



A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 JANUARY 1988

Present


Sir George Blunden, Deputy Governor  
Sir Hector Laing  
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 Robert Haslam  
Gavin Harry Laird, Esq  
Anthony David Loehnis, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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William Peter Cooke, Esq  
John Stanton Flemming, Esq

The Minutes of the Court of 17 December were confirmed, and those of the Meetings of 24 December and 30 December were approved.

In commenting on the weekly figures, Mr Galpin said that they reflected the purchase by the Issue Department of 24 mn partly paid BP shares at a cost of £17 mn under the Repurchase Offer which closed the previous day: the purchase of a further 14 mn shares was in the pipeline. The Bank's total potential holding of BP shares represented 1.7% of those offered for sale recently by the Government and some 0.6% of the total share capital of BP.

 Mr George spoke about the foreign exchanges and the state of the domestic markets including the Official Reserve Figures for December which had been published earlier in the week.

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

At the Deputy Governor's invitation:-

- 1 Mr Loehnis spoke about the Overseas Trade Figures for November which had been published on 22 December.
- 2 Mr Loehnis went on to introduce the International Economic Developments paper for December.
- 3 Mr Flemming presented the Economic Report for December before going on to introduce the Bank Forecast to 1989.
- 4 In introducing the regular monthly discussion of monetary policy, Mr George referred to the provisional money and banking figures, noting a sharp slow down in the growth of broad money in November which nevertheless left a rapid rate of growth of money and credit over the year. Other relevant features of the policy background included: the strength of domestic demand which was forecast to continue; the worsening trend in the current account deficit; and the stubbornness of underlying inflation which remained stuck in the 4-5% range with a likely acceleration in the domestic cost component. This all pointed to an overall policy stance that would exert restraint on domestic demand and domestic costs. Within the overall policy stance monetary policy would need to remain firm to guard against a resurgence of inflation. But if excessive weight were placed on monetary policy, the associated strength of the exchange rate would be damaging to the balance of payments. This implied the need for some support from fiscal policy at a time when private sector savings were weakening. Given the current strength of the fiscal position this need not preclude tax cuts, though these would need to be compatible with restraint on the public sector borrowing requirement.

*L. A. Cragg*

*Secretary 14 January 1988*

*Adrian Cadbury*

*14/1/88*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 JANUARY 1988

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  
 Gavin Harry Laird, Esq  
 Anthony David Loehnis, Esq  
 David Alan Walker, Esq  
 Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq  
 John Stanton Flemming, Esq

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

In commenting on the weekly figures Mr Galpin said that the increase in the Issue Department's holding of other securities took account of the purchase the previous day of export finance paper: the figure also reflected the final position in respect of the BP Repurchase Offer which accounted for £27 mn in respect of the purchase of 38.5 mn shares. Mr George then spoke about the foreign exchanges and the state of the domestic markets, including



reaction to the third experimental auction of gilts which had taken place the previous day.

Under the weekly executive report:-

- 1 With reference to a Minute of 5 February 1987, Mr Galpin explained that the investigation into Standard Chartered Bank's activities in defence of the takeover bid by Lloyds Bank had now been completed. There was no evidence of malpractice on the part of Standard Chartered Bank and the Bank of England would be making a public announcement to this effect, probably in the course of the next week. This was essential since the investigation had been initiated, at Standard Chartered's request, to counter widespread public allegations that Standard Chartered had organised an undisclosed Concert Party and financed the purchase of their own shares. A number of minor areas of criticism arose from the investigation but these were of a technical nature and would be pursued in the normal course by Banking Supervision. The Report would not be published as the Banking Act precluded this without the consent of all the parties, including many customers involved - which it would not be possible to obtain.
- 2 Mr Loehnis informed Court that it was planned to convene a meeting of the City Liaison Committee to discuss proposals for the completion of a unified Internal European Market by 1992. The aim would be to establish arrangements to ensure that relevant input from practitioners was available in good time.

At the Governor's invitation:-

- 1 In the Deputy Governor's absence Mr George introduced a Report, prepared by the Deputy Governor, which explained the effect of the relocation of the Registrar's Department on the current refurbishment of the New Change building. In principle it might be possible to avoid the construction of a new computer site in New Change for the Registrar's Department; but local standby for the CGO and Head Office

computer systems would be needed in any event so that it was better to continue with the project as it stood and avoid the heavy penalties that we would otherwise incur. After relocation of the Registrar's Department, staff at present located in Head Office and Bank Buildings could occupy the rest of the New Change wing, leaving Bank Buildings either to be sold or let together with both the Watling Street and Bread Street wings of the New Change building.

