

At the Governor's invitation:-

- 1 Mr George introduced a statement of the provisional banking figures for the period ending 31 October, which had been published that morning. These were the first set of figures to be published on a calendar month basis and as such would now be compatible with other economic and financial statistics. In referring to the figures, Mr George said that after seasonal adjustment M0 was about flat and £M3 showed a very small increase; the year on year change indicated rises of the order of 4 3/4% and 18 1/4% respectively, much the same as in recent months. He went on to explain that as seasonal adjustments posed particular difficulties it was proposed to set up an enquiry to review the method of seasonal adjustment of the monetary aggregates.

- 2 With reference to a Minute of 23 October, Mr George introduced a discussion on the Loughborough Banking

Centre Annual Lecture delivered by the Governor the previous month. The lecture had provided an opportunity to draw attention to behavioural changes on the part of the different sectors of the economy which had affected the growth of broad money since 1980. It had not been possible to predict those changes and performance in meeting broad money targets had therefore been unimpressive. We had now reached the point where such targets might be creating more uncertainty than they removed; but if they were to be dropped it would not affect the substance of the operation of policy, and we would be no less concerned to monitor closely credit and liquidity conditions. In the discussion that followed attention was focussed on the need for some clear policy indicator, which in the absence of alternative monetary guidelines implied greater emphasis on the exchange rate; and on the effectiveness of interest rates as the essential instrument of monetary policy.

A statement of two retirements and an inward secondment was laid before Court.

L. A. Crofton.

Secretary 27 Nov. 1986

George Blunden

27 Nov 1986

0101M

A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 NOVEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, 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 foreign exchanges and the domestic markets.

bc

Under the weekly executive report:-

- 1 With reference to a Minute of 4 September and earlier Mr Dawkins informed Court that the Liverpool and Southampton Branches would be closing for business the following day. Both premises had been sold to TSB England and Wales and completion was expected in January. There were no major problems so far as the staff of either Branch were concerned as the majority had now found or had been offered other employment. It was particularly fortunate that the Trustee Savings Bank had been able to offer jobs to so many of our staff.

In connection with the closure of these two Branches, it was noted that, despite earlier assurances, there was some anxiety for the future at the Manchester Branch; some staff were concerned that much of the cheque sorting operation which they currently undertook could be done in London.

- 2 In response to a question about the Bank's role in consideration of take-over bids, Mr Walker said that the Bank is a member of the mergers panel which advises the Director-General of the OFT on whether to recommend referral of bids. Although such referrals were mainly made on the competitive criterion, it was possible for a reference to be recommended on public interest grounds, even where there was no material competition point.

At the Governor's invitation:

- 1 Mr Loehnis spoke about the Overseas Trade figures for October which had been published the previous Tuesday.
- 2 Mr Walker spoke about the finance report for Minorities Finance Ltd as at 30 September which identified an operating profit in excess of the earlier budget. He said that the completion accounts for sale of the main bullion and banking operations to Mase Westpac Ltd had now been

agreed but progress with the sale of Johnson Matthey Commodities Ltd and Johnson Matthey Commodities Inc, the two remaining subsidiaries, had been somewhat disappointing. Although there were several prospective purchasers it might be necessary in the longer term to lower expectations and seek to recover only net asset value. On the indemnity, Mr Walker said that although formal confirmation from the co-indemnitors was awaited, it was expected that a satisfactory conclusion would be reached with total amounts paid under the indemnity of £41.5 mn. This figure compared with the indemnitors' original maximum liability of £150 mn and was significantly below the previous published estimate of £50 mn in May of this year. Although the accounts for the year ended 30 June 1986 could not be completed until the actual outcome of the indemnity was known, net worth as of 30 June would be a little in excess of £75 mn; the present position was currently estimated at no less than £77.5 mn.

A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely an Advance Payment Bond, drawn up to protect the Bank's interest following the negotiation of a settlement of the final account of James Scott Mechanical and Electrical Services Ltd, arising from the Head Office Modernisation Project. The Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

The Deputy Governor spoke about the impressions he had gained from his recent visits to Thailand and Saudi Arabia as a member of the BIEC Missions to those countries.

George Blunden

G. A. Craghton

4th December 1986

Secretary. 4th December 1986

0102M

A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 DECEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

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

Anthony Laurie Coleby was also in attendance.

