

A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 JANUARY 1987

Present

The Rt Hon 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 Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

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

Anthony Laurie Coleby, Esq

The Minutes of the Court of 18 December and the Meeting of 24 December were confirmed, and those of the Meeting of 31 December were approved.

Mr Galpin having commented on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets, and the Official Reserves figures for December which had been released the previous Monday.

Under the weekly executive report:-

- 1 With reference to a Minute of 27 November, Mr Walker mentioned that negotiations for the sale of Johnson Matthey Commodities Ltd and Johnson Matthey Commodities Inc to Deak Morgan were now well advanced and that the terms, involving a premium of 12 1/2% over net asset value, were satisfactory. It was hoped to complete the deal within the next few weeks.
- 2 With reference to a Minute of 11 December, the Governor said that it would be announced at a press conference later that day that agreement had been reached with the US Federal Banking Regulatory Authorities on proposals for a common measure of capital adequacy in the US and UK.

At the Governor's invitation:-

- 1 Mr Loehnis spoke about the Overseas Trade figures for November which had been published on 23 December.
- 2 Mr Flemming commented on the Economic Report for December.
- 3 Mr George then went on to introduce the regular discussion of monetary policy. He said that there had been little change in the monetary aggregates for November. The more rapid growth of M0 probably reflected the strength of consumer spending. EM3 growth remained very strong with a year on year increase of 18 1/2% reflecting continuing rapid growth in bank lending. Against this background it was with some misgivings that we had withdrawn the mortgage lending guidance, but it could not be applied to banks if HMT were not prepared to apply it to building societies and it was in any event anomalous to restrain only this particular form of (secured) lending. The monetary situation had remained uncomfortable since the 1% rise in interest rates last autumn, with a risk of a further lurch in financial confidence which would have had damaging implications for the economic prospect. The improvement in financial sentiment over the holiday period had significantly reduced that risk but

emerging market hopes of an early decline in interest rates were premature.

- 4 Mr Flemming spoke about a report on Company Profitability and Financing in the first half of 1986 which covered recent economic and financial developments in the industrial and commercial company sector.

The Governor reported that Sir John Baring had acted as an alternate at a meeting of the Staff Committee which had taken place that morning.

George Blunden
15th January 1987

C. A. Coughton.
Secretary. 15th January 1987.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 JANUARY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Esq, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
David Alan Walker, 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 George to speak about the state of the foreign exchanges and the domestic markets.

As there were no items for discussion under the weekly executive report, the Governor invited Mr Loehnis to introduce the International Economic Developments paper for December and a brief discussion ensued.

G. A. George

George Blunden

22 January 1987

Secyas 22 Jan 1987.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 JANUARY 1987

Present

The Rt Hon 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 Robert Haslam

Sir Martin Wakefield Jacomb

Sir Hector Laing

Gavin Harry Laird, Esq

Anthony David Loehnis, Esq

Lord Nelson of Stafford

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, Esq


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

Mr Galpin having commented on the weekly figures, the Governor 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:-

- 1 With reference to a Minute of 27 November 1986 and earlier, Mr Walker informed Court that the JMB indemnity had been reconciled in the sum of £41.5 mn and that an interim distribution to the co-indemnitors might be possible later in the year if there was a sufficiently substantial improvement in MFL's position.
- 2 In referring to the Proposed Agendas for Court for the coming year, the Governor explained that as there were no regular major items scheduled for two weeks each month it would be appropriate for future discussion topics to be included on the agenda on those days, thus obviating the need for an 11.30 am start once a month. He also invited Members' views on the possibility of conducting the routine business of Court, from time to time when the agenda permitted, without requiring a general attendance.
- 3 The Governor spoke to Court about the events of the previous week surrounding Guinness plc. He emphasised that the Guinness affair was primarily a financial scandal, not a City one. The revelations did not demonstrate a failure of the new regulatory system as neither the Financial Services Act nor the new Banking Act were yet in force. He went on to explain that the Bank had not been directly involved with Guinness except in the installation of the new Non-Executive Directors last Summer - who had throughout shown their worth - but the Bank had taken a close interest in Guinness's financial advisors. This had culminated in the resignations earlier that week of two Directors of Morgan Grenfell. Mr Galpin reported a forthcoming resignation from Ansbachers and a plan to examine the controls exercised by banks over their corporate finance divisions.

At the Governor's invitation:-

- 1 Mr Corby introduced a Report of the Staff Committee proposing a revision of borrowing limits under the Housing Loan Scheme, which was approved. It was also agreed that authority for
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increases in the borrowing limits in line with the established formulae for both the Housing and Educational Loan Schemes be delegated to the Chief of Corporate Services, subject to the existing formulae being kept under regular review and proposals for change being approved by Court.

- 2 Mr Dawkins introduced a paper prepared by the Industrial Relations Manager which proposed amendments to the existing Recognition and Procedure Agreement between the Bank and the Union. He explained that the proposals arose in the context of both the increasing likelihood of a transfer of engagements from BESO to BIFU and of the thinking behind the 1987 Scheme of Classification. It was agreed that amendments on the lines of those proposed be discussed with BESO.
- 3 Mr Flemming commented on the Economic Report for January.
- 4 With reference to the provisional Money and Banking figures for December, Mr Coleby introduced the regular discussion of monetary policy. MO had risen by 1 1/4 - 1 1/2% during the month, much the same as a year earlier, so the year on year increase was unchanged at about 5 1/4%. £M3 showed modest growth of 1/4% with the year on year increase down from 18 1/2% to 18%. But the more modest growth of broad money in recent months owed a great deal to there having been a period of heavy overfunding, which would need to level out over the fiscal year as a whole. It would be misleading to conclude that the underlying rate of growth of broad money had fallen, and on this evidence there was no indication that policy was too tight. There was certainly less pressure for a rise in interest rates in the markets, which might be beginning to seek to push rates down; our response needed to be extremely cautious. We could not dismiss the possibility of needing to push rates up in the face of strong demand in the economy, but that could wait on further evidence of the ability of domestic output to satisfy it without undue spillover into the balance of payments or inflation.

G. A. Wright

Secretary 29th January 1987.

George Blundell

29th January 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 JANUARY 1987

Present

The Rt Hon Robert Leigh-Pemberton, 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
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
Sir David Gerald Scholey, CBE
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.

Mr Galpin having commented 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 With reference to a Minute of 2 October 1986, Mr Dawkins informed Court that in response to the Joint Pay Review undertaken recently by Dr Bamber, BESO had submitted a claim for a 40% increase in salaries and other fringe benefits, which was totally unrealistic. Although it was not the intention to involve Court with each stage of the negotiations, the Governor said that it was appropriate for Court to be aware of this initial reaction by the Union.

- 2 Mr Galpin drew Court's attention to the activities of Mr J S G Boggs, an artist, who specialised in drawings of banknotes. In September of the previous year, Boggs had applied for permission to reproduce Bank of England notes which had been refused: the police had subsequently confiscated examples of Boggs' drawings of our banknotes which had been on display at an exhibition. On the advice of the Bank's solicitors it had been agreed that Boggs should be prosecuted in respect of reproductions which were contrary to the provisions of Section 18(1) of the Forgery and Counterfeiting Act 1981; but as there was no direct intention to deceive, Boggs had not been charged with the more serious offence of counterfeiting under the provisions of Section 14 of the Act. At a hearing on 12 January, Boggs had elected to be tried by jury in the Crown Court and committal proceedings were scheduled for 8 April. Mr Galpin explained that it was felt that the Bank had no option but to prosecute in this case; Boggs' reproductions were not works of art but dangerous imitations of our banknotes; failure to prosecute could encourage others to reproduce and utter banknotes with possible consequent loss to the public.

He said that press reports on this case had been unsympathetic: suggestions that Boggs had been allowed to reproduce Swiss banknotes were misleading - the Swiss National Bank had no powers to prevent him. He also mentioned that this was the fifth occasion that the Bank

had prosecuted under Section 18(1) of the 1981 Act: three prosecutions had been successful and two, including the present case, were pending.

- 3 The Governor referred to the statement made the previous day by the Secretary of State for Trade & Industry relating to the role of the Takeover Panel. He explained that it was important that steps should be taken to strengthen the Takeover Panel without bringing it within a statutory framework. He had that morning spoken with the Chairman of the Panel - who himself would be issuing a statement shortly - and had raised the question of whether the Panel had adequate resources and whether representation on the Panel of a member of SIB, or additional SROs, or lay members, would be appropriate.

After some discussion which focussed particularly on the precise role of the Takeover Panel, and in that context, the desirability of non-practitioner representation, the Governor said that he would welcome further comment on this issue which should be discussed again at Court.

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

- 1 Two Deeds of Transfer relating to the sale of the Liverpool and Southampton Branches to the TSB England and Wales plc.
- 2 A Deed of Adherence, in duplicate, admitting Clydesdale Bank plc to Settlement Bank status within the Central Gilts Office Service.
- 3 A Lease in respect of basement premises in Laser House EC1 which had been acquired by the Bank as an ancillary furniture store.

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

At the Governor's invitation:-

- 1 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme which was laid before Court.
- 2 Mr Loehnis spoke about the Overseas Trade figures for December which had been published the previous day.
- 3 Mr Flemming commented on the Bank Winter Forecast which had been prepared by the Economics Division.

L. A. Cragg

Secretary. 5 February 1987

George Blundell

5 February 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 5 FEBRUARY 1987

Present

The Rt Hon Robert Leigh-Pemberton, 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
Lord Nelson of Stafford
Sir David Gerald Scholey, 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, Mr George spoke about the state of the foreign exchanges and the state of the domestic markets, and the Official Reserves figures for December which had been released the previous Tuesday.

Under the weekly executive report:-

- 1 With reference to a Minute of 22 January, the Governor said that as a result of comments received from Members on the subject of weekly attendance at Court, it was clear that the

present practice should be maintained. However, it might be helpful, whenever possible, to give Members a clearer and earlier indication of the subjects on the agenda each week. This would enable individuals to determine whether, in the light of their other commitments, their attendance would be appropriate.

2

[REDACTED]

With reference to a Minute of 8 January and earlier, the Governor invited the Deputy Governor to bring Court up to date on the negotiations for the sale of the commodity subsidiaries of Minorities Finance Ltd. The Deputy Governor explained that negotiations had been finalised and it was now necessary to execute two documents in respect of the sale of Johnson Matthey Commodities Ltd and Johnson Matthey Commodities Inc, both of which required signing on behalf of the Bank. In the event of the latter document requiring signature in New York, Court agreed that a Power of Attorney be granted to Sullivan & Cromwell, Freshfields' New York counterpart, authorising them to sign on behalf of the Bank.

Additionally in respect of the sale of Johnson Matthey Commodities Ltd, it was necessary to issue two indemnities under seal - although neither was available for sealing that day, namely:-

1. An Indemnity in respect of any tax liabilities incurred by JMC Ltd while it has been in the ultimate ownership of the Bank.

- 2 An Indemnity in respect of a possible liability arising from litigation over the default of the International Tin Council.

The Court approved thereof and ORDERED that, subject to Messrs Freshfields providing a letter confirming that the documents were in a fit and proper form, the documents in question be sealed in due course with the Common Seal of the Bank.

Court gave their approval to Mr Vander Weyer becoming a non-Executive Director of Haslemere Estates plc.

At the Governor's invitation:-

- 1 Mr Loehnis presented the International Economic Developments paper for January; and
- 2 Mr Flemming commented on the Economic commentary from the February edition of the Quarterly Bulletin.

A discussion followed each of the presentations.

C. A. Cragg
Secretary.

12th February 1987

George Blunden
12th February 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 FEBRUARY 1987

Present

The Rt Hon Robert Leigh-Pemberton, 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
Gavin Harry Laird, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

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

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

Mr Galpin having commented 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 With reference to a Minute of the previous week and earlier, Mr Walker explained that the formalities for the sale of Johnson Matthey Commodities Ltd and Johnson Matthey

Commodities Inc had not yet been completed. This was principally due to difficulties experienced by the purchaser in arranging the necessary banking facilities. Nevertheless it was now anticipated that completion would take place on Tuesday of the following week.

- 2 With reference to a Minute of 30 October 1986, the Governor spoke to Court about the Bank's more recent involvement with the Eurotunnel project. He explained that, at the instigation of the Eurotunnel Board, the Bank were trying to find a suitable and acceptable successor to Lord Pennock who had recently submitted his resignation as Chairman on the justifiable grounds of growing pressure of work from his other commitments. The Board had become increasingly concerned about the lack of progress that was being made on the project and the serious implications that this might have for raising further equity capital later in the year. It was important therefore that the Bank should assist in this way but unfortunate that our involvement had now become public knowledge.

At the Governor's invitation, Mr Dawkins introduced a Minute of the Committee of Treasury recommending eleven senior promotions and the payment of a gratuity. It was agreed that in connection with the Annual Review of Staff and with effect from 1 March 1987:-

- (i) The following Senior Officials be promoted:-

G M GILL [redacted]

Head of Foreign Exchange Division

Scale 11b

to Point A

L D D PRICE [redacted]

Head of International Division:

Financial Markets and World Economy

on Point C

to Point B

6

(ii) The following be appointed a Senior Official:-

J G HILL [redacted]

Chief Dealing Manager and Staff
Co-ordinator: Wholesale Markets
Supervision, Gilt-Edged & Money
Market Operations
Scale 9

on Point C

(iii) The following be promoted from Scale 8 to Scale 9:-

W A ALLEN [redacted]

Head of Money Market Operations
Division

at a basic salary of [redacted]

[redacted] [redacted]

Assistant to the Chief of the
Banking Department

at a basic salary of [redacted]

[redacted] [redacted]

Development Manager and Deputy
Head of Systems & Office
Services Division, Corporate
Services Department

at a basic salary of [redacted]

[redacted] [redacted]

A Senior Manager, Banking
Supervision Division

at a basic salary of [redacted]

[redacted] [redacted]

Senior Manager, (Reserves
Manager), Foreign Exchange
Division

at a basic salary of [redacted]

[redacted] [redacted]

Senior Manager, Personnel
Division, Corporate Services
Department

at a basic salary of [redacted]

[redacted] [redacted]

Agent, Glasgow

at a basic salary of [redacted]

[redacted] [redacted] [redacted]

Adviser, International
Financial Institutions,
International Division

at a basic salary of [redacted]

(iv) The following gratuity be paid:-

██████████ ██████████
Deputy Chief of the Banking Department ██████████

A statement of a retirement and a number of recent secondments was laid before Court.

Court gave their approval to Dr Atterton becoming a Director of Rank plc.

Also at the Governor's invitation:-

- 1 Dr Atterton introduced a Report of the Charitable Appeals Committee and drew attention in particular to the marked increase in the number of appeals received in the current year. The Report was laid before Court.
- 2 Mr Flemming drew attention to some aspects of the February edition of the Quarterly Bulletin, together with the latest edition of Bank Briefing, both of which were due to be published later that day.

L. A. Craggs

Secretary.

19th February 1987

George Blanche

19th February 1987

0127M

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 FEBRUARY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
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
Lord Nelson of Stafford
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.

Mr Galpin having commented 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:-

- (i) Mr George spoke about a paper concerning a possible experiment with auctions in the Gilt-Edged Market. He

said that the question of auctions of gilt-edged stock had first been raised in 1976 but it had not then been feasible. However the new market structure, with intermediate market makers who would act as a buffer between the Bank and the market, now made it possible to experiment with auctions with the aim of trying to introduce an element of backbone into the gilt-edged funding programme without too much loss of the flexibility available under the present tap arrangements.

- (ii) With reference to a Minute of 5 February 1987, Mr Loehnis amplified two issues raised in the International Economic Developments Paper for January, namely the data relating to Italian wage rates and the measures proposed by the United States Administration in the context of proposed trade legislation to improve American industrial competitiveness.

With reference to a Minute of the previous week, and earlier, the Governor informed Court that the sealing of the two indemnities in respect of the sale of Johnson Matthey Commodities Ltd would take place after Court that day. He then went on to explain that the document in respect of the sale of Johnson Matthey Inc was now due to be signed early next week. However it had become necessary for the Power of Attorney granted to Sullivan and Cromwell, Freshfield's New York counterpart, - approved by Court on 5 February - to be executed under seal. Messrs Freshfields had therefore prepared the necessary document, and submitted a letter confirming that it was in a fit and proper form for sealing by the Bank.

The Court approved thereof and ORDERED that the Power of Attorney be sealed with the Common Seal of the Bank.

Three further letters from Messrs Freshfields were then submitted namely:-

- 1 Two priority mortgages, in respect of the Bank's financing of the sailing training ship Lord Nelson, for discharge.
- 2 A Deed of Release and Substitution to enable a member of staff to complete the purchase of a 999 year lease on his property.

3 A Deed of Substitution to enable a member of staff to complete the purchase of a 999 year lease on his property. This Deed replaced an earlier Deed which had been erroneously drafted by the Solicitors acting for the member of staff.

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

Two recommendations by the Governors relating to:-

- i) the appointment of the Standing Committees and Special Committee of Court for 1987/88; and
- ii) Directors' visits to Branches and Offices during the year 1987/88

were submitted and approved.