In the discussion which followed questions were raised about the need for local as against remote standby, and about our policy on ownership of property not needed for our own occupation.

2. Mr Flemming presented a paper on Wage Developments which had been prepared by the Economics Division and which discussed recent wage settlements in various employment sectors.

The Governor informed Court that the Prime Minister had asked Sir Hector Laing to become Joint Honorary Treasurer of the Conservative Party. Court agreed that this would not conflict with Sir Hector Laing's position as a Director of the Bank and offered him congratulations on this appointment.

L. A. Crafts.  
Secretary 28<sup>th</sup> Jan 1988

George Blunden  
28<sup>th</sup> January 1988

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 21 JANUARY 1988

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 Hector Laing  
Anthony David Loehnis, Esq  
David Alan Walker, Esq

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William Peter Cooke, Esq

The number of Directors assembled being insufficient to form a Court, those present proceeded to the business subject to ratification by Court on 28 January.

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.

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

At the Governor's invitation, the Deputy Governor drew Members' attention to the extensive cracking that had appeared in the Court Room ceiling and explained that this had resulted from having to run the heating coil system at its maximum design temperature to compensate for the lack of warm air ventilation during the Head Office Modernisation Project. Closer inspection of these cracks

and the general decorative order of the Court Room, which had last been decorated in 1969, had indicated that the cracks should be repaired and the Court Room redecorated. It was proposed therefore that this work and the redecoration of the corridor leading to the Dining Room, should be undertaken forthwith and that the existing colour scheme should be maintained throughout. It was also explained that the opportunity would be taken to refurbish the cloakroom facilities on the first floor of the Parlours and in particular to provide more suitable facilities for ladies.

L. A. Craft

George Blunden

28 January 1988

Secretary 28<sup>th</sup> Jan '88



A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 JANUARY 1988

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 Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq  
Anthony David Loehnis, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

The Minutes of the Court of 14 January were confirmed, and those of the Meeting of 21 January were approved.

The Governor informed Court that it would be announced from 10 Downing Street later that day that Dr Atterton, Mr Galpin, Mr Vander Weyer and Sir Leslie Young had been reappointed as Directors of the Bank for a period of four years from 1 March 1988; and that his reappointment as Governor for a further term of five years from 1 July 1988 would be announced at the same time.

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 Walker informed Court that, arising from outstanding insurance claims made jointly by Johnson Matthey plc and Minorities Finance Ltd in respect of a fire at their Royston refinery, and other matters, all of which had taken place before the Bank acquired Johnson Matthey Bankers, Johnson Matthey plc had now issued a writ against Minorities Finance Ltd. The purpose of this "protective" action, from which Johnson Matthey plc could not be dissuaded, was to enable them to recover any loss from their former subsidiary in the event that joint litigation by Minorities Finance Ltd and Johnson Matthey plc against the insurers proved unsuccessful. Mr Walker said that it was unconscionable that Johnson Matthey plc should be considering such litigation in respect of acts which took place while the subsidiary was wholly under their control and that Minorities Finance would defend the action vigorously and probably put up a counter claim.

At the Governor's invitation:-

1 Mr Galpin introduced a Report of the Trustees of the Bank of England Pension Fund, including a valuation by the Actuary of the assets and liabilities of the Fund as at 28 February 1987. It was agreed that:-

(i) the Actuary should prepare a Final Report using the financial assumptions of Basis B, as outlined in the Report to the Governors of 19 January 1988, - namely Rate of interest 10%; salary inflation 8%; pension increase 6.5%; and dividend growth 6% - for submission to the Inland Revenue.