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

In commenting on the weekly figures Mr Dawkins said that the marked increase in current deposits that week reflected the initial proceeds of the British Gas offer which would be paid over to HMT in due course. Mr George then spoke about the foreign exchanges and the state of the domestic markets and commented on the Official Reserves figures for November which had been released the previous Tuesday.




There being no items to raise under the weekly executive report, the Governor invited the Deputy Governor to introduce the Report of the Committee on Permanent Control of Expenditure which was approved.

The Governor then explained that to allow for a better structured discussion of domestic monetary and economic matters at Court, it was proposed that in the New Year the presentation of the Economic Report and the monthly discussion of Monetary policy, would take place on the same day.

At the Governor's invitation:

- 1 As a prelude to the current month's discussion on Monetary policy Mr Flemming commented on the Economic Commentary from the December edition of the Quarterly Bulletin. He said that the international economic background was fairly encouraging. There were signs of a fall in unemployment resulting from improved output in response to consumer demand, although special Government schemes had made an important contribution in that direction. He discussed the different indications of the availability of capacity and skilled labour with which industry could meet growing demand. Inflation remained stable although there were indications that it might rise by the middle of 1987.

 - 2 With reference to a Minute of 20 November and the Money and Banking Figures for October, Mr George introduced the discussion on Monetary policy. Against the more promising economic background, the monetary indicators showed that M0 was accelerating, reflecting the rise in consumer spending, but the growth in broad money and credit may now be slower than earlier in the year. Although the exchange rate had weakened earlier in the autumn it had been stable if somewhat nervous since the rise in interest rates in October. Policy had been directed to keeping interest rates unchanged against a market background which was unsettled about the stance of policy generally, especially following the Chancellor's Autumn Statement. Confidence in the financial markets remained very brittle, however,
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and further weakness - particularly in the exchange market - could have adverse implications for the economic prospect.

In the wider discussion that followed it was suggested that the relaxation in public expenditure was being seen as political window dressing and, together with other recent events in the City, could be a contributory factor towards a general lack of confidence. Attention was also focussed on the problems that might be encountered in manufacturing industry being unable to respond to increased demand because of a lack of skilled labour; the need for resources to be devoted to training was endorsed.

- 3 Mr Loehnis presented the International Economic Developments paper for December.

Court gave their approval to Mr Laird becoming a Non-Executive Director of the Scottish Development Agency.

C. A. Coagula

Secretary 11th Dec. 1986

George Blunden

11th Dec 1986

0103M

A COURT OF DIRECTORS AT THE BANK

THURSDAY 11 DECEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor

George Blunden, Esq, Deputy Governor

Sir George Adrian Hayhurst Cadbury

Frederick Brian Corby, Esq

Rodney Desmond Galpin, Esq

Edward Alan John George, Esq

Sir Robert Haslam

Sir Martin Wakefield Jacomb

Sir Hector Laing

Gavin Harry Laird, Esq

Lord Nelson of Stafford

David Gerald Scholey, Esq, CBE

David Alan Walker, Esq

Douglas Alfred Dawkins, Esq

John Stanton Flemming, Esq

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

In commenting on the weekly figures and in comparison with those of the previous week, Mr Dawkins explained that the fall in Banking Department current deposits resulted from the payover to the Treasury of funds received the previous week in respect of the sale of British Gas shares. There had also been a fall in Commercial and Local Authority Bills. The decrease in Other Government Securities in Issue Department and the increase in its holding of Commercial and Local Authority Bills reflected Treasury

receipts from the overall sale of British Gas. Mr George then spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report, the Deputy Governor reported on the discussions that had taken place with the US Banking Regulators. The matter remained confidential at present but it was expected that an agreed consultative document on a common approach to the matters under discussion would be issued simultaneously in the USA and the UK early in the New Year.

At the Governor's invitation:-

- 1 Mr Dawkins introduced a resolution concerning the Bank's representation at meetings of the four APACS companies established in December 1985 in which the Bank now had a shareholding, and BACS Limited in which the Bank would expect to take shares shortly.

It was RESOLVED that the Chief of the Banking Department, for the time being, or such other person as shall be nominated by him in writing, be authorised, until otherwise resolved by the Court of Directors, to act as the representative of the Governor and Company of the Bank of England at any meeting of the following companies:-

CHAPS and Town Clearing Company Limited
Cheque and Credit Clearing Company Limited
APACS (Administration) Limited
EFT-POS Administration Limited
and
BACS Limited, once The Governor and Company are shareholders.