The Governor explained that arising from a review of the arrangements in force to guard against insider dealing by members of the staff it had seemed appropriate to consider the position of Members of Court. Needless to say he had complete confidence in Members of Court and the declarations made by Governors and Directors on appointment and reappointment, as prescribed by statute. The declarations were cast in broad terms which would include insider dealing but in order to protect the Bank against any charge that we failed to take an obvious precaution, it was proposed that Members of Court should in future sign annually a secrecy declaration similar to that signed by members of the staff.

Committee of Treasury had considered this issue the previous week and there had been general support for the proposal, not least on the grounds of setting an example. That Committee, however, had suggested that the declaration should be qualified to refer to matters which were "unpublished or market sensitive".

It was agreed that it would be appropriate for Members of Court to sign annually a secrecy declaration.

At the Governor's invitation Mr Charkham attended Court to introduce a paper he had prepared following his visit to the USA the previous Autumn. The paper, "Observations on the US Corporate Scene: Implications for the UK", was based on a number of industrial interviews conducted last year and the impressions gained during his attendance at a conference on "Defences to Takeover Bids". A discussion, focussing particularly on the value of effective non-executive directors and the role of shareholders and institutional investors, ensued.

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

Box Apperman
Assistant Secretary
26th February 1987

George Blunden
26 February 1987

0133M

A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 FEBRUARY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Rodney Desmond Galpin, Esq
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Lord Nelson of Stafford
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

William Peter Cooke, Esq
John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

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


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

Under the weekly executive report Mr Loehnis spoke about the Brazilian moratorium. The previous Friday's move of a unilateral suspension of interest payments on medium and long term commercial debt - claimed to be the consequence of declining foreign exchange liquidity, but no doubt also designed to put pressure on

commercial banks to agree rapidly to refinancing proposals - had been followed on Tuesday by an announcement that all payments on short-term inter-bank and trade credit lines, other than interest, should be channelled through the Central Bank. The Brazilian action was seen as premature and one which if delayed and justified would have attracted greater sympathy. They should also have given the Advisory Committee advance warning of their fears. Generally banks had been good in keeping their inter-bank lines open but their attitude could alter as a result of these moves. It was a question of waiting and seeing. The Brazilian President had spoken about the need for new measures but none were yet evident. New finance for Brazil was unlikely to be considered until the position became clearer, but the Advisory Committee had been counselling banks against any precipitate action. The recent events had certainly underlined the importance of seeking to bring to a conclusion negotiations currently taking place with other debtor countries.

At the Governor's invitation:-

- 1 Mr Flemming commented on the Economic Report for February.

 - 2 With reference to the provisional money and banking figures for January, Mr Coleby introduced the regular discussion of monetary policy. MO's performance was best measured by the seasonally-adjusted figures, down 1/2% on the month but just over 5% up on the year; the unadjusted annual figure was potentially misleading. February's figures so far suggested that the decline in MO's growth rate was continuing. £M3 had risen on the month by a little over 1% with the year on year increase down to under 18%, compared to 18 1/2% in December and 19% or higher in six of the seven previous months, indicating some moderation in the annualised rate of growth. The January moderation was particularly encouraging because there was no overfunding over that twelve month period. A slow-down in bank lending provided the main explanation. The overall position on Monetary Aggregates was that they were still running quite strongly but less worryingly so than during the latter part of last year. The question of whether or not monetary policy was tight enough
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had receded. But there was no strong case for a cut in interest rates, especially as the prospect was for the real economy to remain buoyant. It was important not to dislodge the exchange rate, or in any other way to risk reigniting inflation.

The Governor paid tribute to Lord Nelson on the occasion of his last attendance at Court. Having been a Non-Executive Director since 1961 Lord Nelson had served longer in that position than anyone since 1946. It was a unique record of service to the Bank which should be recorded in the Minutes.

In response Lord Nelson said that it had been a privilege to serve the Bank for so long and to work with so many colleagues. He had served through some very interesting and taxing times and had been very impressed by the way that Bank Officers, from the Governors downwards, had coped.

G. A. Craigie.

Secretary 5th March 1987

George Blunden

5th March 1987

0136f

COURT OF DIRECTORS

For the year ending 29 February 1988

Declaration
made beforeDate

		The Rt Hon Robert Leigh-Pemberton Governor George Blunden Esq, Deputy Governor Sir George Adrian Hayhurst Cadbury
The Governor	5. 3.87	#Sir Hector Laing Anthony David Loehnis Esq Sir David Gerald Scholey CBE Edward Alan John George Esq David Alan Walker Esq
The Governor	26. 2.87	#The Hon Sir John Francis Harcourt Baring CVO Dr David Valentine Atterton CBE Rodney Desmond Galpin Esq Frederick Brian Corby Esq Sir Robert Haslam Gavin Harry Laird Esq Deryk Vander Weyer Esq CBE Sir Leslie Clarence Young CBE
The Governor	19. 2.87	#Sir Martin Wakefield Jacomb
The Governor	7. 1.87	*Sir Colin Ross Corness

*Appointed 1 March 1987

#Reappointed 1 March 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 5 MARCH 1987


Present

The Rt Hon Robert Leigh-Pemberton, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
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 George to speak about the foreign exchanges and the state of the domestic markets, and to comment on the Official Reserves figures for February which had been released the previous Tuesday.



Under the weekly executive report the Governor spoke about:-

- 1 a visit to the Bank the previous day by Members of the Treasury and Civil Service Select Committee. This was becoming a regular event and provided an opportunity to talk to Members of the Committee and answer questions on current issues. The meeting had been constructive and Members of the Committee had found it useful and informative. In commenting on the meeting, the Deputy Governor mentioned that the Committee were producing a report on the international debt situation which seemed likely to level a degree of criticism at UK banks' provisioning.

- 2 a meeting that had also taken place the previous day with the Chairmen of the London Commodity Futures Exchanges to consider how the present fragmented system of commodity exchanges might be co-ordinated to meet the demands of self-regulation and future competition from overseas. It had been agreed at this preliminary meeting to establish a Standing Committee, to be chaired by Mr Walker, to consider the matter further.

At the Governor's invitation Mr Loehnis commented on the Overseas Trade figures for January and also referred to the Balance of Payments figures for the fourth quarter of 1986 which had been published that morning. He then went on to introduce the International Economic Developments paper for February.

C. A. Crafts.

Secretary.

12th March 1987

George Blunden

12th March 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 MARCH 1987

Present

The Rt Hon Robert Leigh-Pemberton, 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
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, 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.

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.

There being no items to be raised under the weekly executive report, three letters from Messrs Freshfields were submitted together with a number of documents to be sealed, namely:-

- 1 A Contract for Building Works, in duplicate, between the Bank and Harry Neal Limited, in respect of work to be carried out at the Record Office, Roehampton.

- 2 A Counterpart Lease in respect of offices on the first floor of Canister House, Winchester, to accommodate the Southampton Area Agency.
- 3 A Counterpart Lease in respect of offices on the first floor of Mercury Court, Liverpool, to accommodate the Liverpool Agency.

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

At the Governor's invitation, the Deputy Governor:-

- 1 introduced a Report of the Committee on Permanent Control of Expenditure, which was approved.
- 2 introduced a Report of the Reclassification Committee containing a negotiating brief for the 1987 Scheme of Classification. Reclassification needed to be self-financing; there would also need to be an annual pay award which would be subject to a later recommendation. Mr Corby, in his capacity as Chairman of the Staff Committee, commented that at a meeting of that Committee earlier that morning two points had arisen which were relevant to the Report; a presentational matter relating to the need to establish normal hours of work had been raised, and the need to establish a Committee with responsibility for the career development of senior staff in the category of 'Officials' had been questioned.

These points were noted and it was agreed that negotiations with BESO should proceed on the basis of the proposals contained in the Report.

- 3 Mr Loehnis introduced a paper, Price Developments in the Stock Markets, which outlined the reasons for rising price indexes in stock markets around the world.

Mr Walker having withdrawn in accordance with Section 10 of the Charter, the Governor informed Court that the Permanent

Under-Secretary of State at the Department of Energy had written to ask if the Bank would permit Mr Walker to accept an appointment as a Non-Executive member of the Central Electricity Generating Board if it were offered to him. It had been necessary to consult Freshfields as the Bank Charter prescribed that an Executive Director should give his exclusive services to the Bank. Their advice was that the appointment could be accepted, subject to the agreement of Court.

The Governor explained that although this came to Court with the agreement of Committee of Treasury, who had met earlier that day, some anxiety had been expressed in that Committee about potential conflicts of interest. It had been accepted, however, that as the appointment was within the public sector, rather than with a private company, such potential conflicts of interest were reduced. On that basis Court agreed that Mr Walker might accept the appointment, if offered, subject to any fee payable being waived or surrendered to the Bank. It was understood that the appointment would run for a period of three years from 1 May 1987.

A. A. Croft
Secretary 19th March 1987

Adrian Cadbury
19th March.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 MARCH 1987

Present

The Rt Hon Robert Leigh-Pemberton, 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 Martin Wakefield Jacomb
Sir Hector Laing

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

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

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

There being no items for discussion under the weekly executive report, at the Governor's invitation:-

- 1 Mr Dawkins informed Court that Mr C J Farrow, an Assistant Director with responsibility for co-ordinating the work of the Bank's Industrial Finance & Financial Supervision - General Divisions, under Mr Walker, was leaving the Bank on

1 April to take up an appointment with [REDACTED]. His responsibilities would be assumed by M E Hewitt; Hewitt's current responsibilities would pass to [REDACTED].

- 2 Mr Flemming introduced a paper summarising the main proposals contained within the Chancellor's Budget statement. During the discussion which followed attention focussed on the proposed changes in income tax, the provision for income tax relief for employees in profit-related pay schemes, and the non indexation of excise duties; and the impact which these proposals might have on the level of wage settlements and on the retail price index.
- 3 Mr Charkham attended Court and introduced a paper summarising the major points made by the Governor in his recent speeches to the Yorkshire and Humberside CBI and the Industrial Society. The Governor's speeches had made a valuable contribution to the current debate: in the context of the Governor's comments on mergers and takeovers, the need for concern about the takeover of UK companies by overseas companies was expressed and the discussion dwelt on the important role of non-executive directors, particularly in strengthening company boards. In this connection Sir Adrian Cadbury mentioned that PRONED, with the support of its sponsors, would be launching an initiative later in the year.

L. A. Craggs

Secretary, 26th March 1987

George Blunden

26th March 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 MARCH 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

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

Anthony Laurie Coleby, 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.

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Under the weekly executive report:-

- 1 With reference to a Minute of 4 September 1986 and earlier, the Governor explained that, contrary to recent press reports, the agreement relating to Mexican debt had not yet been signed. Although the UK banks had produced 95% of their requirement, this had been conditional upon the US banks producing 90%; so far they had achieved only 83%. Pressure was now being brought to bear by the Federal Reserve Bank of New York to persuade the UK banks to drop their conditions. The Governor felt that this was quite unjustified - a view shared by Court - but thought that progress might be achieved if the US banks raised their commitment to, say, 87%.

- 2 In referring to recent press reports, the Governor said that there was no foundation in the accusation made by Sir Kenneth Newman, the Commissioner of the Metropolitan Police. There had been no exceptional drawings of £50 notes through the Bristol Branch and we were clearly not aware of any unusual transactions taking place which might have been connected with the "laundering" of gold.

At the Governor's invitation:-

- 1 Mr Loehnis commented on the Overseas Trade Figures for February which had been released that morning.

- 2 Mr Flemming spoke about the Economic Report for March.

- 3 In introducing the regular monthly discussion on monetary policy, Mr George explained that policy over the last month had been directed to resisting downward pressure on interest rates and, through sizeable intervention, upward pressure on the exchange rate. This was a difficult balancing act.

Mr George explained the Bank's caution on interest rates by referring to seven factors -

6

- (i) buoyant demand and output, as shown by the latest CBI survey;
- (ii) the Budget tax reductions which would already sustain demand;
- (iii) the prospect of a balance-of-payments deficit, which was influenced by relative demand conditions;
- (iv) the prospect for inflation, which at around 4% was at the top end for major countries;
- (v) the strength of broad money and credit growth;
- (vi) the strength of asset prices, including house prices; and
- (vii) the vulnerability of the exchange rate, which was a fickle indicator particularly in a pre-electoral situation, as had been demonstrated that morning.

We were very conscious of the immediate risk, at a critical time, to industrial confidence of the exchange rate rising too far, which explained the exchange intervention. But rising inflationary expectations would be no less damaging to industrial confidence over a longer period and we had to take that also into account.

L. A. Cragg
 Secular
 2nd April 1987

George Blunden
 2nd April 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 APRIL 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
George Blunden, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Sir David Gerald Scholey, 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 foreign exchanges and the state of the domestic markets, including the Official Reserves figures for March which had been published that morning.

Under the weekly executive report:-

- 1 Mr Dawkins explained that, arising from a Select Committee Report, a Memorandum of Understanding between HM Treasury and the Bank was drawn up in 1972 governing among other

things the way in which the Bank's capital expenditure would be monitored by Government. Following recent discussions with the Treasury, it had now been agreed that the Bank's capital expenditure would no longer be subject to Government scrutiny. In return, the Bank would involve the Treasury more in the discussion of issues affecting cash limited functions and would in future provide a greater volume of data relevant to those functions.

- 2 The Governor spoke in response to a question from Sir David Scholey about recent press reports concerning possible measures that were being considered against Japanese financial institutions operating in the UK following the failure of Cable and Wireless' application to join a telecommunications consortium in Japan. He explained that discussions, at ministerial level, would be taking place in Tokyo the following week which would doubtless influence the situation. He was however hopeful that a sensible outcome would be possible. Until the dust had settled the two remaining Japanese securities houses seeking deposit taking licences would not be invited to submit applications.

At the Governor's invitation:-

- 1 The Deputy Governor introduced a proposal regarding the Bank's interim payment in lieu of dividend to H M Treasury and explained the agreed formula for determining the amount. The proposal for a payment of £14.65mn to be made on 3 April, pursuant to Section 1(4) of the Bank of England Act 1946, was approved.
- 2 With reference to a Minute of 19 February 1987 and earlier Mr Walker reported on recent developments at Minories Finance Ltd. The last of the subsidiaries, Johnson Matthey Commodities Inc had been disposed of the previous week and the remaining assets were now secured lending of some £18mn; claims of £123mn, which though fully provided, related to loans outstanding;

De

As at the end of February 1987, MFL Management Accounts showed a net worth of £78mn, a surplus of £3mn on the Bank's capital stake of £75mn. The forecast for the year ending June indicated a surplus of £6-7mn and it was likely that a surplus of £15-20mn would be achieved eventually.

Now that MFL was in a very liquid state, he proposed a capital reduction of £50mn in the Bank's investment from £75mn to £25mn which would be pursued by an application through the Courts, and in view of the reducing scale of activity of MFL, he would over the rest of the year be reducing the complement of Directors and staff.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- 3 Mr Loehnis introduced a paper from the International Divisions which sought to analyse the extent of German banks' influence over companies in Germany, through their equity holdings. A discussion ensued.

L. A. Cragg

Secretary 9 April 1987

Adrian Cadbury
9/4/87

A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 APRIL 1987

Present

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
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

William Peter Cooke, Esq
Douglas Alfred Dawkins, Esq

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

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

Under the weekly executive report:-

- 1 With reference to a Minute of 29 January, Mr Walker said that next month the Secretary of State for Industry would be announcing a number of changes in the Code aimed at supporting the effectiveness of the Take-Over Panel. Beyond the specific changes that it has proposed the Working Party - in

which the Bank is involved - has identified other changes, in particular in respect of voting rights of beneficial undisclosed interests and the promptness with which substantial acquisitions are disclosed, but these would require changes in companies legislation. In addition, Mr Walker said that it was proposed that an announcement would be made shortly about new appointments to the Take-Over Panel. These would comprise the appointment of Robert Alexander QC as Chairman in place of Sir Jasper Hollom, Sir Philip Shelbourne as Deputy Chairman, in place of Robin Stormonth-Darling, and Mr John Hull as an additional Deputy Chairman. These appointments will take effect from 1 June. It was noted that Sir Jasper Hollom would be 70 later in the year and that the timing of his retirement was determined partly to ensure that there was continuity in the chair during the change of Director General, which would take place at the end of the year.

2

[REDACTED]

3

Mr Walker then spoke to Court about the current situation on "polarisation" whereby banks and building societies would be required either to sell only their own investment products or act as independent intermediaries in broking or advising on the whole range of investment products. The subject had become one of considerable contention between the SIB, favouring polarisation, and the OFT, which argued against it as needlessly restrictive of competition. The matter now rested with the Secretary of State for Industry; it seemed likely that he would decide in favour of the SIB proposal on

polarisation and that this would be announced with the SIB designation order on 22 April.