(ii) for the future the Projected Unit Method should be adopted for calculating the annual contribution rate and that the rate in respect of current service from 1 March 1987 should be 23.2% of pensionable earnings, justified as follows:-

Required rate 22.18

To provide a margin against increased liabilities in the future, including the cost of severance schemes

1.18  
23.28

2 Mr Galpin, in the absence of Mr Corby, introduced a Report of the Staff Committee which considered the implications of the Social Security Act 1986 for the Bank of England Pension Fund. It was agreed that the Bank should:-

- (i) retain the present Pension Fund arrangements for those who wish to be members and actively promote the benefits through meetings and publications.
- (ii) make the minimum contribution required by law to personal pensions, except in cases of specialist late entrants who join the Bank with an existing personal pension arrangement where maintenance of these arrangements will be taken into account as part of the remuneration package.
- (iii) inform new entrants (other than contract staff employed on non-pensionable terms) that they will be members of the Bank Fund unless they notify the Pension Fund that they have a personal pension, or will be taking one out within one month.
- (iv) restrict the preserved benefit which an employee can transfer to a personal pension scheme to post-1 April 1988 service in cases where employment in the Bank continues.
- (v) allow staff who leave the Bank scheme one opportunity to rejoin, but not less than ten years before compulsory retirement age and subject to a medical examination. Members should be precluded from taking advantage of any early retirement scheme or flexible retirement within five years of rejoining.

- (vi) provide death-in-service cover, similar to that applying to members of the Bank Scheme, for those who opt for personal pensions.

Three letters from Messrs Freshfields were submitted together with three documents to be sealed namely:-

(i) a Deed appointing Mr G M Gill as a Trustee of the Bank of England Pension Fund in succession to Mr D H F Somerset, with effect from 1 March 1988.

(ii) a Licence permitting alterations to be carried out to the Ground and First Floors of Eagle House.

(iii) a Transfer arising from a matrimonial settlement whereby the Title Deeds of a property in North Weald, Essex are to be transferred from joint names into the sole name of a member of staff.

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

Court gave their approval to Dr Atterton becoming a Director of Dimex Ltd and London Office Ltd, and to Mr Laird becoming a Director of F S Assurance Ltd.


Also at the Governor's invitation:-

- 1 Mr Loennis commented on the Overseas Trade Figures for December which had been released earlier that morning.
- 2 Mr Flemming presented the Economic Report for January in conjunction with a paper on Capacity Constraints in UK Manufacturing Industry and a further paper relating to the CBI Industrial Trends Survey which had been published earlier that week.
- 3 In commenting on the provisional Money and Banking Figures for December, Mr Coleby said that the latest money figures did not change our perceptions of underlying conditions. Narrow



money, M0, which rose by 0.9% was subject to erratic influences from the behaviour of bankers' balances, but the year-on-year growth of its principal component, the currency circulation, remained steady at 4.8%. This was the product of an absolute decline in the opening months of 1987 followed by nine months of growth which, on the seasonally-adjusted series, came to about 6%. The seasonal corrections might be suspect, in which case low readings in the early months of 1988 would not be a reliable indication of economic slowdown. Broad money rose by a little under 1.5% in the month to 22.8% year-on-year and given the public sector underfunding attributable to the exchange market intervention, it was a quite satisfactory result. Bank lending on the other hand had increased by £4.9 bn, and was uncomfortably strong. Unless and until we had evidence that involuntary stockbuilding was making a major contribution to the demand for credit, the only conclusion could be that the economy remained buoyant, and there must be concern that monetary conditions might be too loose.

Mr George commented that from the policy angle the risks still were that domestic demand was growing too quickly, and that inflation would pick up rather than decline. Since the autumn we had tolerated easier monetary conditions than we would have preferred on domestic grounds, partly because of the fragility of equity markets, but mainly because of a concern to prevent the exchange rate rising through DM3. This policy made sense only if, when the exchange market pressures reversed, we continued to maintain the level of sterling against the deutschemark at around current levels. Even then the policy involved risks which increased the longer we were obliged to keep monetary conditions easier than domestic considerations required: it allowed domestic cost pressures to build up momentum which would be all the more difficult to stop when the time came. Monetary policy would therefore require help from a tight fiscal policy. The emerging public sector surplus was accordingly welcome and would need to be maintained.



In the discussion which followed attention reverted to "Capacity Constraints" and in particular on the shortage of skilled, and in certain areas unskilled, labour. There was evidence that there could be a marked shortage of skilled labour in the field of engineering in the future and there was a need for the manufacturing and construction industries in particular, to improve their image and the rewards they offered to counter the drift to other areas of employment.