- 2 Mr Corby introduced a Report of the Staff Committee recommending certain changes to the Rules of the Pension Fund. It was agreed that:-

(a) sub-paragraph (i) of Rule I of the Pension Fund Rules be deleted; and

(b) provision be introduced into the Rules of the Pension Fund to enable membership of the Fund to continue during a period of unpaid leave subject to the exclusion of that period of absence from the calculation of pensionable service. It was further agreed that the authority to permit this in individual cases be added to the powers delegated to the Governors under an Order of Court of 17 October 1974.

- 3 Mr Flemming drew attention to some aspects of the December edition of the Quarterly Bulletin together with the latest edition of Bank Briefing both of which were due to be published later that day. Questions were asked about the distribution of Bank Briefing with a view to making it more widely available.
- 4 Mr Flemming went on to introduce a discussion of a paper, prepared in the Divisions, on the policy stance the UK should adopt in negotiations to liberalise trade in financial services. The paper highlighted the complications arising from the fact that liberalisation of foreign domestic arrangements would lead to the repatriation of business at present diverted to London's more hospitable regime. UK houses would be unlikely to capture enough foreign domestic business to offset the likely loss of part of the repatriated business. Reciprocity was a difficult instrument to use in this context but it might be the only one available.

In the discussion which followed emphasis was placed on the need for London to retain its position as a principal financial centre in the face of strong competition from Europe and other centres around the world, particularly in Japan, and for British financial houses to gain an appropriate share of business in overseas financial centres. If the latter were not achieved, the pursuit of a policy of reciprocity could be counter productive. It

was acknowledged, however, that while the various problems within the financial sector differed from those faced by other sectors of the economy, a more positive and nationalistic approach in all sectors was essential if the UK's position was to be enhanced.

Ben Hopper

18.12.86

Assistant Secretary

George Blunden

18th Dec 1986

0105M

A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 DECEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
George Blunden, 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
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
David Gerald Scholey, Esq, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq
Douglas Alfred Dawkins, 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 foreign exchanges and the domestic markets.

Under the weekly executive report:-

- 1 Mr Walker reported that the Annual Accounts of Minorities Finance Ltd were to be released that day. They showed no change from the position reported to Court on 27 November. The total amounts paid under the indemnity had been capped at £41.5 million against the original limit set at £150 million.

- 2 Mr George introduced a report on 'The future regulation of the wholesale markets in sterling, foreign exchange and bullion' which was due to be published later that day. The report fulfilled the Government's undertaking to issue a consultative document on the future regulation of these markets.

Three letters from Messrs Freshfields were submitted together with a number of documents to be sealed, namely:-


- 1 A Novation Agreement drawn up to novate the Contract for the Head Office Modernisation Project between the Bank and Higgs and Hill Building Limited, to one between the Bank and Higgs and Hill Management Contracting Limited.
- 2 A Deed of Variation and an Underlease relating to a lease between the Bank and Next plc in respect of shop premises at 44 Cheapside. The documents replace those engrossed with the former name of Next plc - J Hepworth & Sons plc.
- 3 A Deed of Release relating to a member of staff who had agreed to release a small piece of land to his next-door neighbour as a gift.

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 6 November, the Governor reminded Court that English Heritage had agreed to proposals for the new Museum subject to certain conditions relating to the reinstatement of the Soane Hall. Professor Higgins, the Museum Design Consultant, had made a presentation earlier in the week as to how this reinstatement might be achieved. The proposals had been approved by English Heritage and would cost £3.487 million compared with £2.985 million for the original scheme; the difference arising essentially from the cost of services which had not been included in the first scheme. It was the intention that the Museum should be completed by November 1988 to coincide with the tercentenary of the "glorious revolution". Court agreed that the project should proceed on the basis mentioned.

At the Governor's invitation:-


I Lord Nelson introduced a Report of the Committee on Bank Premises containing a Recommendation, which was subsequently agreed, revising the Committee's Terms of Reference to read as follows:-

- 1 The Committee shall advise the Court of Directors, through the Committee of Treasury, on any matters concerning the building, sale or purchase of premises for the Bank in London and the Provinces which may be referred to the Committee after preliminary approval by the Court.
 - 2 Where a project is referred to the Committee, this shall normally be done in the earlier stages, before plans have been precisely formulated and models constructed.
 - 3 The Committee shall have authority to make engagements and fix rates of remuneration as may be required for the purpose of obtaining bills of quantities, estimates of cost and any necessary technical assistance.
- 