- 4 With reference to a Minute of 15 May 1986, Mr Galpin mentioned that it would be announced the following week that Sir Donald Barron would be joining the Board of Banking Supervision in the place of Sir Peter Graham who had resigned recently. In addition, it would be announced that Mr Harry Taylor would be appointed to the Board, bringing membership up to the level recommended under the Banking Bill.
- 5 With reference to a Minute of 29 January, Mr Galpin said that the previous day J S G Boggs had faced committal proceedings in respect of four charges of reproducing Bank of England notes without permission, under Section 18(1) of the Forgery & Counterfeiting Act 1981. The Magistrate had committed Boggs to the Central Criminal Court, on unconditional bail, where the case would be heard before a jury.
- 6 With reference to a Minute of 26 March, and earlier, the Deputy Governor told Court, that in Washington the previous day, the Chancellor had commented on the need for special concessions in respect of Sub-Sahara African Debt. These, he had suggested, might include the conversion of loans to grants and a significant reduction in interest charges. There was considerable support for such an approach, but it might present problems to the USA. There was now also a growing conviction of a need for an alternative course of action to that which had been pursued, with limited success, during the past five years in respect of other debtors. This conviction had been strengthened by recent difficulties over Brazil and by the problems - still to be resolved but hopefully near to solution - with the new package for Mexico.

At the Deputy Governor's invitation:-

- 1 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme which was laid before Court.
- 2 Mr Price, in the absence of Mr Loehnis, presented the International Economic Developments paper for March.

R.A. Hoffmann

16 April 1987

A. Loehnis

16 April 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 APRIL 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Anthony David Loehnis, Esq

Dr David Valentine Atterton, CBE

Frederick Brian Corby, Esq

Sir Colin Ross Corness

Edward Alan John George, Esq

Sir Martin Wakefield Jacomb

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 having commented in Mr Galpin's absence 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 With reference to a Minute of 19 February, Mr George mentioned that the Bank had issued a paper on Gilt Auctions which reflected the conclusions drawn from consultations which had been taking place with market makers and the

Treasury. A series of experimental auctions would be run, alongside the existing tender system, on much the same lines as originally proposed. The first would take place in mid-May. The effective size of the experiment had been somewhat reduced. The main change from the initial proposals was that there would be no formal or informal underwriting arrangements. The Treasury had declined to offer any financial incentive for investors to channel their bids through market makers and, without the information which such arrangements would provide, the market makers felt unable to accept a meaningful underwriting obligation. Some encouragement to investors to channel their bids through market makers would be provided by the bid-price basis for the auction and by a facility available to market makers to submit late bids by telephone through the Bank's dealing room.

- 2 Mr Walker said that a PRONED/Stock Exchange/CBI initiative on Non-Executive Directors would be launched the next Tuesday. A recommended code of practice on non-executive directors would be sent with his commendation by the Chairman of the Stock Exchange to the Chairmen of all listed companies.

With reference to a Minute of 19 February, the Governor reminded Court that it had been agreed Members would sign a secrecy declaration on an annual basis, in line with the current practice for members of the staff. The wording of the declaration had now been agreed by Freshfields, and each Member would be sent a copy for signature after Court.

At the Governor's invitation, [REDACTED], the International Division's Adviser on North America, attended Court to present a paper entitled "Still Waiting: Visit to the United States - February 1987", which he had prepared following a visit to the United States earlier in the year. In the ensuing discussion of what was regarded as a very interesting paper concern was expressed at a number of aspects of the United States economy especially the re-emergence of inflation; which was considered inevitable. This was a problem which would come home to roost if the Japanese lost interest in buying United States securities. It was felt that the threat of any upward movement in interest

rates led to an exaggerated reaction on the part of the US authorities. Much of the reaction arose as a result of the United States economy being highly geared. There were also worries about recession, though the point was also made that there was a lot of investment still taking place in housing which was almost certainly speculative.

L. A. Cragg

Secretary 30.4.87.

Adrian Cadbury

30/4/87.

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 23 APRIL 1987

Present

George Blunden, Esq, Deputy Governor
Sir Hector Laing
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
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 number of Directors assembled being insufficient to form a Court, those present proceeded to the business subject to ratification by the next Court.

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

In commenting on the weekly figures, in Mr Galpin's absence, Mr Dawkins said that the forecast given last week of the Easter peak in the note circulation had proved accurate and that the high level of ways and means advances arose because of a delay in the receipt of customs revenues resulting from industrial action within the Civil Service. The Deputy Governor then invited Mr George to speak about the state of the foreign exchanges and the domestic markets.

Under the weekly executive report Mr Dawkins mentioned that a notice was being issued to staff that day drawing their attention to the recent spate of postal bombs that had been sent to civil servants and of the precautions that should be taken in the event of receiving a suspicious object. He warned that the pattern could change and said that the services and advice of the Security Force were available to Members of Court should they so wish.

With reference to a Minute of 11 December 1986, the Deputy Governor reminded Members that Court had approved a resolution authorising the Chief of the Banking Department or his nominee to represent the Bank at meetings of five domestic clearing companies in which the Bank was a shareholder. It was now necessary to seek approval for a similar resolution in respect of three other companies.

Subject to the approval being ratified by the next Court, 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:

LondonClear Limited
Society for Worldwide Interbank Financial
Telecommunications sc

SWIFT (UK) Limited

In the absence of Mr Galpin, the Deputy Governor spoke about the Report and Accounts of the Deposit Protection Board for the year ended 28 February 1987, which was laid before the Meeting. Three institutions had become insolvent during the year bringing the total to thirteen since the inception of the Banking Act in 1979. Should the new Banking Bill, which was currently progressing through both Houses of Parliament, be introduced during the coming year there would be one change of particular significance. This would be the doubling of the maximum amount that would qualify under the Scheme from the present level of £10,000 to £20,000.

At the Deputy Governor's invitation, and in the absence of Mr Loehnis, Mr Price presented the World Economy Forecast for Spring 1987. In the ensuing discussion, of what was regarded as essentially a rather gloomy forecast, the question was raised as to how a forecast cost of oil of \$20 per barrel from 1988 onwards could be sustained in spite of a weak demand. The point was made that this was very much an assumption based largely on the fact that it was in the interests of the OPEC countries to get their act together - which was a fair possibility. The report highlighted the importance of the relationship between world trade and the third world debt problems. Growth in major countries would have been higher if developing countries had not had to reduce their imports as a result of debt problems; a problem to which there was no end in sight. Significance was also attached to the forecast deceleration in private investment; surprising in view of an apparent growth in profits. This was attributed to the fact that investors lacked confidence that the gains in competitiveness were sufficient and that the exchange adjustment would survive long enough to warrant investment. It transpired there appeared some divergence in views between the Bank and other British banks over the way the present situation should be handled. Whilst banks generally were not keen to advance new credit the Bank appeared to be of the opinion that more banks should take the losses that were inherent in the situation. The point was made that although the Bank were concerned to increase the level of provisioning they did not wish to exacerbate the problem.

L. A. Craggs.
Seevay 30.4.87.

Adrian Cadbury
30th April 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 APRIL 1987

Present

George Blunden, Esq, Deputy Governor

Sir George Adrian Hayhurst Cadbury

Dr David Valentine Atterton, CBE

Frederick Brian Corby, Esq

Sir Colin Corness

Rodney Desmond Galpin, Esq

Edward Alan John George, Esq

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 Court of 16 April were confirmed, and those of the Meeting of 23 April, which included a resolution concerning Bank representation at meetings of various companies in which the Bank has a shareholding, were approved.

Mr Galpin having commented on the weekly figures, the Deputy Governor invited Mr George to speak about the state of the foreign exchanges and the domestic markets. The consequences of a continuing fall in the US\$ and possible corrective action that might be necessary on the part of the US authorities were discussed. In response to questions on the Bank's role in effecting interest rate changes, the Deputy Governor explained

that changes in interest rates by the clearing banks were not "authorised" by the Bank, as suggested in recent press comment, but often resulted from signals given by the Bank. Mr George said that such signals were a matter for tactical judgement made in anticipation and appreciation of the clearing banks perception of the situation. In this connection he mentioned that as a matter of courtesy it was the practice of the clearing banks to inform the Bank in advance of changes they proposed to make.

Under the weekly executive report:-

1 The Deputy Governor -

- (i) conveyed to Court the appreciation of the members of the Sports Club for the Bank's continued support of the Club, which had been expressed at their Annual General Meeting the previous evening.
- (ii) with reference to a Minute of 18 December and earlier, mentioned that the existing Museum had closed in anticipation of the refurbishment and opening of the new enlarged Museum the following year and explained that in the meantime some of the important items from the Museum would now be exhibited on the landing adjacent to the Ante Room.
- (iii) mentioned that the Bank was the subject of a programme in the series "Pillars of Society" which was to be broadcast that evening.

- 2 Mr Walker referred to the recent controversy over pre-emption rights and the concern expressed by institutional investors over the possible erosion of their position in this respect. This had resulted in institutional shareholders reconsidering their guidelines with a view to greater clarity. The Association of British Insurers had published revised guidelines the previous day and the National Association of Pension Funds were likely to proceed similarly. Mr Walker said that he hoped to bring the matter to Court for discussion in the course of the next few weeks.

At the Deputy Governor's invitation, Mr Dawkins introduced a Recommendation by the Governors that, consequent upon the resignation of Mr C J Farrow, the following Senior Official be promoted with immediate effect.

<p>M E HEWITT [redacted] Head of Financial Supervision- General Division on Point C</p>	<p>to be Head of the Finance and Industry area on Point B</p>
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The Recommendation was approved.

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

Four letters from Messrs Freshfields, together with a Resolution giving the Federal Reserve Bank of New York authority to execute proper assignments on behalf of the Bank, to be approved and sealed, and a number of other documents to be sealed, were submitted, namely:-

- 1 An Advance Payment Bond drawn up to protect the Bank's interest following the negotiation of a settlement of the final account of Balfour Kilpatrick Limited, arising under the Head Office Modernisation Project.
- 2 A Deed of Variation to remedy the omission of certain words from the original lease for Eagle House, between the Bank and the new landlords, Letinvest plc.
- 3 A Lease in respect of premises at Bank Chambers, Bristol between the Bank and Business in the Community and their undertenants, the Greater Bristol Community Trust.

It was RESOLVED that whereas the Federal Reserve Bank of New York now holds or will hold in safekeeping registered securities owned by and registered in the name of the Governor and Company of the Bank of England, and whereas in order to accomplish the sale, exchange or retirement of such securities without sending them to the Governor and Company of the Bank of England, it is desired to authorise the Federal Reserve Bank of New York to execute proper assignments on behalf of the Governor and Company of the Bank of England.

It was decided that the Federal Reserve Bank of New York be and is hereby authorised to execute on behalf of and in the name of the Governor and Company of the Bank of England proper assignments of any or all registered securities now held or which will be held by the Federal Reserve Bank of New York as property of the Governor and Company of the Bank of England.

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

The Deputy Governor spoke about the draft Accounts of the Bank for the year ended 28 February 1987 and explained that they were in the same format as the previous year.

It was confirmed that none of the Directors had a material interest, directly or indirectly, at any time during the year in any significant transaction or arrangements with the Bank or any of its subsidiaries. It was then agreed that the draft accounts would be submitted to Court for approval the following week once Deloitte had completed their review of Minorities Finance Ltd and discussion with the Treasury on the precise payment in lieu of dividend had been successfully concluded.

Also at the Deputy Governor's invitation:-

- 1 In the absence of Mr Flemming, Mr Taylor commented on the Economic Report for April.

- 2 With reference to the provisional money and banking figures for March, Mr George introduced the regular discussion of monetary policy. He explained that the domestic economy was very strong and there was concern that we should not go too far or too fast in easing monetary policy which would have damaging implications for inflation. There had been some improvement in the level of pay settlements, productivity and unit labour costs, but it was not clear whether these were simply cyclical or a more fundamental improvement. The underlying inflation

rate in the UK still remained higher than in other industrial countries and the demand for credit and the increase in broad money remained very strong. On the domestic front therefore we had been reluctant to reduce interest rates. On the other hand we were sensitive to the need to contain the upward pressure on the exchange rate. It was important for the longer term that the benefits of the depreciation of sterling against the DM and Yen over the past year should result in increasing output and capacity rather than simply in higher margins: if our competitive edge was not maintained the industrial short-term view would prevail.

These considerations posed a dilemma for us. An important consideration was whether the upward pressure on the exchange rate was temporary, associated with the prospects for an early election or reflected a more lasting re-rating of the UK economy. Given this uncertainty we needed to adopt a flexible approach and to avoid taking action that could not be reversed if necessary once the political influences were removed.

We had three options:

- 1 to take the strain on the exchange rate which might damage industrial confidence and lead industry to take the short term view;
- 2 to take the strain on interest rates, which would lead to cheaper credit, encourage the growth of broad money and lead to inflationary pressures; or
- 3 exchange market intervention, which we have been doing on a large scale.

None of these options was likely to be totally effective and each had disadvantages, we had therefore to adopt a pragmatic approach, trying to take a bit of the strain in each area.

Court gave their approval to Sir Colin Corness becoming a non-executive Director of Unitech plc. The Deputy Governor went on to explain that the formal approval of Court for Sir Colin Corness to become a non-executive Director of the Mercury International Group, as announced recently in the press, had not been necessary as that appointment had been agreed before Sir Colin Corness became a Director of the Bank.

Ben Hoffman
Assistant Secretary
7th May 1987

Adrian Cadbury
7th May 1987.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 MAY 1987

Present

George Blunden, Esq, Deputy Governor

Sir George Adrian Hayhurst Cadbury

Rodney Desmond Galpin, Esq

Edward Alan John George, Esq

Sir Robert Haslam

Sir David Gerald Scholey, 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 Deputy Governor invited Mr George to speak about the foreign exchanges and the state of the domestic markets, including the Official Reserves figures for April which had been published the previous Tuesday. With reference to a Minute of 16 April, Mr George mentioned that details of the Bank's first auction of gilt-edged stock had been announced earlier in the week and were much as had been foreshadowed. The auction would take place the following Wednesday with the sale of £1 bn, partly paid, 8% Treasury Loan Stock maturing in 1992.

[REDACTED]

The form of Agreement for the guarantee, together with a letter from Messrs Freshfields, having been submitted, Court approved thereof and ORDERED that the Agreement be sealed with the Common Seal of the Bank.

At the Deputy Governor's invitation:-

- 1 Mr Flemming, in the absence of Mr Loehnis, commented on the Overseas Trade Figures for March which had been released the previous Friday.
- 2 Mr Flemming then went on to introduce the Economic Commentary from the May edition of the Quarterly Bulletin.
- 3 Mr Price, in the absence of Mr Loehnis, presented the International Economic Developments paper for April.

Bob Hopman
 Assistant Secretary
 14th May 1987

George Blunden
 14th May 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 MAY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
George Blunden, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, 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.

Mr Galpin having commented on the weekly figures, the Governor invited Mr George to speak about the state of the foreign exchanges and the domestic markets. With reference to a Minute of the previous week Mr George said that the outcome of the Bank's first auction of gilt-edged stock had proved satisfactory. From a technical viewpoint the operation had worked very well, though it was not clear how much we had learnt from this single experience.

There being no items under the weekly executive report, the Governor invited Sir David Scholey to present a Report of the Audit Committee which incorporated the annual review of the Committee's work, and the Audit Division's programme for the year beginning 1 March 1987. The Report was approved.

Also at the Governor's invitation:-

- 1 With reference to a Minute of 18 July 1985, Mr Galpin gave Court details of the changes in size of the Series 'E' banknotes, which had been proposed following consultations with representatives of the blind. With reference to a Minute of 15 November 1984, he then went on to speak about new variants of the £10 and £5 notes which it was hoped could be issued later in the year.

- 2 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the May edition of the Quarterly Bulletin, together with the latest edition of Bank Briefing, both of which were due to be published later that day.

The Governor and Mr Loehnis then spoke about their recent visit to a number of East African countries.

L. A. Craggs

Secretary 21st May 1987

Adrian Cadbury

21st May 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 MAY 1987

Present

George Blunden, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, CVO
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Gavin Harry Laird, Esq
Anthony David Loehnis, 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 Galpin having commented on the weekly figures, the Deputy Governor invited Mr George to speak about the state of the foreign exchanges and the domestic markets.

In response to a question about the implications for British banks of the bad debt provisioning announced by Citicorp, Mr Galpin said that, as pointed out in the press, the British banks' provisions were not of the size (25% of exposure to problem debt countries) announced by Citicorp. But our banks had increased their specific provisions against sovereign debt last year and had significantly strengthened their capital over recent years. There seemed little likelihood of any action by British banks


before the publication of their interim results in July. An increase by them in such provisions was to be expected - indeed the Bank had said just this in response to press enquiries yesterday. Bank boards would undoubtedly be thinking hard about the implications for themselves and would have regard to provisioning practice elsewhere. The US authorities had said that Citicorp's decision had been their own and did not set a precedent: it would be interesting, and relevant to British banks, to see how other US banks reacted.

There being no items for discussion under the weekly executive report, the Deputy Governor, having declared his actual interest, invited Mr Dawkins, in the absence of 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 recommendations contained in the Report were approved.