- 4 The Deputy Governor said that as the composition of Court would remain unchanged for the coming year it was not necessary to make any alterations to the composition of the Standing Committees. However, he invited Members to let him know if, for any reason, they wished to reconsider their present commitments in this respect.

*C. A. Crafts.*

*Secretary. 4<sup>th</sup> February 1988*

*George Blunden*

*4<sup>th</sup> February 1988*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 FEBRUARY 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir George Blunden, Deputy Governor

Sir George Adrian Hayhurst Cadbury

Frederick Brian Corby, Esq

Sir Colin Ross Corness

Rodney Desmond Galpin, Esq

Edward Alan John George, Esq

Sir Hector Laing

Anthony David Loehnis, Esq

David Alan Walker, Esq

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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, as well as the Official Reserves figures for January which had been published the previous Tuesday.

A brief discussion ensued focusing on the comments, earlier that week, of the Director General of the CBI about the level of interest rates which had been at variance with the views of the Chancellor of the Exchequer and the Governor.

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

Before asking the Deputy Governor to introduce a Minute of the Committee of Treasury relating to the Senior Officials' Annual Review, the Governor informed Court that in future the five fixed salary points for Senior Officials would be designated A to E in preference to using their Greek equivalents.

It was agreed that:-

1 with effect from 1 March 1988

- (a) [redacted] be appointed a Senior Official [redacted] and a Deputy Chief Registrar and Deputy Chief Accountant.  
An Official, and currently an Assistant Chief Registrar
- (b) [redacted] be appointed a Senior Official, [redacted]  
An Official, and an Adviser in the International Division
- (c) [redacted] be promoted from [redacted] to [redacted]  
A Senior Official and Officials' Development Adviser, Corporate Services Department
- (d) [redacted] be granted personal pensionable salary of [redacted]  
A Senior Official, and Deputy Head of Banking Supervision Division

2 consequent upon the forthcoming retirement of [redacted] on 2 May the following appointment be made:-

[redacted] be appointed Senior Official [redacted] and a Deputy Chief of the Banking Department and Deputy Chief Cashier, with effect from 3 May 1988.  
An Official, currently Principal of the Drawing Office

At the Governor's invitation:-

- 1 In the absence of Dr Atterton, the Chairman of the Charitable Appeals Committee, Mr Galpin spoke about a request the Bank had received in connection with the fund raising efforts for the redevelopment of Great Ormond Street Hospital which had been considered previously by the Charitable Appeals Committee. The Bank had been invited to enter two teams of runners drawn from members of staff, in this year's London Marathon, in return for guaranteed

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sponsorship of a minimum of £5,000 for each team. It was agreed that in the event of the team members being unable to reach their sponsorship target the Bank, through the Charitable Appeals Committee, would underwrite up to a maximum sum of £10,000, their participation in the 1988 London Marathon.

- 2 Mr Loehnis introduced the International Economic Developments paper for January. In the discussion which followed, Sir Colin Corness spoke about his impressions of the US and German economies which he had gained during his recent visits abroad, and commented particularly on the rising level of wage claims in the UK, compared with other major economies.
- 3 Mr Flemming presented the Economic Commentary section from the February edition of the Quarterly Bulletin.

*C. A. Coughter*

*Secretary. 11<sup>th</sup> February 1988*

*Adrian Cadbury*

*11<sup>th</sup> February 1988*

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A COURT OF DIRECTORS AT THE BANK

THURSDAY 11 FEBRUARY 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir George Adrian Hayhurst Cadbury

Dr David Valentine Atterton, CBE

Sir Colin Ross Corness

Rodney Desmond Galpin, Esq

Edward Alan John George, Esq

Sir Hector Laing

Gavin Harry Laird, Esq

Anthony David Loehnis, Esq

David Alan Walker, Esq

Deryk Vander Weyer, Esq, CBE

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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 Mr Walker spoke to Court about the quadrilateral meeting that had taken place in New York the previous week between representatives of the Federal Reserve Bank of New York, the Securities and Exchange Commission, the Securities and Investments Board and the Bank of England, to consider responsibility in prudential supervision of securities business, with particular reference to US houses in London. Central banks had a keen interest in the adequacy of such

supervision because of the potential systemic implication of difficulties in a securities firm. Moreover, central banks must always be very reluctant to entertain liquidity support to the market, still more to an individual house, in response to liquidity problems encountered by securities businesses; but the fact that such support could not be excluded in extremis emphasises the importance for central banks of ensuring that supervisory arrangements were adequate to minimise the risk. Mr Walker went on to say that, to counter some of the criticism that had been made at the time of the discussions on convergence, it was proposed to widen the discussions to include Japanese representatives as soon as possible, and to keep European representatives abreast of developments.