- 4 Having agreed upon the preliminary plans and having considered estimates and any advice offered by relevant officials of the Bank the Committee shall:-
- (a) make appropriate recommendations to Court for approval of the total cost;
 - (b) appoint architects, quantity surveyors, consulting engineers and such other professional advisers as it considers appropriate;
 - (c) appoint a main contractor and, if necessary, adjudicate upon any tenders for either main contractor or principal sub-contractors;
 - (d) assume general responsibility for the execution of decisions of Court by overseeing works and receiving periodic reports on their progress and costs;
 - (e) report to Court at the conclusion of major projects and at other times at the Committee's discretion.
- 5 The Committee shall review its Terms of Reference from time-to-time and recommend to Court such revisions as may be considered necessary.

II Dr Atterton introduced a Report of the Charitable Appeals Committee which was laid before Court. Court agreed that the donation of £5,000 made to the Save the Children Fund to mark the occasion of the visit of HRH Princess Anne and her husband to the Bank should be additional to the annual budget of the Charitable Appeals Committee.

Court gave their approval to Dr Atterton becoming a Non-Executive Director of Marks & Spencer plc.



The Governor also mentioned that it would be announced later that day that the Queen had approved the appointment of Sir Colin Corness as a Director for four years from 1 March 1987 in place of Lord Nelson who was retiring. At the same time the reappointments would be announced of Sir Hector Laing, the Hon Sir John Baring and Sir Martin Jacomb.

At the Governor's invitation Mr Walker introduced a paper setting out the Bank's thinking in the context of the present review of mergers policy; copies of which had been sent to the Department of Trade and Industry and to the Treasury as a basis for discussion. The paper was considered to be well balanced, but the following points were emphasised in discussion. It was suggested that, in respect of the international discussion of competition, particular emphasis should be placed on competition within the EEC. Doubts were expressed about the extent to which the threat of takeover would now exert further beneficent influence on efficiency: much the greater influence was in forcing boards to focus in the short-term. The suggestion that accountancy rules should be introduced to obviate the substantial advantage presently enjoyed by a predator was considered particularly valid. It was also felt that present rules over-emphasise competition and under-emphasise public interest, for example in respect of gearing and technological imbalance. There was some criticism of the Monopolies and Mergers Commission both as regards the speed at which it operates and its composition and quality.

The Governor then drew Court's attention to a summary of press reaction to the December edition of the Quarterly Bulletin which had been published the previous week. At the same time Mr Flemming informed Court of the existing arrangements for the distribution of Bank Briefing which were regarded as satisfactory, and also reported that it had been decided to hold the press conference after lunch on the day of publication in order to reduce the risk of abuse of the embargo.

C. A. Croxall
Secretary 8 January 1987

George Blunden
8 Jan 1987

0106M

A MEETING OF DIRECTORS AT THE BANK
WEDNESDAY 24 DECEMBER 1986

Present

Robert Leigh-Pemberton, Esq, Governor
Rodney Desmond Galpin, Esq
David Alan Walker, Esq

Douglas Alfred Dawkins, Esq

Anthony Laurie Coleby was also in attendance.

The number of Directors assembled being insufficient to form a Court, those present proceeded to the business subject to ratification by Court on 8 January.

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

In commenting on the weekly figures, Mr Dawkins mentioned that the note issue had peaked at £14,702 mn the previous Friday. The Governor then invited Mr Coleby, in the absence of Mr George, to speak about the state of the foreign exchanges and the domestic markets.

Under the weekly executive report and with reference to a Minute of the previous week Mr Walker mentioned that the Bank had participated in a meeting of the Mergers Panel the previous day.

C. A. Croft
Secretary 8th Jan 1987

George Blanche
8th Jan 1987

A MEETING OF DIRECTORS AT THE BANK

WEDNESDAY 31 DECEMBER 1986

Present

George Blunden, Esq, Deputy Governor
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq

The number of Directors assembled being insufficient to form a Court, those present proceeded to the business subject to ratification by Court on 8 January.

The Minutes of the Meeting of 24 December, having been circulated, were approved.

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

There being no items for inclusion under the weekly executive report, a summary of awards from the New Year Honours List was laid before the Meeting. The Deputy Governor drew attention to the Governor's appointment to the Privy Council, and the knighthood awarded to Mr David Scholey.

E. A. J. George

Secretary 8th Jan 1987

George Blunden

8 Jan 1987