The Deputy Governor, having again declared his actual interest, then invited Sir Adrian Cadbury to introduce a Minute of the Committee of Treasury recommending increases in the pensions and allowances in payment to former Governors and Executive Directors, and to the widows of three former Executive Directors, with effect from 1 July 1987. The Minute was approved.

The Deputy Governor reminded Members that, following the discussions on the annual pay award the previous year, it had been decided that in future Court should not be involved in the detailed negotiations but should agree parameters within which the pay negotiations should proceed. He invited Mr Dawkins to outline the Bank's proposals for the 1987 pay award which had been agreed by Committee of Treasury earlier that day. It was agreed that Mr Dawkins should enter negotiations with the Union on the basis he outlined, details of which would be subject to agreement with the Governors and Executive Directors.

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



At the Deputy Governor's invitation:-

- 1 Sir Robert Haslam introduced the Annual Report of the Registrar's Department Liaison Committee which was laid before Court.

- 2 Mr George presented the Bartlett Report on the future of the Registrar's Department which had been considered by Committee of Treasury the previous week. The thoughtful and interesting Report concluded that the Registrar's Department was expensive to run on its present basis. Questions of work procedures and staffing policy were already being addressed by senior management. The fundamental issues for consideration by Court concerned the relationship of the Department with the rest of the Bank and more immediately the question of relocation. After some discussion it was agreed that this issue be re-examined with the following terms of reference:-

- 1 To re-examine the arguments for and against the relocation of the main clerical functions of the Registrar's Department to a site -
 - (i) in the home counties (including space that may be available at Debden);
 - (ii) in the 50-100 mile band from London as suggested in 1982;
 - (iii) further afield.

- 2 To identify the cost savings that might be achieved from such relocation -
 - (a) to HMT under our cash limit;
 - (b) to the Bank.

- 3 To consider the most appropriate timing for such a possible move, having particular regard to the implications for the staff.

- 4 To report by end-September.

The Deputy Governor drew Court's attention to a summary of press reaction to the May edition of the Quarterly Bulletin and the Bank's Annual Report and Accounts, both of which had been published the previous week.

G.A. Cright

Secretary

28th May 1987

George Blunden

28 May 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 MAY 1987

Present

The Rt Hon Robert Leigh-Pemberton, 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 Hector Laing
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

Anthony Laurie Coleby, Esq

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

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

There were no items for discussion under the weekly executive report.

At the Governor's invitation:-

- 1 Mr Flemming commented on the Overseas Trade Figures for April which had been released earlier that day.
- 2 Mr Corby introduced the Chief of Corporate Services' annual report on Salary Policy and Fringe Benefits. Some concern was expressed about the increased amount of overtime hours worked in 1986/87 compared with the previous two years.
- 3 Dr Atterton spoke about the Report of the Charitable Appeals Committee and drew attention to the marked increase in the number of appeals received by the Bank - a rise of 100% since 1983/84 - and reported that in response to this increase, the Committee had delegated further authority to the Secretary to reject unsuitable minor appeals. It was noted that a donation of £3,000 had been made to the Channel Ferry Disaster Fund.
- 4 Mr Flemming introduced a paper, prepared by the Economics Division, which reviewed recent studies of the impact of the agricultural policies of both industrial and developing countries. Subsequent discussion supported the arguments for radical reform.
- 5 Mr Flemming then commented on the Economic Report for May.
- 6 Mr George introduced the regular discussion of monetary policy and explained that the position had not changed much over the past month. The dilemma over interest rates which he had earlier outlined remained. The continuing strength of broad money and credit growth, the rise in asset prices, the buoyancy of the economy and a rate of inflation still higher than our industrial competitors all pointed to the need for some restraint if we were not to put the sustainability of stable expansion at risk. But if the exchange rate rose too far there would be immediate damage to industrial confidence at a critical time. The dilemma was the more acute because we could not yet tell whether the

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exchange inflows would persist after the Election. We had continued to try to square this circle by heavy intervention but conceding a modest decline in interest rates when the exchange rate pressure had become excessive. For the time being sterling had softened and this brought considerable relief.

Mr Corby then spoke about his recent visit to Japan and China.

G. A. Craggs

Secretary 4th June 1987

Allan Cobby

4th June 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 JUNE 1987


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
Sir Robert Haslam
Sir Hector Laing
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, Esq

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

Mr Galpin having commented on the weekly figures, the Deputy Governor invited Mr George to speak about the foreign exchanges and the domestic markets, including the Official Reserves figures for May which had been published the previous Monday. He explained that the increase in the reserves was the largest monthly increase on record and that the reserves at \$34.68 bn now stood at a record level. The sharp increase, which reflected heavy intervention by the Bank during the previous month, had correspondingly added to liquidity in the money market and added to the money supply. In response to a request from Sir Adrian Cadbury, Mr George undertook to prepare a paper explaining more fully these effects of intervention.



Following some discussion on the foreign exchanges, the Deputy Governor took the opportunity of saying how sorry he and his colleagues were at the departure of Mr Paul Volcker, one of the world's most distinguished Central Bankers, as Chairman of the Federal Reserve Board.

Under the weekly executive report:-

- 1 Mr Walker mentioned that it would be announced later that day that Mr A R Threadgold, who had recently assumed responsibility for the Financial Supervision: General Division, would be leaving the Bank in September to become Chief Executive of Postel Investment Management Ltd: his responsibilities within the Bank would be assumed by Mr M D K W Foot, on his return from Washington later in the year.
- 2 The Deputy Governor brought to the attention of Court a letter which he had received from the General Secretary of BESO regretting the decision of the Court to re-examine the question of the relocation of the Registrar's Department and seeking to appoint two members of the Union to the Working Party when established. The Deputy Governor said that in his reply, which had been circulated to members of the staff in the Registrar's Department, he had rejected the suggestion that the Union should be involved in the preparation of the report on relocation. But he had agreed that if, after the report had been considered by Court, a decision was taken to relocate the Registrar's Department, the Bank would discuss and, where appropriate, negotiate with the Union on its implications.

With reference to a Minute of 5 September 1985 and later, the Deputy Governor reminded Members that in February 1986 Debden Security Printing Ltd, a wholly-owned subsidiary company of the Bank, had been incorporated to undertake all commercial operations at the Printing Works. The majority of the shares in that Company were held in the name of the Governor and Company of the Bank of England - the other shareholders being Mr D A Walker and Mr A W Jarvis, who each held one share - and it was necessary therefore to authorise someone to act on the Bank's behalf at meetings of the Company. It was RESOLVED that pursuant to

Section 375 of the Companies Act 1985 and until otherwise resolved by the Court of Directors, Mr D A Walker, the Executive Director responsible for the Printing Works, or failing him, Mr A W Jarvis, the General Manager of the Printing Works, or failing him, the Secretary of the Bank be authorised to act as the representative of the Governor and Company of the Bank of England at any meeting of Debden Security Printing Limited, a wholly-owned subsidiary of the Bank.

At the Deputy Governor's invitation, Mr Walker introduced a paper on pre-emption rights which addressed some of the main issues involved and identified particular areas that would be debated in the next few months in discussions between the Bank and institutional investors, companies, the CBI and other interested groups.

In the discussion that followed, there was general agreement that progress depended on close consultation between companies and their shareholders but that it was also desirable that institutional investors should, through indicating in advance the sort of disapplication case that they would be ready to consider, provide a basis for greater confidence for companies in planning their external financing. There was a general consensus that the debate should be taken forward and that the Bank as a disinterested party had an important role to play in helping to catalyse opinion around possible solutions.

The Deputy Governor spoke to Court about the exhibition "As Good as Gold: 300 years of British bank note design" which would open at the British Museum on 16 July. The exhibition was the product of co-operation between the Bank and the British Museum and the Bank had agreed to contribute £65,000 towards the estimated cost of £150,000 of mounting the exhibition: some relaxation in the rules regarding the reproduction of notes had also been agreed but this did not apply to legal tender notes. The exhibition would chronicle the history of bank notes from the goldsmiths' notes of the 17th century to bank notes of today and would draw on material from the collections of both the Bank and the British Museum. An illustrated book written jointly by the Curator of the Bank's Museum and a Curator at the British Museum would be published to coincide with the exhibition.

L. A. Crafts
Secretary
11.6.87.

George Blunden
11th June 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 11 JUNE 1987

Present

The Rt Hon Robert Leigh-Pemberton, 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
Sir Colin Ross Corness
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 Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

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 With reference to a Minute of 7 May and earlier, Mr Walker reported that, following a petition to the Courts, it had been agreed that the capital of Minorities Finance Limited be reduced from £75 mn to £37.5 mn. Although Court had agreed to give a

guarantee - which had been sealed with the Common Seal of the Bank - for the benefit of Minories Finance Limited's creditors of up to the amount of the capital reduction in the event of outstanding litigation against the company, the judge had agreed that an undertaking by the Bank to recapitalise Minories Finance Limited in the event of a deficiency of funds would be sufficient. This was plainly a better outcome from the standpoint of the Bank; the guarantee would therefore not be required and it was agreed that it be destroyed.

- 2 The Deputy Governor informed Court that one of the Bank's subsidiary company's, Slater Walker Ltd may soon start legal proceedings against Britannia Arrow Holdings PLC, Slater Walker's former parent company, and previously known as Slater Walker Securities Ltd. The action stemmed from the Bank's purchase of Slater Walker in 1977 to prevent its default on euro-currency borrowings. As part of that purchase agreement Slater Walker bought from Britannia Arrow, against an indemnity from that company, a US\$10 mn loan note issued by Cornwall Equities. That company had subsequently been taken over twice and had later gone into liquidation; Slater Walker would receive no more than US\$2 mn from the liquidation. Britannia Arrow had, through their lawyers, informed Slater Walker that they did not intend to pay the amount - US\$8 mn plus interest - due under the indemnity on the grounds that they had been released from their obligations as a result of the earlier takeover of Cornwall Equities by KDT Industries Inc: they had earlier made an offer of US\$1 mn in full settlement which had been rejected.

Slater Walker had now been advised by their lawyers that they had a strong case against Britannia Arrow. As the rejection of the terms of the indemnity by Britannia Arrow had not been made "without prejudice", it was the intention of the Board of Slater Walker to instigate proceedings now rather than to await default in 1988.

- 3 With reference to a Minute of 21 May and earlier, the Deputy Governor informed Court that although BESO had agreed the across-the-board salary increase for 1987 within the

parameters agreed by Court, and the scheme of Reclassification, the Union were still looking for further funds to be made available in the Reclassification exercise. He proposed to meet the Union the following week to explain that the Court was adamant that Reclassification must be self-financing, that the figures now before them utilised to the full the savings identified from reclassification and that they therefore now had the Bank's final offer. If necessary he would impose the settlement.

At the Governor's invitation Mr Loehnis introduced the International Economic Developments paper for May before going on to present a paper on Saudi Arabia. This focussed on the developments that had taken place in recent years, as a result of the acquisition of substantial oil wealth, the increasingly important role of Saudi Arabia on the world stage, and the problems for the Saudi economy of the decline in the oil price.

L. A. Croft

Secretary 18 June 1987

George Blunden

18 June 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 JUNE 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, 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.

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

Under the weekly executive report:-

- 1 Mr Galpin mentioned that following the action taken recently by Citicorp, National Westminster had announced earlier that week that they had increased their provisioning against doubtful debts up to a level of almost 30% against their exposure in 35 countries. This action, which had been taken on the assumption that such provisioning would be tax deductible, had led to speculation, reflected in share prices, about the reaction of other UK banks in this respect. In arriving at that specific level of provisioning, National Westminster had applied an objective test having examined and given due weight to the scale of debt in individual countries. This contrasted with the general "basket" approach adopted by Citicorp and could result in different levels of provisioning by various institutions. From a supervisory point of view Mr Galpin said that the Bank were encouraging an objective approach based on the circumstances and nature of individual country claims. It remained to be seen whether there was any conflict of interpretation between the USA and the UK in accepting provisioning as part of capital: this could have an impact on the convergence exercise.

- 2 With reference to a Minute of 22 January, Mr Dawkins informed Court that as a result of the ballot of BESO members, in which 54.9% of those eligible had voted, 82.7% had voted in favour of a transfer of engagements to BIFU. He went on to say that the proposals relating to Reclassification and the across the board salary increase, which had been mentioned at Court the previous week, had now been put formally to the Union, which proposed to conduct a ballot of members. The result should be known the following week.

At the Governor's invitation:-

- 1 Sir Hector Laing introduced a Report from the Board of Directors of BE Services Ltd, together with the annual accounts for the year ended 28 February 1987, which were laid before Court.

- 2 With reference to a Minute of 5 June 1986, Mr Flemming introduced a further paper which summarised the Weitzman proposals for profit related pay, the tax incentive proposals which Government had put forward in the 1987 Finance Bill and offered a critique of both. In particular he drew attention to the potential conflict that profit related pay schemes might face in motivating and stabilising the work force on the one hand while working for fuller employment on the other. In the discussion which followed there was general acceptance that identification of employees with the success of the company through profit related pay schemes was admirable. Although such schemes might work within a small unit there was considerable doubt expressed about their application in the context of larger divisions, companies, and multinational units. There were many factors relating to company profitability - investment, marketing policy, advertising etc - which were outside the control of the employees, but would nevertheless have an impact on their remuneration. A comparison was drawn with existing profit sharing schemes which were generally successful, but the profit related pay scheme was intended also to widen employment possibilities.
- 3 Mr Flemming went on to introduce a paper on measures of inflation and identified several different measures that could be adopted, each valid in its own way depending on the question to be addressed. In discussion it was accepted that inter country comparisons were often not necessarily accurate because of the differing construction of national indices and, domestically, the use of an all-embracing index could be equally misleading. However, if an issue was precisely defined an appropriate index could be identified to address the problem.

A summary of awards from the Queen's Birthday Honours List was laid before Court.

L. A. Craghton
Secretary 25th June 1987

George Blunck
25th June 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 25 JUNE 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, 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
Sir David Gerald Scholey, CBE
Deryk Vander Weyer, Esq, CBE

Douglas Alfred Dawkins, Esq
John Stanton Flemming, Esq

Anthony Laurie Coleby, 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 foreign exchanges and the state of the domestic markets.

Under the weekly executive report:-

- 1 Mr Galpin mentioned that during the previous week counterfeit £10 notes, with a face value of approximately £74,000, had been seized by the police from two locations, one in Devon and the other in the Home Counties, together with printing machinery and a camera. A road atlas, showing how and where the counterfeiter had travelled to distribute notes, had also been recovered. Three people had subsequently been arrested.
- 2 The Governor spoke about some of the issues which had been discussed at the International Monetary Conference which he had attended earlier that week in Hamburg. In particular he mentioned that there had been confirmation of the validity of the Plaza and Louvre agreements on exchange rate stability, and when speaking about common capital standards in banking he had taken the opportunity to confirm that there was no fundamental difference in the stance adopted in the USA and UK. There had also been discussion on the international debt situation: it had been important to draw attention to the fact that the problems were not confined to Latin America but extended also to Africa and Asia.

At the Governor's invitation:-

- 1 Mr Flemming commented on the Economic Report for June before going on to introduce a paper on Manufacturing Productivity. The paper drew attention to the strong growth in output per head in the manufacturing sector which had risen by 6 1/2% between the first quarters of 1986 and 1987 and went on to consider whether this was sustainable. It was likely that the rate of growth of productivity could fall back towards 3% but that this may take some time to occur. In the meantime Mr Flemming said that 3 1/2% growth was probably more realistic and would be incorporated in the Bank's next forecast.

In a discussion which followed it was noted that the increase in UK productivity had been better than in most countries and that growth at 3 1/2% would still be better than most European countries at present.

- 2 With reference to the provisional money and banking figures for May, Mr George introduced the regular discussion of monetary policy. He said that over the preceding three months or so the authorities had been preoccupied with the tactical handling of the huge exchange inflows which occurred before the start of the general election campaign. Those inflows had not resumed, as some had expected, on the election result. Had they done so they would have presented a difficult policy dilemma. As it was we now had the opportunity to stand back and consider where we stood in relation to the longer-term strategy.

The short term economic prospect was now favourable: the economy was buoyant and the pattern of demand reasonably well balanced. Unemployment had finally come down somewhat, and the RPI, currently around 4%, could edge down over the rest of the year. The question now was how best to sustain this prospect.

On the monetary front, the provisional money figures showed that M0 was still growing at a moderate pace, 4.4% year on year, while the recent intervention had been reflected in a year on year increase of 19% in M3. Other measures of broad money were growing more slowly than this though they too were inflated by intervention. The growth of credit to the private sector remained strong. These developments, together with the recent softening in the exchange rate, taken with the growth of earnings and apparent re-acceleration of pay settlements - though not immediately alarming - did not point to the gradual further reduction in inflation, which was the Government's declared aim. Without that prospect we were vulnerable to a setback on inflation which could disturb the stable environment necessary to our more effective economic performance. Against this background it remained necessary to persist in a firm overall policy stance.

L. A. Crighton.

Secretary. 2nd July 1987

George Blunden

2nd July 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 JULY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, 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 foreign exchanges and the state of the domestic markets including the Official Reserves figures for June which had been published that morning.