At the Governor's invitation:-

- 1 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the February edition of the Quarterly Bulletin and the latest edition of Bank Briefing, both of which were due to be published later that day.
- 2 Mr Walker spoke about the article on the equity market crash which was also due to appear in the Bulletin. The article identified structural issues that had been highlighted by the crash, even though most of them had been receiving attention for a considerable time - in particular, the need to produce a paperless equity settlement system and to shorten the length of the account. The article also offered some comparisons between experience in London and that in New York and Tokyo.

*BA Hoffmann*  
 Assistant Secretary  
 18<sup>th</sup> February 1988

*George Blundell*  
 18<sup>th</sup> February 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 FEBRUARY 1988

## Present


The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
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  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq  
John Stanton Flemming, Esq

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

In commenting on the weekly figures, Mr Galpin said that the winter low of note circulation was forecast for 23 February. Notes in issue were 6% up on last year. This could be due to exceptional circumstances; the explanation should become clear





next month. Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report:-

- 1 The Governor spoke about the City Liaison Committee. They had met the previous day for the first time for some five years. The Governor reminded Court that the Committee consisted of the heads of market organisations within the City and had been formed to deal with what might be described as pan City issues. The Committee had met on this occasion to discuss the Single Market due in 1992. The intention was for the meeting to be a fact finding one obtaining an indication of the importance the City attached to the forthcoming changes. To help achieve this the various organisations represented were requested to send to their members a questionnaire that had been prepared asking their attitude to the changes. The responses - which were requested by the end of March - would be used to build up an aggregated dossier of information although individual positions would be protected. This in turn would be used in due course to help brief the negotiators who would be participating in meetings to be held in Brussels concerning the Single Market. The meeting had proved very useful and it was possible a further meeting might be called in the early summer.
  
- 2 Mr Walker referred to progress at Debden Security Printing Ltd, which had been slower than hoped when the company was established. Turnover was running at £350,000 per annum and unlikely to rise in the short term. Given this and the heavy overheads necessarily allocated to DSP, it seemed inappropriate and unjustifiable to continue to retain the services of the "heavyweight" non-Executive Directors, both of whom had volunteered their readiness to stand down. It was intended to retain their services on a consultancy basis.

At the Governor's invitation Dr Atterton introduced a Report of the Charitable Appeals Committee. It was agreed that:-

- 1 The Bank should make a donation of £6,000 to the 1988 British Olympic Appeal.
- 2 The Bank should augment the contributions of the staff and pensioners under the scheme for payroll giving on a pound for pound basis which would result in a contribution of £7,470 for the year ending 29 February 1988, this sum to be in addition to the current annual budget of £140,000. The position would be reviewed next year with a view to making a similar response.
- 3 With effect from 1 March 1988:-
  - (i) the annual limit granted to the Agents at the Branches and Agencies be increased from £2,000 to £2,500 with the limit of the maximum donation in the personal name of the Agent being increased from £25 to £30; the total not to exceed £300 in any one year. The maximum donation in the name of the Branch/Agency will remain unchanged at £300;
  - (ii) the annual limit granted to the General Manager at the Printing Works be increased from £1,250 to £1,750.
- 4 Taking into account the proposed increase in the limits for the Branches, Agencies and the Printing Works, and also with effect from 1 March 1988:-
  - (i) the annual limit of donations under the Secretary's Delegation be increased from £15,000 to £17,500;
  - (ii) the annual overall budget for charitable giving be increased from £140,000 to £150,000.

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

*L. A. Crafts*  
Secretary 28 February 1988

*George Blunch*  
25 February 1988

A COURT OF DIRECTORS AT THE BANK

THURSDAY 25 FEBRUARY 1988

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 Hector Laming  
Gavin Harry Laird, Esq  
Anthony David Loehnis, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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William Peter Cooke, Esq  
John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

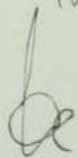
The Minutes of the last Court, having been circulated, were approved.

In commenting on the weekly figures and with reference to a Minute of the previous week, Mr Galpin said that the winter low of note circulation had been on 26 January. Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report the Governor informed Court that Mr Walker had accepted an invitation to become Chairman of the Securities and Investments Board in succession to Sir Kenneth Berrill; and that he would remain a Director of the Bank but in a non-executive capacity. An announcement to this effect would be made shortly. The Governor went on to say that in consequence there would for the present be only three Executive Directors and that an announcement would be made later about the reallocation of Mr Walker's current executive responsibilities.

At the Governor's invitation Mr Harris attended Court for the items under Staff Matters. In the absence of Mr Corby, the Chairman of Staff Committee, Mr Galpin introduced that Committee's proposals for negotiation with the Union which arose from their consideration of the fourth Report of the Standing Committee on Pensions. The following recommendations were approved:-

- (i) the acceptance of those Standing Committee proposals to comply with Government legislation and Inland Revenue practice and those with little or no cost;
- (ii) to grant all widows' allowances at the rate of 50% of the member's pension;
- (iii) to increase by up to 15% all existing widows' allowances originally granted at less than 50%, subject to checks that the 50% limit would not be greatly exceeded;
- (iv) to increase all ill-health pensions granted before 1 March 1974 by including notional service up to retirement date in the pension calculation;
- (v) to pay all pensions and allowances monthly in advance; and
- (vi) the acceptance of the selected proposals which had a cost (ii to v above) to be subject to negotiating discretion being given to the Governors.





In considering these proposals, concern was expressed that the proposed increase in widows' allowances to 50% of the member's pension was still not particularly generous. It was accepted that the implications of a further increase to 2/3 of the member's pension should be considered when the Standing Committee on Pensions reconvened.

With reference to a Minute of 22 January 1987, the Deputy Governor explained that a revised Recognition and Procedure Agreement had been drawn up between the Bank and the Union and was now before the Union for acceptance. The main features of the new Agreement were to replace the provision for compulsory binding arbitration - to which the Bank could not be bound because of cash limits - with arbitration by mutual consent; and to create a separate bargaining unit for staff of the rank of Official 1b and above - the Bank's management stratum. From the Union's point of view, the Bank had agreed certain facilities for staff representatives that reflected the Union's changed requirements as a section of a large national trade union, and had also agreed to the secondment to the Union of up to three members of staff on a full time basis, compared with two at present.

Consequent upon the forthcoming retirement of Mr D H F Somerset, the Governor introduced a Recommendation that Mr G M Gill should succeed Mr Somerset as a Director of Securities Management Trust Limited, a wholly-owned subsidiary of the Bank, with effect from 1 March 1988: this was approved.

The Governor went on to explain that for the time being, Mr Somerset would continue as Chairman of EBS Investments, another of the Bank's wholly-owned subsidiaries. It was expected that the company would be liquidated within the next year and it was therefore appropriate that Mr Somerset should remain as Chairman to see the liquidation through.

Also at the Governor's invitation:-

1 Mr Flemming commented on the Economic Report for February.

2 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the provisional money figures for January confirmed the continuing picture of a buoyant

economy. M0 had fallen by 0.3%, following its strong rise in December, but notes and coin had now resumed their growth at the rate of about 1/2% per month which had prevailed since last April. Two more months at that rate would produce a year on year increase of 6%, the top of the current target range. Broad money had increased by 0.5% or less in the month. This was the net effect of over-funding of the public sector, resulting from buoyant revenue, offset by bank lending which rose by a record £5.5 bn. Although lending to persons had declined, companies had borrowed on a large scale, probably to make tax payments. The year on year rate of increase of some 22% had changed little for four months, but it now owed nothing to underfunding, so the underlying strength of other expansionary factors had increased.

Although the exchange rate had weakened in effective terms as the dollar had strengthened, sterling had subsequently recovered and was now again quite close to DM3. If that level were not to be exceeded, interest rates could not be the means of slowing domestic demand, which the economic and monetary evidence, particularly the developments on earnings, wages and in the labour market, suggested was increasingly necessary. It would be for the forthcoming budget to strike the balance between supply and demand.