Under the weekly executive report and with reference to a Minute of 18 June and earlier, Mr Dawkins reported the result of the recent ballot held by the Union on the Reclassification proposals for Banking staff and the across the board increase for both Banking and Technical & Services staff. 60% of the membership


had voted and although a majority of both Banking staff and Technical & Services staff had voted in favour of the proposals, the margins were narrow. The Union were therefore pressing the Bank to make further concessions: although there was still a small residue of savings available for distribution he was not confident that this provided sufficient scope for an agreement. Reclassification incorporated many radical changes and if these were to be successfully implemented it was important that they should be accepted through the process of negotiation rather than imposed by management. He was anxious therefore that discussions with the Union should continue.

In the discussion which followed the Deputy Governor said that although the result of the ballot suggested that the staff were fairly equally divided over these issues, overall less than 20% of the staff had voted against the proposals. Nevertheless it was accepted that Mr Dawkins should continue his dialogue with the Union although it was felt that this should not be allowed to continue indefinitely.

At the Governor's invitation:-

- 1 Mr Loehnis spoke about the World Payments Report for June which reviewed international trade and payments balances, interest rates and exchange rates together, and presented the opportunity to see them "in the round". In particular he identified two main themes, the intervention role of central banks and the correction of current account imbalances.

The key question remained whether the underlying corrective trends at work in the US and Japanese economy were sufficient to start reducing the US current account deficit with the current pattern of exchange rates or whether the US dollar would have to depreciate further with the inevitable risk of higher interest rates. A brief discussion followed.

- 2 Mr Walker introduced a paper which discussed the impact of Big Bang on the equity market and in particular the hypothesis that Big Bang had increased the volatility of share prices. It had not been possible to say precisely what was
- 

attributable to Big Bang but certain factors were identifiable. In particular he drew attention to the increased number of market makers, the improved up to date price information now available and the fact that there had been a substantial fall in transaction costs attributable to a fall in commission rates and the reduction in stamp duty.

Although it had not been possible to test fully the hypothesis that Big Bang had increased the volatility of share prices, a simple comparison of the volatility of the prices of samples of equities, pre and post Big Bang had not suggested a general increase in share price volatility post Big Bang.

In the brief discussion which ensued it was suggested that the combination of an increase in the number of market makers with better access to price and other information had possibly led to a greater degree of very short-term volatility of share prices; this might not necessarily be a healthy trend.

L. A. Cragg

Secretary 9 July 1987

George Blunden

9 July 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 JULY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Gavin Harry Laird, Esq
David Alan Walker, Esq
Deryk Vander Weyer, Esq, 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 foreign exchanges and the state of the domestic markets.

Under the weekly executive report:

- de*
- 1 Mr Galpin referred to the recent press announcement about the proposed sale by Midland Bank of their subsidiaries, the Clydesdale Bank and the Northern Banks in Ulster and the Irish

Republic, to National Australia Bank. This sale together with a rights issue of £700 mn would enable the Midland Bank to increase its provision against doubtful debts by some £900 mn to the sort of level set by other banks recently. The Bank of England had no objection in principle to the sale but it would still be subject to agreement by the appropriate regulatory and governmental bodies. He said that he had been impressed during recent discussion with the National Australia Bank and was confident that they would be a good parent to those banks.

- 2 Mr Dawkins mentioned that Mr B T Watts, the Managing Director and Catering Services Manager of BE Services had been nominated Industrial Caterer of the Year.

At the Governor's invitation:-

- 1 With reference to a Minute of the previous week, and earlier, Mr Dawkins informed Court that negotiations with BESO on Reclassification had been successfully concluded the previous week.

He then went on to explain the proposals and transitional arrangements for existing Senior Officials, the appointment of some new Senior Officials, and the appointment of an Assistant Director, details of which were contained in a Minute of the Committee of Treasury.

It was agreed that consequent upon Reclassification, and with effect from 1 July 1987:-

(a) the existing structure for Senior Officials which provides three scales/fixed points be replaced by five fixed points, attracting the following salaries:-

Alpha	£65,000
Beta	£60,000
Gamma	£55,000
Delta	£51,000
Epsilon	£47,000

(b) the following transitional arrangements to apply:-

- (i) Senior Officials on Scale 12/Point A to Alpha:-
- (ii) Senior Officials on Scale 11b/Point B to Beta:-
- (iii) Senior Officials on Scale 11a/Point C to Gamma:-

(c) the following be appointed Senior Officials:-

(i) [REDACTED] :-

L G Lloyd Auditor
Scale 9

(ii) [REDACTED] :-

P J Warland Head of Information Division
Scale 9

(iii) [REDACTED] :-

W A Allen Head of Money Market Operations Division
Scale 9

[REDACTED] Deputy Head of Banking Supervision
Scale 9

[REDACTED] Officials' Development Adviser
Scale 9

T R Smeeton Chief Manager, Foreign Exchange Division
Scale 9

A R Threadgold Head of Financial Supervision: General
Scale 9 Division

J C Townend Head of Wholesale Markets Supervision
Scale 8 Division

It was further agreed that:-

(a) the following be appointed Senior Officials, with effect from the dates specified:-

(i) [redacted] :-

P A Bull to succeed G K Willetts as Head of
Adviser, Domestic Financial Statistics Division with
Statistics effect from 21 September
Scale 9

(ii) [redacted] :-

M D K W Foot to succeed A R Threadgold in November
on his return 1987, as Head of Financial Supervision:
from secondment General Division
to the IMF in
Washington
Scale 9

D A Sharp to succeed R J Woodley as Head of that
Manager, Personnel Division with effect from 1 September
Division 1987
Scale 9

M T R Smith to succeed R H Lomax as Head of that
Adviser, Division at a date to be agreed.
Industrial Finance
Division
Scale 9

(b) with effect from 1 July 1987 G M Gill, Head of Foreign Exchange Division, who was appointed to Point A on 1 March 1987, be appointed an Assistant Director.

Mr Dawkins spoke of the credit which was due to Messrs Harris, Woodley and Piper and the rest of their team for the successful conclusion of Reclassification, which had been a long and complicated exercise. The Governor added the name of Mr Dawkins in expressing to those involved his thanks and the appreciation of Court for the achievement of such a satisfactory outcome.

2 With reference to a Minute of 14 May, and earlier, Mr Galpin informed Court that new variants of the £10 and £5 notes in the current series, which incorporated certain features designed to make the task of the counterfeiter more difficult, would be issued on

16 July. He explained that copies of a mini poster, highlighting the changes in the design of the notes would be distributed to Banks, Building Societies and the Post Office for display for some 4 to 6 weeks from 16 July.

- 3 Mr Price, in the absence of Mr Loehnis, presented the International Economic Developments paper for June.

L. A. Coates

Secretary 16 July 1987

George Blunden

16 July 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 JULY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir David Gerald Scholey, 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 George to speak about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report:-

- 6
- 1 Mr George spoke about the Stock Exchange settlement problems, which had arisen because back offices were unable to cope with the paper work generated by the increased volume of business being transacted since Big Bang. The problem was increasing

with each accounting period and it was important that steps should be taken to control it. The Bank had been pressing the Stock Exchange to take action, as it was essentially their problem, although it affected too the Stock Exchange money brokers, for whom the Bank has supervisory responsibility because of their role in the gilts market. Following recent discussions, the Stock Exchange would be announcing corrective measures this weekend: simultaneously the Bank would announce steps to be taken by the Stock Exchange money brokers, including a requirement that they should in future mark to market on a daily basis and take a 5% margin.

- 2 In commenting on the differences between the capital adequacy requirements of SIB and the Bank for securities business, Mr George explained that whereas the SIB's requirements needed to cover commission-earning broking businesses, the Bank were essentially concerned particularly with position-taking market makers. However, as many firms traded in both areas, it had been hoped that a common set of requirements could be agreed. The Bank had also hoped that the requirements would be close to those of the SEC in New York, to facilitate the convergence exercise with the US securities regulators. Discussions with SIB had failed to find a common solution acceptable to both sides. Nevertheless, the average level of capital required under the two regimes would be roughly the same - it was the structure of the requirements that differed.

- 3 Mr Galpin then commented on the announcement made the previous day that the Bank had reached agreement with the SIB about the supervision of those financial institutions engaged in both banking and securities business, once the Financial Services Act came into force. This had been necessary because there was a clear overlap between the Bank of England's function as supervisor of banking activities and those of the SIB in respect of investment business. The agreement provided for the Bank to act as lead monitor of the securities business by banks who did not handle such activities through subsidiaries: in the latter case regulation would be undertaken directly by the SIB (or relevant SRO). To satisfy

the statutory duty imposed on the SIB by the Financial Services Act, the SIB would require regular reports, or health certificates, from the Bank. These reports would not contain other details, other than in summary form, of an institution's banking business but would confirm that taking both supervisors' requirements together the Bank's capital adequacy tests had been met. If problems arose with particular institutions, the Bank and the SIB would consider them jointly but other than in exceptional circumstances it would be left to the Bank to instigate further enquiries.

It was hoped that this would provide the basis of a workable system acceptable to all and that it would be recognised that both sets of regulators accepted that, in capital adequacy terms, capital was indivisible. The agreement with the SIB would provide a paradigm for agreements with other SROs.

At the Governor's invitation:-

- 1 The Deputy Governor, in his capacity as Chairman of the Company, commented on the Annual Report and Accounts of Slater, Walker Ltd, a wholly-owned subsidiary of the Bank, for the year ended 28 February 1987. He went on to refer to a Minute of 11 June relating to the dispute with Britannia Arrow which was now the subject of legal action: once this was resolved a decision would have to be taken on the future of the company. The Report and Accounts were laid before Court.
- 2 Mr Flemming presented the Bank's Summer Forecast covering the period up to 1989.

Finally, the Governor explained that both he and the Deputy Governor would be absent from Court the following week. As there was at present no urgent business requiring the attention of Court that week, he proposed, and it was agreed, that a Meeting of Directors, involving only the Executive Directors, should be held.

L. A. Craghton

Secretary.

30th July 1987

Hector Lamg.

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 23 JULY 1987

Present

The Hon Sir John Francis Harcourt Baring, CVO
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq

William Peter Cooke, Esq
Douglas Alfred Dawkins, Esq

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

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

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

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report Mr George mentioned that later that day the Bank would be publishing a Grey Paper on Wholesale Markets regulation: it would include details of the Bank's capital adequacy requirements and a code of conduct for listed market makers. He went on to say that a separate announcement would also be made about related adjustments to the capital adequacy requirements for the Discount Houses, Gilt-Edged market makers, and Stock Exchange money brokers.

L.A. Craske
Secretary, 30 July 1987

Hector Lam G.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 JULY 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir Hector Laing

Frederick Brian Corby, Esq

Rodney Desmond Galpin, Esq

Sir Robert Haslam

Sir Martin Wakefield Jacomb

Sir David Gerald Scholey, CBE

David Alan Walker, Esq

Deryk Vander Weyer, Esq, CBE

William Peter Cooke, Esq

Douglas Alfred Dawkins, Esq

Anthony Laurie Coleby, Esq

The Minutes of the Court of 16 July were confirmed, and those of the Meeting of 23 July were approved.

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

Under the weekly executive report:-

- 1 Mr Galpin explained that in 1975 all mutilated note work had been transferred to the Newcastle Branch where 41 staff were engaged full time on it. The volume of work had since fallen

dramatically, partly as a result of the introduction of the £1 coin, and although only 13 staff remained there was now insufficient work for them. As a result it was proposed that those who were able would be integrated with the Banking Staff on other branch work; those unsuitable for such work would be offered the option of either an early pension or continued employment handling mutilated notes on a part-time basis.

- 2 Mr Walker drew attention to the legal proceedings, instigated in the USA by Mr Shamji's family, against JMB and in which the Bank of England had subsequently been joined. After a protracted legal process the Judge, at a hearing the previous week, had dismissed that part of the claim against the Bank. Although the claim remained against JMB, Mr Walker said that there was a good possibility that that too would be dismissed in due course.
- 3 The Governor informed Court that earlier that month Committee of Treasury had considered a request from Mr Peter Thornton, the Curator of the Sir John Soane Museum, that the Bank might contribute towards the cost of restoring the Picture Room at the Museum. In view of the connection with the Bank, the Committee had agreed that a contribution of £15,000 would be appropriate: Mr Thornton had asked that his thanks and those of the Trustees of the Museum be conveyed to Court.

At the Governor's invitation:-

- 1 Mr Taylor attended Court, in the absence of Mr Loehnis, and spoke about the Overseas Trade Figures for May which had been released on 22 July.
- 2 In the absence of Mr Flemming, Mr Taylor then spoke about the Economic Report for July. In introducing a paper on Wage Developments which discussed recent wage settlements in various employment sectors, Mr Taylor pointed out that, overall, wage settlements were currently about 1% lower than in the previous year, although in the past two months there was evidence that they were creeping up again, but only by about 1/2%. Although the position overall was quite encouraging, there was now tentative evidence of settlements responding to the tighter labour market.

3 Mr Coleby introduced the regular monthly discussion of monetary policy. Judgment of the domestic suitability of monetary conditions rested on the actual and prospective balance between demand and supply in the economy. Fears in the latter part of 1986 that the economy was overheating, leading to a balance of payments deficit and a resurgence of inflation, had proved to be unfounded, partly because there followed a pause in the growth of consumption, and partly because the economy's supply response had been better than in earlier periods. The May trade figures put in question the permanence of a satisfactory balance, and the June retail sales figures suggested a strong revival of consumption. As regards the money and banking figures, neither narrow (M0) nor broad aggregates (M3, M4 or M5) gave any clear picture of recent change. Broad money had been inflated by underfunding during the period of exchange market intervention before the Election, but there was overfunding in June so that growth was not unacceptably large. It was however held up by the pace of increase in bank lending, with a particularly massive growth in credit to the personal sector. The greater part of that was for house purchase, but much of it would inevitably feed through to spending in other areas.

The warning signals given by the latest trade and banking figures might prove to be isolated events. If they were repeated, it would indicate a need on domestic grounds for a tightening of policy. That might possibly create a conflict with external objectives, because it could lead to appreciation of the exchange rate; a rate higher than DM3 would probably have an adverse effect on industrial confidence. There were no signs of an imminent resurgence of exchange inflows, and a conflict might not arise even if interest rates were raised. Giving primacy to the control of inflation might however mean that the risk of bringing about a higher exchange rate might have to be taken.

Rd Hopperman
Assistant Secretary
6th August 1987

Heckel Lantg.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 6 AUGUST 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir Hector Laing
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

Douglas Alfred Dawkins, Esq

Anthony Laurie Coleby, Esq

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

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

the Official Reserves figures for July which had been published the previous Tuesday. In doing so Mr Coleby concluded by saying that the Bank were increasing the rate at which they invited bills to be offered to them by the market by 1% with immediate effect. This reflected the considerations he had described at Court the previous week in the discussion on monetary conditions.

Under the weekly executive report:-

- 1 Mr Galpin mentioned that a letter had been sent the previous day to 120 United Kingdom incorporated institutions authorised under the Banking Act concerning provisions against loans to troubled debtor countries. Enclosed with the letter was a matrix to enable the institutions concerned to reconsider the adequacy of their provisions. As a background to this initiative Mr Galpin summarised the history of discussions that had taken place with banks, the Treasury and the Inland Revenue over the question of provisioning against sovereign debt and the resulting steps that had been taken. Arising from the problems of Mexico and Brazil, and findings of the Cooke Committee on various countries' exposures in relation to capital, it had been decided in April this year, with the support of the Board of Banking Supervision, that banks should be required to increase their provisions. The banks had somewhat reluctantly accepted this and had agreed to discuss this question collectively with the Bank with a view to agreeing a way forward which could be reflected in their interim results due in June. The first meeting of the Committee had taken place the morning after Citicorp had announced an increase in bad debt provisions: this had resulted in the banks accepting more readily the need for such an increase.

These discussions had culminated in a matrix of 15 objective criteria being formulated against which banks would mark all countries to which they had a sovereign risk exposure. The scores thus achieved would suggest the percentage range of

provisions required, discussions on which would be held between individual banks and their supervisors. This new approach had been discussed with the Inland Revenue who had found it helpful and providing a basis for discussion with individual banks of the tax deductability of their provisions. Mr Galpin added that the existence of this document which was not being published was likely to leak out. Its purpose was to establish a standard methodology within banks for assessing provisions against sovereign debt; since the matrix was to be completed by the banks it could properly be seen as their assessment of provisioning requirements and not as guidance by the authorities of specific levels of provisions required against particular countries.

- 2 With reference to a Minute of 16 July and the Stock Exchange settlement problems, Mr Walker referred to the tighter capital requirements that had been imposed on the Stock Exchange money brokers. Given the scale of the increase in their lending of equities and that the Bank had supervisory responsibility for them, this had been a necessary move, though it had not in itself helped the wider settlement problem and may have exacerbated it. But there had been full consultation with the Stock Exchange, which now had several initiatives in train. Specifically, discussion was in train to promote improvement in the performance of major registrars whose ability to cope had diminished. The Stock Exchange had also taken a number of initiatives amongst which had been restricting the trading of specific member firms as well as providing assistance to member firms in particular need. These steps, however, had merely helped to alleviate the present problem but not deal with the ultimate solution. The suggestion had been made that the problem might be resolved by reducing trading through the introduction of shorter opening hours for the Exchange but this was unlikely to help much, if at all, and would do great harm to the Stock Exchange. However vigorously present efforts are pursued, the fact is that settlement problems are likely to persist,

albeit hopefully on a smaller scale than now, until the proposed new book entry transfer system is introduced, not less than a year from now.

- 3 The Governor mentioned that he had written to the Secretary of State for the Department of Trade and Industry urging him not to refer British Airways' offer for British Caledonian to the Monopolies Commission. This stance had been taken as a result of experiences over Laker Airways and the serious financial position of British Caledonian.

At the Governor's invitation:-

- 1 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 1987, which was laid before Court.
- 2 Mr Taylor attended Court, in the absence of Mr Flemming, to answer any questions arising from the Economic Commentary section of the August edition of the Quarterly Bulletin.
- 3 Mr Loehnis introduced the International Economic Developments paper for July.

R.A. Hoffmann
Assistant Secretary
13th August 1987

A. Loehnis
13/1/87

A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 AUGUST 1987

Present

Sir George Blunden, Deputy Governor
Anthony David Loehnis, Esq
Dr David Valentine Atterton, CBE
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq
Sir David Gerald Scholey, 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.

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

Under the weekly executive report:-

- 1 Mr Walker commented on a report in that [redacted] that a 4 1/2% stake in Portals had been purchased by [redacted]. He reminded Court that the Bank had a 28.5% holding in Portals, a listed company, and that the Bank's intention was to dispose of its holding in due course, though

it was very unlikely that [redacted] would be regarded as a suitable acquirer of either the Bank's stake or the whole of Portals. It would thus probably be necessary to cold-shoulder [redacted] if he sought negotiation with the Bank. In the meantime, negotiation is in train to yield a more satisfactory contract for the supply of paper by Portals to Debden; until this change in the Bank's commercial relationship with Portals is achieved, it would not be practicable to write, in effect, a prospectus as basis for disposal of the Bank's stake.

- 2 Mr Dawkins mentioned that the Cabinet Office had issued that morning a warning of an enhanced state of alert with regard to terrorist activities as a result of the situation in the Gulf.

At the Deputy Governor's invitation:-

- 1 Mr Loehnis spoke about the Overseas Trade Figures for June which had been released the previous Tuesday.
- 2 With reference to a Minute of the previous week, Mr Taylor, in the absence of Mr Flemming, drew attention to some aspects of the August edition of the Quarterly Bulletin, together with the latest edition of Bank Briefing, both of which were due to be published later that day.
- 3 Mr Charkham attended Court to present a paper on Investor Relations, which described what appeared to be the main current practices in respect of major listed companies' relations with analysts, shareholders and the press and was based on interviews he had conducted with the representatives of a number of these companies. In the discussion which followed the paper was judged helpful and a need for the issue of some form of code of conduct or guidelines was recognised. Whilst the majority of company chairmen appreciated they had to behave properly the same could not necessarily be said for analysts. Whatever code was issued, there would always be a small number who would ignore such guidance. The natural body to be responsible for any such

code or guidelines was the Stock Exchange. The Bank's role should be to encourage, and perhaps assist them, if they decided that companies would benefit from the production of such a document. The SIB might also be encouraged to issue a code of conduct for analysts.

Bob Hoffmann
Assistant Secretary
20th August 1987

Adrian Cobby
20th August 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 AUGUST 1987

Present

Sir George Blunden, Deputy 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 Martin Wakefield Jacomb
Gavin Harry Laird, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

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

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

Mr Galpin commented on the weekly figures and Mr George spoke about the foreign exchanges and the state of the domestic markets. He said that, in the Money Figures which had been published that morning, the monthly growth of 1.2%, seasonally adjusted, in narrow money (M0) was essentially erratic. So far as broad money was concerned M3 after seasonal adjustment had

grown by 2 1/4% on the month with M4 and M5 growing more slowly. The growth in broad money generally had arisen from a record increase in the banks' sterling lending, a large part of which appeared to have been used to repay earlier borrowing in foreign currency. There was little evidence of a sudden explosion of consumer credit, which had been growing fairly steadily - and rapidly - throughout at least the last three years.

Having informed Court that he had no items to raise under the weekly executive report, the Deputy Governor mentioned that any Non-Executive Director who wished to ask about events affecting the Bank during the preceding week which had not been covered by the executive report was always welcome to do so at this point in the agenda.

At the Deputy Governor's invitation:-

- 1 Sir Adrian Cadbury introduced a Report of the Trustees of the Court Pension Scheme, together with the Annual Report and Accounts for the year ended 28 February 1987. 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 1988 is known, was approved.
- 2 Mr Galpin presented a Report of the Trustees of the Bank of England Pension Fund, together with the Annual Report and Accounts for the year ended 28 February 1987. He mentioned that although not required to do so until next year the Trustees had decided to present the report in accordance with the Regulations on disclosure of information contained in the Occupational Pension Schemes Regulations 1986. Mr Galpin also drew attention to the above-average performance of the rate of return which the Fund achieved during 1986 together with the fact that, without taking into account deferred pensioners, there were almost 1,000 more beneficiaries than active members of the Fund.
- 3 Sir John Baring introduced a Report of the Committee to consider the Securities of Certain Funds which was approved.

The Deputy Governor drew attention to a summary of press reaction to the August edition of the Quarterly Bulletin which had been published the previous week.

Mr Walker then introduced a paper on Accounting for Mergers and Acquisitions. The paper described the present accounting requirements governing mergers and acquisitions, and some of their shortcomings, before going on to suggest, tentatively, changes which might be made to deal with them. Mr Walker said that the Bank had for long felt that there were serious problems in this area, a concern which was shared by the CBI who would be referring to the matter in their forthcoming Task Force report. He was bringing the question to Court both as a matter of general interest and importance but also to seek any guidance from Court ahead of discussion that he would be having with the Accounting Standards Committee. In the discussion which followed, of what was considered a very interesting paper on an important subject, there was general agreement that the availability of techniques for dressing up mergers as acquisitions with the consequential apparent improvement in performance, created uncertainty and could be seriously misleading. There were in fact few mergers as such and it seemed desirable that accounting standards should be tightened so as to reduce the facility with which acquisitions could be presented in financial accounts as if they were mergers.

It was agreed that there were difficulties even within acquisition accounting, in particular because of the absence of a requirement either to write off goodwill above the line or even to disclose clearly what had been done. While there might be a case for setting a maximum period for the write off of goodwill, this should not be so short as to be unrealistic, and it might be concluded that firmer requirements as to disclosure of precisely what was being done in respect of goodwill offered an acceptable alternative.

C. S. Cragg
Secretary 27 August 1987

Adrian Cadbury
27 August 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 AUGUST 1987

Present

Sir George Blunden, 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
Sir Robert Haslam
Gavin Harry Laird, Esq
Anthony David Loehnis, 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.

Mr Galpin commented on the weekly figures and Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report the Deputy Governor mentioned that a book by Stephen Fay covering the recent history of the Bank - from 1970 to date - would be published on 21 September;

██
██
██

At the Deputy Governor's invitation:-

1 Mr Flemming spoke about the Economic Report for August.

- 2 With reference to a Minute of the previous week and earlier, and to the provisional money and banking figures for July, Mr George introduced the regular discussion of monetary policy. He reminded Members of the dilemma we had faced earlier in the year when we had resisted upward pressure of the exchange rate. On the assumption that the pressure might only be temporary, and to preserve business confidence, we had then compromised on our domestic monetary objectives. It followed that, unless evidence changed, we should seek to recover the ground we had given up once the dilemma had eased. To the extent that the indicators of monetary conditions had subsequently changed, they had pointed to the need for firmer rather than easier policy.

In several respects the economy was performing well but it was important to keep downward pressure on prices and to keep inflation under control in order to sustain this performance. Underlying inflation in the economy as a whole remained at about 4-5% which was still higher than our competitors: there was little evidence to suggest that it was falling but some indication that it could possibly move higher.

The monetary influences had been discussed the previous week. Although there were grounds for thinking that the recent growth in bank lending was less worrying than appeared at first sight, the persistently fast growth of broad money was not reassuring. Nevertheless it would be premature to think that the situation was getting out of hand. The tightening of policy in the last month had certainly been necessary. Hopefully it had been adequate, but there was a continuing need to watch the situation closely.

- 3 Mr Loehnis presented the 1987 LDC Disaggregated Forecast the main objectives of which were to check whether the Bank's World Economy Forecast projections for the aggregate less developed countries (LDC's) looked realistic, and to consider how the debt burdens of some important debtors could evolve.

C. A. Conquest
Secretary 3rd September 1987

George Blunden
3rd September 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 SEPTEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

John Stanton Flemming, Esq
Douglas Alfred Dawkins, Esq

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

Mr Galpin commented on the weekly figures and Mr George spoke about the foreign exchanges and the state of the domestic markets, before going on to speak about the Official Reserves figures for August which had been published the previous day.

There being no items for discussion under the weekly executive report, at the Governor's invitation:-

- 1 Mr Loehnis spoke about the Overseas Trade figures for July which had been released the previous Tuesday.

- 2 Mr Loehnis then introduced the International Economic Developments paper for August.
- 3 The Deputy Governor, in commenting on the Accounts of the Houblon-Norman Fund for the year ended 30 June 1987, explained that the Fund had been established by Court in 1944 and the three Trustees of the Fund, who are now all Members of Court, thought it appropriate that the Accounts should be presented to Court. Mr Flemming in his capacity as a Member of the Houblon-Norman Advisory Committee commented on the Report of that Committee, on the appointment of the Fellow for 1987/88 and on the areas of research that he would be pursuing.

L. A. Croughton

Secretary. 10th Sept. 1987

George Blunden

10th September 1987

A COURT OF DIRECTORS AT THE BANK
THURSDAY 10 SEPTEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
Frederick Brian Corby, Esq
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Hector Laing
Anthony David Loehnis, Esq
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 last Court, having been circulated, were approved.

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report, the Governor spoke to Court about the recent meetings of the BIS in Basle which he had attended. He then mentioned that the visit of the Prime Minister to lunch the previous day had been very satisfactory; a similar occasion was likely to be arranged in some six months' time.



At the Governor's invitation:-

- 1 In commenting on the Report and Accounts of EBS Investments Ltd for the year ended 28 February 1987, Mr Galpin said that it might be possible to put the Company's two subsidiaries into liquidation by the end of the year once certain tax problems were resolved: thereafter it might be possible to liquidate EBS Investments itself. The Report and Accounts were laid before Court.

- 2 Mr Loehnis introduced a paper from the International Divisions - Liberalisation, London and the International Securities Markets - which sought to assess the impact of liberalisation abroad on London's role as the home of the euromarkets.

L. A. Cayle

Secy. 17 Sept. 87

George Blunden

17 September 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 SEPTEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir George Blunden, Deputy Governor

Dr David Valentine Atterton, CBE

Sir George Adrian Hayhurst Cadbury

Sir Colin Ross Corness

Rodney Desmond Galpin, Esq

Sir Martin Wakefield Jacomb

Sir Hector Laing

Gavin Harry Laird, Esq

Anthony David Loehnis, Esq

Deryk Vander Weyer, Esq, CBE

Sir Leslie Clarence Young, CBE

Anthony Laurie Coleby, Esq

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

There being no comments on the weekly figures, Mr Coleby, in the absence of Mr George, spoke about the foreign exchanges and the state of the domestic markets.


Under the weekly executive report:-

- 1 The Governor commented on the ECOFIN meetings which he had attended the previous weekend in Denmark.

- 2 Mr Galpin spoke about the Bank's powers in respect of those seeking a controlling interest in an authorised institution. In particular he commented on press reports earlier that day which drew attention to the delay by the Bank in making a decision on the bid by Equiticorp for the Guinness Peat Group. He explained that under the Banking Act 1987 those seeking a controlling interest would have to submit to a 'fit and proper' test but until the Act was in force - hopefully on 1 October - the Bank did not have power to seek the necessary information to enable them to make the judgment. In the case of Equiticorp the Bank had sought that information on an informal basis but it had not yet all been forthcoming: for this reason it was impossible to come to a judgment.

Once the Act was in force, the decision formally taken by the Bank would be open to appeal and it was important therefore that we should be both thorough and consistent in our decisions on suitability.

At the Governor's invitation:-

- 1 The Deputy Governor introduced a Minute of the Committee of Treasury recommending changes to the Board of Directors of certain of the Bank's subsidiary companies consequent upon the retirement of Mr Dawkins; a number of changes concerning the representation of the Governor and Company of the Bank of England at Meetings, pursuant to Section 375 of the Companies Act 1985; and that authority be given for Mr H C E Harris to act as a Governor for the purposes of authorising budgets and additional expenditure, and authorising and monitoring projects, as requested, from time to time, by the Deputy Governor. The recommendations contained in the Minute were approved.
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- 2 Dr Atterton introduced a Report of the Charitable Appeals Committee which was laid before Court.
- 3 Mr Laird spoke about the TUC Annual Conference which he had attended the previous week.

George Blunden

24th September 1987

L. A. Croft

Secretary 24 September 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 SEPTEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
Deryk Vander Weyer, Esq, CBE

John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

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

There being no comments on the weekly figures, Mr Loehnis presented the Overseas Trade Figures for August which had been released earlier that morning; and Mr Coleby spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report Mr Galpin spoke about the progress that had been made on convergence at the recent meeting of Supervisors in Basle. Under the Chairmanship of Mr Cooke, the Committee had reached tentative agreement on capital adequacy requirements. The agreement which was acceptable to the EEC authorities in Brussels, had been modelled on the earlier proposals agreed by the United States and the UK. The report of the Committee would now be submitted to the meeting of the G10 Central Bank Governors in November and it was hoped that it would then be published in the relevant countries before the end of the year.

The Governor said that the agreement was very satisfactory and reflected great credit on Mr Cooke.

At the Governor's invitation:-

- 1 Mr Galpin said that the Banking Department had recently concluded a review of the level of signing powers within that Department with a view to achieving a greater measure of delegation in accordance with the precepts of Reclassification. The proposals which he introduced dispensed with the need for Senior Officials to sign routine items of work; delegated further work, which had already been authorised, within Offices and Branches; and introduced the concept of Authorised Office Signatories who would be appointed by Office Principals within guidelines agreed by the Chief of the Banking Department. The Banking Department's delegation package, which would entail creating a third group of signatories to take account of the Authorised Office Signatories, met the Auditor's requirements and had recently been agreed with the Deputy Governor.

It was proposed that the new arrangements should come into effect from 1 October and, as it was necessary to amend the Bank's current Power of Attorney to take account of the changes in signing powers, a new Power of Attorney had been drawn up and was before Court for sealing, together with a




letter from Messrs Freshfields confirming that the document was in a fit and proper form.

Court approved the proposals and ORDERED that the Power of Attorney be sealed with the Common Seal of the Bank.

2 Mr Flemming presented the Economic Report for September.

3 With reference to the provisional Money and Banking figures for August, Mr Coleby introduced the regular monthly discussion of monetary policy. Our policy stance was related to judgments on demand and supply in the economy. Over the recent period there has been no question of demand being inadequate and therefore no reason to consider lowering interest rates, unless that became necessary to combat upward pressure in the exchange markets. The possibility of a tighter policy being needed because of strengthening demand or faltering supply has on the other hand been a real one. Until the publication of the trade figures earlier in the day the news from the real economy had been modestly reassuring; the trade figures pose a bigger question mark.

The latest month's Money and Banking figures added little to the debate. MO showed a decline, year on year, from 5.3% to 4.5% but the underlying growth in the currency circulation was rather stronger. Growth in the broader aggregates was unspectacular, but M3's year on year increase rose to 22% from under 21% owing to the disappearance of the low figure for August 1986. The rates of annual growth of M4 and M5 were showing signs of acceleration. The growth of sterling bank lending was encouragingly modest, but was accompanied by a resumption of lending to UK borrowers in foreign currencies. It was hard to find convincing evidence that sterling and currency lending were close substitutes but, for what it was worth, the sum of the two in each of the last two months was well below that earlier in the year. The Money and Banking figures therefore provided little additional evidence to support the view that the economy was overheating.



Mr George, reverting to the earlier discussion, said that from these descriptions of the economic and monetary situations it was difficult to see any possible case for an easier policy stance. Demand was buoyant, unemployment falling and output rising rapidly, though not fast enough to prevent a worsening current account balance. Inflation meanwhile was still running at an underlying rate of 4-5% as it had been for the last four or five years with a greater risk of it rising above that level than falling below it. Despite this we were repeatedly being asked to relax our policy stance. He was not clear what this implied. Were those who argued for relaxation questioning the analysis and suggesting that such relaxation would not result in overheating and inflation? Or were they suggesting that we were pursuing the wrong objective and should be prepared to accept the risk of higher inflation? The analysis was of course always open to question - though there was at present a good deal of common ground among analysts, both in the official and private sectors. But if it was the objectives that were being challenged that was a prescription for returning to the 1970s and would lead to the same results.