George Blanche

3<sup>rd</sup> March 1988

C. A. Cragg.

Secretary 3. March 1988

## COURT OF DIRECTORS

For the year ending 28 February 1989

Declaration  
made beforeDate

|                     |          |  |
|---------------------|----------|--|
|                     |          | The Rt Hon Robert Leigh-Pemberton, Governor  |
|                     |          | Sir George Blunden, Deputy Governor          |
|                     |          | Sir George Adrian Hayhurst Cadbury           |
|                     |          | Sir Hector Laing                             |
|                     |          | Anthony David Loehnis Esq                    |
|                     |          | Sir David Gerald Scholey CBE                 |
|                     |          | Edward Alan John George Esq                  |
|                     |          | David Alan Walker Esq                        |
|                     |          | The Hon Sir John Francis Harcourt Baring CVO |
| The Deputy Governor | 18. 2.88 | * Dr David Valentine Atterton CBE            |
| The Governor        | 17. 2.88 | * Rodney Desmond Galpin Esq                  |
|                     |          | Frederick Brian Corby Esq                    |
|                     |          | Sir Robert Haslam                            |
|                     |          | Gavin Harry Laird Esq                        |
| The Governor        | 25. 2.88 | * Deryk Vander Weyer Esq CBE                 |
| The Governor        | 25. 2.88 | * Sir Leslie Clarence Young CBE              |
|                     |          | Sir Martin Wakefield Jacomb                  |
|                     |          | Sir Colin Ross Corness                       |

\*Reappointed 1 March 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 MARCH 1988

Present


The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Frederick Brian Corby, 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  
Deryk Vander Weyer, Esq, CBE

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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, including the Official Reserve figures for February which had been released earlier in the week. With reference to Minutes of 17 December 1987 and earlier, the Governor said that acceptable working arrangements had been agreed with our French and German counterparts which had enabled us to intervene recently in their currencies.





Under the weekly executive report:-

- 1 The Governor informed Court that Standard Chartered PLC would be announcing the following day that Mr McWilliam, the Group Managing Director would be retiring early to facilitate the restructuring of the Group consequent on the appointment of Mr Galpin as Executive Chairman designate who would assume the Chairmanship of the Group and of Standard Chartered Bank later in the year. Mr Galpin's resignation was likely to be placed before Court on 24 March once he had agreed satisfactory terms with Standard Chartered, and arrangements to appoint his successor as Executive Director of the Bank with responsibility for Banking Supervision would then be put in train. The Governor explained that although the Bank had been insisting on changes at a senior level in Standard Chartered, Mr Galpin's appointment had arisen out of a natural selection procedure and had not been imposed by the Bank.
  
- 2 The Governor spoke to Court about the Conference called by Lord Young on the future of the City which had been held in the Bank the previous week. The discussions had centred on the Financial Services Act and the Securities and Investments Board's interpretation of it. Concern had been expressed about the heavy costs that would be incurred by firms and investors alike, the amount of management time involved and the weight of paper generated by the procedures which had been set up. In response the Secretary of State had said that it was unlikely that the legislation could be amended but it would be appropriate to see what improvements the SIB could achieve within the existing legislation. The reasons for the pre-eminence of London's position as a major financial centre had also been discussed: the Conference agreed that the advantages that London currently enjoyed would not necessarily continue and that London would face increasing competition from other centres such as Paris. In this context it was felt that the Financial Services Act gave little consideration towards our competitive international position.



Two recommendations of Committee of Treasury relating to the composition of the Standing Committees of Court for 1988/89 and the programme of Directors' visits to the Branches, Agencies and Offices during the year 1988/89 were submitted and approved.

At the Governor's invitation Mr Loehnis commented on the Overseas Trade figures for January which had been published earlier that week before going on to introduce the International Economic Developments paper for February.

*L.A. Coates.*

*Secretary 10 March 1989*

*George Blunden*

*10 March 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 MARCH 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Frederick Brian Corby, Esq  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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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 financial markets. The exchange inflows had left the Bank with three options:-


- (1) to continue unlimited intervention - which would have inflated domestic liquidity in the short run and risked heavy long run cost;
- (2) to reduce interest rates - which was clearly inappropriate in the present conditions of buoyant growth of domestic demand, money and credit; and

- (3) to let the exchange rate rise - which was seen as the best option, and which had met with total agreement by HMT.