In the discussion which followed Sir Robert Haslam repeated his view that the exchange rate levels endorsed by the Louvre Agreement were about right but that they had subsequently been allowed to rise: he suggested, with support from Sir Colin Corness, that too much emphasis was being placed on controlling the money supply and inflation which could have adverse consequences for the long-term competitiveness of British industry.

C.A. Wright.

Secretary 1st October 1987

George Blunden

1st October 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 OCTOBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Sir Colin Ross Corness
Sir Hector Laing
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

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

There being no comments on the weekly figures, Mr Coleby, in the absence of Mr George, spoke about the foreign exchanges and the state of the domestic markets, before commenting on the Official Reserves figures for September which would be released the following day.

Under the weekly executive report:-

- 1 Mr Walker said that he had recently visited Canada where he had been invited to give several talks to the Toronto Stock Exchange and other groups, and spoke of some of the impressions he had gained during his visit.
- 2 The Deputy Governor reminded Court that the new Banking Act, which enhanced considerably the Bank's powers of supervision, came into force that day; and, with reference to a Minute of 17 September, went on to explain the latest position in Equiticorp's bid for the Guinness Peat Group.

The Governor spoke about the IMF and IBRD annual meetings which he had attended in Washington earlier in the week, and expanded on some of the significant points which had arisen during those meetings.

R.A. Hoffmann

A. G. ... 8/2/87

Assistant Secretary 8th October 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 OCTOBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Anthony David Loehnis, Esq
The Hon Sir John Francis Harcourt Baring, CVO
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report, the Governor spoke to Court about the next six months' developments in regulation of the City.

With reference to a Minute of Committee of Treasury and Court of 17 September, a letter from Messrs Freshfields, together with a Deed appointing Mr H C E Harris to the Board of Trustees of the Bank of England Pension Fund in succession to Mr Dawkins, were submitted.

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, Mr Loehnis introduced the International Economic Developments paper for September.

L.A. Cragh

Secy 15th October 1987

Adrian Cadbury

15th Oct 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 OCTOBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, CVO
Frederick Brian Corby, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

Mr George commented on the weekly figures and went on to speak about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report:-

- 1 The Governor referred to the speech he had given to the Northern Ireland Chamber of Commerce earlier in the week, in which he had set out some considerations relating to the ownership of banks.

be

- 2 In referring to the CBI Report on Industry/City relations, which had been published the previous day, Sir David Scholey enquired whether the Bank, having taken the initiative in stimulating the debate, would continue to be involved. Sir Adrian Cadbury said that the Report would now be debated at the CBI Conference and suggested that any comment should perhaps await that event.

At the Governor's invitation:-

- 1 Mr Walker introduced the latest Report and Financial Statements of Minorities Finance Ltd as at 30 June 1987. The Governor expressed thanks to Mr Walker and his colleagues on the very satisfactory situation that now obtained with Minorities Finance Ltd.
- 2 With reference to a Minute of 21 May, Mr George introduced the Departmental Working Party Report on the location of the Registrar's Department, which had been discussed earlier that day at Committee of Treasury. At the Governor's further invitation Messrs Drake and Harris also attended as the subject was one which would have considerable effect upon their respective areas of responsibility.

Mr George identified the main issues; the cost of relocation which on a worst case basis would produce savings of the order of £7.25mn per annum, representing a rate of return of about 15%, which was a reasonable proposition for the public sector; the risks of dislocation to the registration function and the gilt edged market if too many staff quit before the move and sufficient qualified staff were not prepared to relocate - this raised the issue of adjustments in salary and salary expectations; the need for social and operational reasons to consider a search zone within a day's round trip from London; and the need, for political reasons, to look specifically at locations in Assisted Areas within the search zone, and if necessary define precise reasons for their rejection.

bc

During the discussion which followed, questions were raised about privatisation and the possibility of the Bank establishing a separate company to undertake the registration function, and whether it was necessary to maintain such a high level of service in this respect; the need to ensure that once the Registrar's Department had moved, the residual overheads were not then spread over the rest of the Bank; and the possibility of finding suitable accommodation in an existing building rather than having one custom built.

In response, Mr George said that it was the Bank's responsibility to provide the service to Government on a cost-effective basis; privatisation would achieve this but the private sector would, in addition, require a profit. It was for Government to decide on the quality of service they required - the liquidity resulting from rapid registration in the gilt market was one of its attractions compared, for example, with the equity market. The matter of residual overheads was a consequential issue to be resolved within the Bank; and the possibility of using an existing building was one on which the Bank would certainly take advice from local estate agents.

Considerable concern was then expressed on the various staffing issues that were raised by relocation; the need for adequate incentives for staff to remain in London until the move took place; the need for adequate relocation terms; and the need for firm assurances to the staff that these would be dealt with sympathetically. It was agreed that the detailed arrangements on these issues should be left to the discretion of the Governors.

Court then agreed:-

- (i) to endorse in principle, and subject to discussion with HMT of the financial arrangements, the main recommendation of the Registrar's Departmental Working Party that the Department (except CGO) should move away from London;

bc

- (ii) to invite the Working Party to produce by end-February 1988 at the latest, a short list of suitable locations within a day's round trip from London, including an examination of Assisted Areas within that radius;
- (iii) (a) that anyone in the Department, except contract staff, wishing to relocate may do so;
- (b) that every effort should be made to redeploy within the Bank those staff that do not wish to relocate;
- (c) that a severance scheme, on the lines of other recent schemes, should be made available for those staff choosing not to relocate who are still working in the Department when their jobs are transferred and who cannot be redeployed to other jobs within the Bank; and
- (d) that the main elements of the financial arrangements for staff transfer or severance should be prepared, also by end-February 1988, for announcement to the staff;
- (iv) that these decisions should be announced immediately to the staff, with an indication that it is unlikely that a move could begin before 1990 at the earliest.

L. A. Croft

Secretary. 22nd October 1987

Adrian Cadbury

22/10/87

A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 OCTOBER 1987

Present

Sir George Blunden, Deputy 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 Martin Wakefield Jacomb
Sir Hector Laing
Anthony David Loehnis, Esq
David Alan Walker, Esq

Anthony Laurie Coleby, Esq

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

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the domestic markets.

Under the weekly executive report:-

- 1 Mr George explained that in view of the physical dislocation of the City the previous Friday following the storm the previous night, it had been the Bank's view that it was impossible to carry out effective clearing settlements that day.

In the circumstances, the Bank had seen no alternative to postponing the clearing settlement until the following Monday and had issued a notice to that effect which had been followed by an affirming notice from the four big Clearing Banks.

Discussions had taken place with Messrs Freshfields and with HM Treasury to see whether the closure might be approved under the Banking and Financial Services Act 1971, but this had not proved possible. In response to a suggestion that action should be taken to anticipate a similar situation in the future, the Deputy Governor said that a Committee was currently considering Laws affecting Banking and the matter would be referred to them for their consideration.

- 2 The Deputy Governor said that as a result of the collapse of the equity market earlier that week, a team from the Bank with representation from the Stock Exchange was monitoring the position of the market makers in equities, many of whom had suffered considerable loss, or potential loss. The team, led by Mr Quinn, was keeping in touch with a similar group established by the Federal Reserve Bank in New York.

At the Deputy Governor's invitation:-

- 1 Mr Corby as Chairman of the Staff Committee introduced the Chief of Corporate Services' Report on Staffing Policy for the Banking Staff. Mr Harris, who had been invited to attend Court, drew attention to some aspects of his Report, which was laid before Court.

In the discussion which followed questions were asked about the Union's position on various issues following the transfer of engagements to BIFU. The Union had not yet responded to the decision to relocate the Registrar's Department although it was expected that they would be active in seeking sympathetic treatment for the staff concerned. Further issues that remained outstanding concerned the Recognition and Procedural Agreement, the creation of a separate bargaining unit for managerial staff, and amendments to the existing provisions for arbitration which Mr Harris would pursue with them shortly.

Sir Adrian Cadbury recalled that there had been considerable debate during the Reclassification exercise about the need to keep all levels of staff aware of the Bank's objectives. The Deputy Governor said that with the new managerial structure it was the intention to place greater emphasis on communication, and although it was not appropriate to draw up a corporate plan for an institution such as the Bank, Mr Harris proposed to produce, at the completion of this budget cycle, a document drawing together the objectives of the various Divisions and Departments of the Bank; this to some extent would be a substitute for a corporate plan. This document would be made widely available.

- 2 In commenting on the statement of recent secondments and retirements of Senior Officials and Officials under the Restricted Severance Scheme, Mr Harris explained that as a result of these retirements considerable restructuring had taken place, particularly in the Banking and Registrar's Departments, with many jobs now being done at a lower level and other staff not being replaced. This had generated a saving of 6.4% in salaries to date, compared with a target of 7%, and further retirements were expected.
- 3 Mr Taylor, in the absence of Mr Flemming, presented the Economic Report for October.
- 4 With reference to the provisional Money and Banking Figures for September, Mr Coleby introduced the regular monthly discussion of monetary policy. As Mr Taylor had explained earlier, the economy remained buoyant with much greater risk of demand outstripping supply than of its proving to be deficient. The recent monetary data confirmed this: M0 continued to rise at annualised rates of 8-9%, and was now 4.9% higher than a year ago seasonally adjusted; this accorded with the recorded strength of consumption expenditure. The increases in the growth of broad money were quite modest on the month, M3 rising by 0.8% and M4 and M5 by 0.5%. The decline in M3's year on year growth was misleading as the figures for September 1986 were inflated by the TSB

share offer. Overall, the figures for the past month gave no grounds for greater concern than in the previous month. However the counterparts called for some attention. There had been a degree of overfunding in the PSBR, and there had been a substantial depressing effect of other counterparts, caused particularly by the Rights Issue by Midland Bank and elements of capital outflow reflecting acquisitions abroad. The expansionary counterpart was bank lending at £4.4 bn, which had caused concern in the markets. The 23 1/2% growth of bank lending over the past year reflected a considerable gain in the share of the residential mortgage market from the building societies. Putting bank and building society lending together - the M4 lending counterpart - produced lower growth, at about 20%. Although the figure for sterling lending was high in September that for lending of foreign currency was relatively low. The composition of lending in recent months did not support the proposition that there had been a sharp increase in debt-financed consumption. So the lending figures were not perhaps quite so alarming as they might seem at first sight, but they did provoke the question whether some tightening of monetary conditions would be desirable.

Any tightening of policy in reaction to the monetary situation, however, would be likely to result in a firmer exchange rate which might be unwelcome for other reasons. The recent fall in the stock markets would have a disinflationary effect. Its strength would vary from country to country, undoubtedly having a greater impact in the US than in the UK where the effect might be no more than a modest - and indeed welcome - depressant. The UK might, however, also be affected by any reduction in global demand as a result of deflationary pressures experienced in other countries.

- 5 Sir Hector Laing spoke about some of the impressions he had gained during his recent visit to the Far East.

BA Agnew
Asst Secretary
29th October 1987

George Blunden
29th October 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 OCTOBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

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

Mr Galpin drew attention to the effect of changes in exchange rates on the weekly figures. Mr George then spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report the Governor spoke about the BP Issue. He said that the Underwriting Agreement required the Bank to make an assessment of the situation when a majority of



United Kingdom underwriters considered that they were no longer confronted with a proper underwriting risk and when the Treasury did not accept that judgement. This situation now existed and the Bank had today been asked for its assessment. The underwriters and Treasury were required subsequently to take full account of the assessment but were not bound by it. The process of assessment, which involved a degree of formality, had started and the Bank were being advised by Allen and Overy, Freshfields having been retained by the underwriters.

The Governor asked Court if they would be content for the Governors and Executive Directors to undertake this task as a sizeable majority of Non-Executive Directors would be faced with conflicts of interest if they were consulted. Court agreed that the Governors and Executive Directors should proceed on the basis mentioned. The Governor added that it was hoped to complete the assessment and report to the Treasury and underwriters by the end of the day. It was agreed that a copy of the Bank's assessment would be made available to Members at next week's Court.

L. A. Coaghter

Secretary

5th November 1987

George Blunden

5th November 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 5 NOVEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, 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
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

John Stanton Flemming, Esq

Court expressed their sadness on learning of the death of the Rt Hon Lord Cobbold, KG, GCVO, who had served the Bank continuously from 1933 until 1961, and recorded their appreciation of his long and loyal service throughout that period. It was agreed that the Governor should convey to Lady Cobbold and her family the sympathy of the Court of Directors.

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

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets, before going on to speak about the Official Reserves figures for October, published the previous Tuesday, which recorded the largest increase ever of \$6.5 bn.

Following a brief discussion of the factors contributing to the continuing fall in the markets, particularly in London, it was suggested that after further research this might be discussed again at a later date.


Under the weekly executive report:-

- 1 With reference to a Minute of 22 October, Mr Galpin explained that a Working Party led by Mr Quinn had been meeting daily to monitor the position of the equity market makers and of the banks exposed to them. There was no evidence at present to suggest that any significant players had problems that could not be contained, though some of the smaller institutions may be experiencing difficulties.
- 2 Mr Loehnis brought Court up to date with the present state of negotiations between commercial banks and Brazil on a plan to avoid Brazilian debt in the books of US banks being declared "value impaired" by the US Regulatory Committee, ICERC.

With reference to a Minute of the previous week, the Governor explained to Court the action that the Bank had subsequently taken in its role as independent assessor in the matter of the BP Share Issue, and drew attention to the Bank's Assessment under Clause 8.01 of the BP Fixed Price Offer Underwriting Agreement of 15 October 1987, copies of which had been made available to Members.

The Governor went on to speak about the problems which had arisen as a result of comments in the Press about the alleged dispute between the Bank and the Treasury over the authorship of the safety-net scheme, and drew attention to the issue of whether the Bank should have to arbitrate between the Government and the markets.

At the Governor's invitation:-

- 
- 1 Mr Loehnis spoke about the Overseas Trade Figures for September which had been released on 23 October.

- 2 Mr Flemming presented the Economic Commentary section of the November edition of the Quarterly Bulletin which included a paper on the latest Bank Forecast of the World Economic Prospects.
- 3 Mr Loehnis commented on the International Economic Developments paper for October.

L. A. Coughlin

Secretary 12. November 1987

George Blunden

12 November 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 NOVEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets.

With reference to a Minute of the previous week, Mr Walker introduced a paper on the equity markets in October and November which assessed the recent performance of the market in London with some comparison with New York and Tokyo. In the discussion which followed it was agreed that it was too soon to draw firm

conclusions from the evidence available but continuing analysis would be important and helpful. But one clear lesson that could be drawn from the recent experience was the need for still closer attention to prudential supervision of capital market intermediaries.

There were no items for mention under the weekly executive report.

At the Governor's invitation:-

- 1 The Deputy Governor introduced a Recommendation of the Governors concerning a number of appointments and promotions.

It was agreed that:-

- (i) Consequent upon the forthcoming retirement of D H F Somerset on 29 February 1988, the following appointments be made:-



<p>G M GILL [REDACTED] Head of the Foreign Exchange Division and an Assistant Director.</p>	<p>to be Chief of the Banking Department and Chief Cashier with effect from 1 March 1988.</p>
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<p>M D K W FOOT [REDACTED] A Senior Official on secondment to the IMF in Washington.</p>	<p>to be Head of the Foreign Exchange Division on his return.</p>
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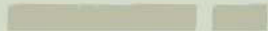
<p>T A CLARK [REDACTED] An Official, currently a Senior Manager in the Gilt Edged Division.</p>	<p>to be Senior Official, Epsilon, and to become Head of Financial Supervision General Division with effect from 16 November 1987.</p>
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- (ii) Consequent upon the forthcoming retirement of N R Bedford on 31 December 1987, the following appointment be made:-


 An Official, currently to be a Senior Official,
 Manager  Epsilon, and to become
 Management Services. Staff Manager, Corporate
 Services Department with
 effect from 1 January 1988.


- (iii) Following the reallocation of responsibilities within the Corporate Services Department, the following appointment be made:-


 An Official, currently to be a Senior Official,
 Principal of Premises Epsilon, and to become
 Division. Divisional Chief, Premises,
 with responsibility for
 Policy and Strategy, in
 addition to his present
 responsibilities, with
 immediate effect.

- 2 Sir Hector Laing, Chairman of the Debden Committee, introduced a Recommendation of that Committee concerning Senior Salaries at the Printing Works.

It was agreed that consequent upon a review of the Printing Works Senior Officials' Salary Structure the following changes be made:-

- (i) With effect from 1 July 1987 the salaries of the General Manager and the two Deputy General Managers be increased as follows:-


 A W JARVIS,
 General Manager

from  to 

██████████,
Development & Commercial
Manager

from ██████████ to ██████████

██████████,
Works Manager

from ██████████ to ██████████.

(ii) Future increases in salary related to the general level of annual awards in the printing industry to be determined by the Debden Committee; any proposed increase unrelated to such awards to be referred to Court.

- 3 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the November edition of the Quarterly Bulletin and the latest edition of Bank Briefing, both of which were due to be published later in the day.
- 4 Sir Adrian Cadbury and Mr Corby commented on the CBI Annual National Conference which they had both attended the previous week.

The Governor spoke about his recent visit to Eastern Europe where he went to Romania, Yugoslavia, and Bulgaria.

L. A. Craghton
Secretary 19 November 1987

George Blunden
19th November 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 NOVEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Sir Hector Laing
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
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.

The Governor drew attention to one point in the weekly figures. Mr George spoke about the foreign exchanges and the state of the domestic markets.

There were no items for mention under the weekly executive report.

At the Governor's invitation:-

- 1 Sir David Scholey presented a Report of the Audit Committee which summarised the Committee's view of the Report submitted by Deloitte, Haskins and Sells, the external auditors, on the results of their audit of the Bank's accounts. He went on to say that a draft Letter of Engagement governing the auditing activities of Deloitte, and a subsidiary document formalising the relationship between the external auditors and the Audit Division were now available for signature by both parties and would be considered by the Audit Committee at their meeting the following week.

- 2 With reference to a Minute of 29 May 1986, Mr Loehnis introduced a paper which discussed the question of possible UK entry into the exchange rate mechanism of the European Monetary System and explained that the case for and against UK membership remained as outlined in the paper discussed the previous year. Although there was continuing pressure for UK participation, particularly from existing members of the EMS, membership would introduce external constraints on domestic economic policy. Mr George commented that since the last discussion we had had experience, in relation to the deutschemark, of what it might be like to work within the EMS, but although we had succeeded in keeping within the margins, since the pressures on sterling had been mainly upwards, this had only been achieved by compromising on domestic policy. The real test would be when the pressures move consistently downwards. During the discussion which followed, it was suggested that although there were attractions in shadowing the EMS and at the same time maintaining an independent stance, such action, particularly at a time of movement towards a single financial market, did not display a serious commitment to the EEC, which was the political case for joining the mechanism.

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- 3 With reference to a Minute of 24 September 1987, Mr Flemming introduced a paper on UK competitiveness and third country cross rates which discussed movements in both cost and price competitiveness and the effects of movements not only in sterling but also in other exchange rates, notably the dollar and the deutschemark. The conclusions that could be drawn were that changes in cross rates impinged differentially on different industries although some industries gained while others lost. Overall the effective exchange rate did its job well and if it was unchanged the losses for some sectors would be offset by the gains to others.

In drawing attention to the press reaction to the November edition of the Quarterly Bulletin which had been published the previous week, the Governor explained that the statistics relating to the UK's net external asset position for 1986 had been incorrect. The figures quoted indicated that the UK was top of the international league whereas our correct position was second to Japan.

L. A. Cragg.

Secretary 26 November 1987

George Blunden

26 November 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 NOVEMBER 1987

Present


The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Robert Haslam
Gavin Harry Laird, Esq
Anthony David Loehnis, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE
Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq
John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

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

Mr Galpin commented on the weekly figures and Mr George spoke about the foreign exchanges and the state of the domestic markets.



Under the weekly executive report:-

- 1 With reference to a Minute of 5 November 1987, Mr Loehnis commented on the latest position regarding the Brazilian debt negotiations and explained that contrary to recent press reports, the Bank had not put pressure on two UK banks to join the interim re-financing package. It now appeared that they would go along with this of their own volition, although there were still a number of obstacles to be overcome before the whole package could become effective.
- 2 With reference to a Minute of 9 April 1987, the Deputy Governor informed Court that earlier that morning J S G Boggs, who had been charged under the Forgery and Counterfeiting Act 1981, with reproducing banknotes without permission, had been found not guilty. This verdict might create serious problems for the Bank.

At the Governor's invitation:-

- 1 Mr Loehnis spoke about the Overseas Trade Figures for October which had been released the previous Tuesday.
- 2 In introducing the Report of the Committee on Permanent Control of Expenditure, the Deputy Governor drew attention to the estimated outturn for personnel costs which was likely to exceed budget by £2.4 mn in the year 1987/88. He explained that the part of the increase in salaries arising from Reclassification which was to be self-financing would not be fully offset until the following budget year. The Report was approved.
- 3 Mr Flemming presented the Economic Report for November.
- 4 With reference to a paper on recent trends in Sectoral Money, Mr Coleby explained that the paper provided some background to the interpretation of monetary developments, showing in

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particular the effect of competition between banks and building societies on broad money aggregates and personal sector borrowing, and the recent contribution to monetary growth of the transactions of other financial institutions. Referring to the provisional Money and Banking Figures for October, he said that the indications were that M0 grew by 0.6% on the month, with the twelve-month rate of growth of the currency circulation continuing to rise to between 5 and 5.4%. Broad money had grown very fast: M3 had increased by 3.4% during the month to 22.2% year on year, with corresponding figures for M4 and M5 of the order of 2% month on month and 15-16% year on year. Special factors in October made it hard to extract underlying information from these figures. Anticipation of the BP share issue undoubtedly caused a build-up of money balances both by persons and by building societies, which were not in the event drawn upon. The understanding associated with the exceptionally heavy intervention in the foreign exchange market was an even greater expansionary influence. Both factors might be expected to unwind in the coming months. The October figures for sterling bank lending recorded a growth of £2.9 bn compared with £4.3 bn in the previous month, but there was a noticeable increase in foreign currency lending. Although there were some grounds for expecting somewhat slower growth in broad money in the coming months it could be some time before this was reflected in the figures year on year. All in all the Money and Banking Figures confirmed the real economy statistics which indicated that the economy remained buoyant.

In addressing the policy issues, Mr George said that over the past month the Bank had been immediately concerned with trying to stabilise the financial markets. The fall in interest rates had to be seen in that context, as too should our restrained approach to funding. But the underlying concerns remained.

It was still too early to assess the impact of the recent fall in stock market prices but that in itself could prove beneficial in cooling the economic temperature which had

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become feverish. The survey evidence so far did not indicate that it had had any real impact on business optimism or investment plans, but anecdotal evidence was less sanguine. The depressive effect on the UK and on world trade may justify the lowering of interest rates that had taken place, and the weak dollar and related strength of sterling would also have a restraining effect.

However, there were disturbing signs elsewhere, particularly pay pressures and public sector price increases, and taken together with the underlying strength of the economy before the Stock Market crash, that there was no present justification for a further easing of policy on domestic grounds. Nor was it clear that the international situation required any further easing of policy by the UK. The imbalances were concentrated in the US on the one hand, and Germany and Japan on the other, but action by them could lead to upward pressure on sterling which would represent a tightening of monetary conditions.

During the discussion that followed, some concern was expressed about the impact of the Stock Market price fall on business confidence and investment plans. It was noted that Mr Charkham was currently in discussion with industrialists on this issue and it was agreed that a further discussion would be valuable once his enquiries had been completed.

L. A. Crafts.

Secretary 3rd Dec 1987

George Blanche

3rd December 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 DECEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, 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 Robert Haslam
Anthony David Loehnis, Esq
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

William Peter Cooke, Esq
John Stanton Flemming, Esq

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

Mr Galpin commented on the weekly figures and Mr George spoke about the foreign exchanges and the state of the domestic markets, before going on to speak about the Official Reserves figures for November which had been published the previous day.

Under the weekly executive report:-

- 1 Mr George explained that under the terms of the BP Repurchase Scheme, the offer could be closed at any time between 11 December and 6 January subject to five working days notice being given. At present, the likelihood was that the market

price, taking into account commission and dealing costs, would continue to be below the offer price of 70p per share and that the offer would run on until the final closing date.

- 2 Mr Walker informed Court that it was proposed to change the name of the Financial Supervision General Division to Financial Markets and Institutions Division, which would more accurately reflect the nature of the responsibilities of that Division.
- 3 With reference to a Minute of the previous week and earlier, Mr Loehnis said that the four UK clearing banks had now agreed to join the first stage of the interim refinancing package for Brazilian debt; they had however sought to set down conditions about the longer term arrangements.

At the Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr Charkham attended Court to present a paper, Industrial Investment: Recent Modifications to Companies Plans, which he had prepared following his discussions with a number of company chairmen, concerning changes in investment plans resulting from the decline in the Stock Market. A brief discussion ensued.
- 2 Mr Loehnis introduced the International Economic Developments paper for November, before going on to speak about the World Economy Forecast for Autumn 1987.

C. A. Wright

Secretary

10th December 1987

George Blunden

10th December 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 DECEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Rodney Desmond Galpin, Esq
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Deryk Vander Weyer, Esq, CBE

William Peter Cooke, Esq

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

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report:-


- 1 With reference to a Minute of 24 September, Mr Galpin reminded Court of the discussions on capital adequacy requirements that had taken place previously at meetings of the Basle

Supervisors Committee under the chairmanship of Mr Cooke and explained that the Report of that Committee had been endorsed by the Central Bank Governors of the G.10 countries the previous weekend. The Report, in the form of a consultative paper, would be published later that day; consultations would then take place over a period of six months with the intention of moving towards convergence of capital adequacy requirements thereafter.

Having just returned from the press conference, Mr Cooke said that although the press had tended to concentrate on the areas of difference he was hopeful that they would accept the overall benefits of the agreement which was designed both to strengthen the system and to level the playing fields internationally, and which hopefully would achieve a broad measure of consistency with the EEC proposals when these were enacted in due course.

In commenting on the success of the agreement, the Governor said that it was a great personal achievement on the part of Mr Cooke and reflected great credit on the Bank who had taken a major role in the negotiations.

In response to a question from Sir David Scholey about the possibility of extending convergence to cover the security markets, the Deputy Governor said that the Bank were aware of the need but, because of the lack of a natural forum such as the G.10 Central Bank Governors, there was no obvious way ahead. Nevertheless, steps were already under way to discuss privately the issue of systemic risk with the Federal Reserve Bank of New York, the US Securities and Exchange Commission and the Securities and Investments Board.

- 2 The Governor reported to Court that the Chancellor of the Exchequer had expressed his concern about the level of recent intervention, particularly in US dollars and had suggested that in future intervention should concentrate on purchasing deutschemarks. The Governor had explained to the Chancellor that such action would be in breach of a formal agreement between European central banks which precluded the purchase of each other's currencies without prior agreement. The Germans
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had withheld such agreement and informal discussions with Central Bank Governors at Basle the previous weekend had indicated that there would be considerable criticism of the UK if such a policy were adopted.

Nevertheless the Chancellor had instructed the Bank to pursue this policy. The Governor had sought a meeting with the Prime Minister to voice his concerns, and following that meeting, at which the Chancellor had been present, the instructions had been confirmed, although we would be permitted to purchase agreed amounts of French francs and some other currencies as well. Even this, the Governor said, would cause great anxiety among European central banks and could become a political issue. However, the Bank had done all that it could; in the final analysis we were acting as agents of HM Treasury.

During the discussion which followed the Non-Executive Members of Court expressed their grave concern that the Bank was effectively being instructed to renege unilaterally on a multi-national agreement.

At the Governor's invitation:-

- 1 Sir Adrian Cadbury presented a Report of the Trustees of the Court Pension Scheme which was laid before Court, and introduced a proposal from the Trustees of the Court Pension Scheme that, following the death of Lord Cobbold, Lady Hermione Cobbold be paid a pension of £15,143.50 per annum from the Scheme. The proposal was approved, with the proviso that the amount should be reconsidered if the level of pension proved inadequate.
 - 2 Dr Atterton introduced a Report of the Charitable Appeals Committee which was laid before Court.
 - 3 Sir David Scholey introduced a Report of the Audit Committee which sought Court's approval for a letter of engagement covering Deloitte, Haskins and Sells' auditorial activities at the Bank to be acceded to by the Bank, Messrs Freshfields
- ba*

having confirmed that it was in a fit and proper form. The Report was approved.

- 4 Mr Walker commented on the Report of the activities of the Bank's wholly-owned subsidiary, Debden Security Printing Limited, which was laid before Court. Court noted the recent changes that had taken place on the Board of Directors and confirmed the following as Directors of Debden Security Printing Ltd:-

Mr D A Walker (Chairman)
Mr A W Jarvis (Managing Director)
Mr C Barker (Non-Executive)
Dr A J Hayter (Non-Executive)
Mr B H Hancock
Mr M C Stanley

George Blunden

17th December 1987

L. A. Cragton

17th December 1987

A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 DECEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Sir George Blunden, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby, Esq
Sir Colin Ross Corness
Edward Alan John George, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Anthony David Loehnis, Esq
Sir David Gerald Scholey, 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 last Court, having been circulated, were approved.

In the absence of Mr Galpin, Mr George commented on the weekly figures before going on to speak about the foreign exchanges and the state of the domestic markets.

With reference to a Minute of the previous week, the Governor said that following that discussion at Court he had written to the Chancellor of the Exchequer - copying his letter to the Prime Minister - expressing the concern of the Non-Executive Directors about the situation relating to intervention policy in which the Bank had been compelled to renege on an article contained in a formal agreement entered into by the Bank and other central banks. He went on to explain that he had received representations from several Central Bank Governors in Europe and the USA, and understood that HM Treasury had received a similar response.

To some extent the embarrassment of the revised policy on intervention had been alleviated because the upward pressure on sterling had eased; but this might only be temporary and upward pressure could continue into the new year. The Governor said he would be attending a meeting at HM Treasury the following day to discuss alternative policy responses to the present situation and although some alleviation of policy was possible, formal abrogation of it was unlikely.

Under the weekly executive report:-

- 1 Mr Walker said that later that day the Chancellor of the Exchequer would announce that the Series D £1 notes would cease to be legal tender from 11 March 1988. Although this was an important and necessary legal step the notes would nevertheless continue to be payable at the Bank after that date. The Chancellor would, at the same time, be announcing new coins of 5p and 10p denominations.
- 2 In referring to the interim results of 3i for the half year ended 30 September, Mr Walker explained that they were impressive. Realisation profits had been particularly high in the half year (£92 mn compared with £63 mn for the whole of the previous year) and the Group could look forward to disposal of part of the whole of its 40% stake in B.Cal which has long been written down to zero in the balance sheet. On the negative side, however, the estimated effect of the Stock Market fall in the investment assets of the Group was that

these had fallen in value from £827 million at end-September to £427 million at end-November.

Mr Walker added that while several of the CLSB shareholders had on occasion expressed their interest in reducing or disposing of their stake in the Group, the Bank had consistently emphasised to the Chairman and management of 3i that it would continue to be a firm, long-term holder.

A letter from Messrs Freshfields was submitted together with a document to be sealed, namely a Licence granted by the Bank permitting Messrs Fairhursts to carry out certain specified alterations to their Offices at Manchester Branch.

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 Charkham introduced a paper entitled "West Germany: the Operation of Company Boards" which commented on the composition and operation of company boards in West Germany. Its purpose was to set German boards in context, so as to examine the principles that underlay their operation, to see whether these had any validity for the UK in our very different circumstances. In the discussion which followed, there was agreement that the paper had portrayed the German situation accurately and with insight. There was evidence that things were changing. The post-war generation of moderate trade unionists would be replaced by more militant successors: the stability of the system might have created such rigidity that adaptation to changed circumstances might prove difficult: the decision-making process was thorough but it was also slow and cumbersome - UK management could be quicker on its feet. The German banks fought off ruthlessly foreign banks which sought to enter their sphere - even when company officials would have welcomed it. On the other hand they protected companies from short term pressures.

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The UK would need to watch EEC proposals for harmonising company law. A two-tier system had its faults but present UK law fell short of creating a framework of accountability to maintain the effectiveness of executive management. The principles underlying the German system had something to offer (particularly in identifying the supervisory function and in joint shareholder action) even if their structure and methods did not.

- 2 Mr Flemming presented a paper on the UK Chemicals Industry reviewing the performance and assessing the potential of what is a leading sector of the UK's manufacturing base.

Hector Lamg.

L.A. Cragton

Securay 7th January 1988

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 24 DECEMBER 1987

Present

The Rt Hon Robert Leigh-Pemberton, Governor
The Hon Sir John Francis Harcourt Baring, CVO
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 7 January.

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

In commenting on the weekly figures Mr Galpin mentioned that the note issue had peaked at £15,278 mn the previous Friday, an increase of 3.9% on the previous Christmas, compared with the forecast increase of 4.9%. Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report, and with reference to a Minute of the previous week and earlier, the Governor mentioned that further discussions with HM Treasury had resulted in some relaxation of the intervention policy: a further meeting with the Chancellor of the Exchequer would probably take place early in the New Year.

C. A. Crafts
Secretary 7 January 1988

Hector Leung

A MEETING OF DIRECTORS AT THE BANK
WEDNESDAY 30 DECEMBER 1987

Present

Sir George Blunden, Deputy Governor
David Alan Walker, Esq

Anthony Laurie Coleby, Esq

The number of Directors assembled being insufficient to form a Court, those present proceeded to the business subject to ratification by Court on 7 January.

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

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

There were no items for discussion under the weekly executive report.

The Deputy Governor expressed the sadness of the Meeting at the news of the death of Lady O'Brien.

L. A. Coughton.

Hector Laming

Secretary 7th January 1988