In the discussion which followed some Members expressed their disappointment at the recent removal of the cap on the deutschemark, arguing that the trade balance was equally as important as the need to contain inflation. The strengthening of sterling following the removal of the cap was a real set back for industry and seen as a reversal of the policy established at the time of the Louvre agreement.

In response Mr George said that there was a basic difference of perception between those who pursued that line of argument, and the Bank and Government who regarded the containment of inflation as fundamental to policy: it had been at the heart of our economic success over recent years. The impact on the balance of payments arose from the relative strength of demand rather than a lack of competitiveness, witness the increase in export profit margins and buoyancy of export orders. The cap on the exchange rate against the deutschemark had in practice meant that we were powerless to tighten monetary conditions. These had now been tightened by its removal. Ideally it would have been preferable for the exchange rate to have remained as it was and for interest rates to have risen; but we had no means of achieving that result. Mr George confirmed that the exchange rate remained a very important consideration in overall policy but argued that it could not be the overriding factor.

Under the weekly executive report the Governor said that the Bank for International Settlements in Basle would be making a statement that day announcing that the Committee of Governors of the Group of Ten had agreed to the request of Mr Peter Cooke, the Chairman of the Committee on Banking Regulations and Supervisory Practices, that, after eleven years as Chairman, he should step down later this year. Mr Cooke would be succeeded by Mr Muller of De Nederlandsche Bank after the 5th International Conference of Banking Supervisors to be held in Tokyo in October of this year. At that time Mr Cooke would also be retiring as Associate Director of the Bank.





Members of Court expressed their concern about recent comments in the press following the announcements of the departures of Mr Walker and Mr Galpin; these comments would no doubt now be renewed with the news of Mr Cooke's departure and it was considered that an early announcement of the consequential appointments was desirable.

The Governor explained that he had already taken such steps as he could to put in train the appointment of a successor to Mr Galpin but the Queen's approval could not be sought until such time as Mr Galpin's formal resignation had been received. This was likely to be forthcoming on Friday 18 March once he had returned from abroad and had agreed satisfactory terms with Standard Chartered: in the normal course it would be laid before Court the following week. However, to advance the process of appointing his successor Court, being fully aware of the circumstances relating to Mr Galpin's resignation, were content that, when received by the Governors, Mr Galpin's letter of resignation to the Court be used for a formal approach to the Chancellor of the Exchequer without waiting for it to be laid before Court.

At the Governor's invitation:-

- 1 A letter from Messrs Freshfields was submitted together with a document to be sealed, namely a Transfer relating to the purchase of a property for occupation by the Agent at the Leeds Branch.

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

- 2 Mr Drake and Mr Harris attended Court for the discussion relating to the relocation of the Registrar's Department.


With reference to a Minute of 15 October 1987, Mr George, in introducing the Report of the Relocation Steering Group which examined a number of possible sites for the relocation of the Registrar's Department, said that from a management standpoint the first consideration was cost; given that cost considerations were much the same outside London and the South East, the next priority was the attitude of the staff: it was important that a core of qualified staff should be prepared to

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relocate in order to maintain the service provided by the Department. He therefore accepted the recommendation of the Steering Group that the Bank should attempt to acquire a site in Gloucester, a location that would meet those requirements and should be acceptable to the Bank and the staff. In doing so, however, Mr George explained that Sir Leslie Young, a Member of the Registrar's Department Liaison Committee, had questioned whether the recommendation took adequate account of political considerations, which might point to an area of high unemployment. A further issue that had emerged in the past week was a letter from the Tory Party in Scotland recommending that the Registrar's operation should be privatised. Although Treasury officials proposed to respond saying that they saw no merit in such a move, any decision of Court would depend upon assurances from the Chancellor of the Exchequer that he would not pursue the question of privatisation.

It was the view of Members of Court that the choice of site should be based on the best interests of the Bank in running the Registrar's operation and that the decision should be taken on logistical rather than political grounds. Court accepted the recommendation and agreed that the Bank should now seek to negotiate the acquisition of the Gloucester site from Mountleigh. It was also accepted that to preserve the Bank's negotiating position, the decision in favour of Gloucester should remain confidential at the present time and that hopefully the Bank would be in a position to make a formal announcement, to include details of relocation and severance terms, in 4-6 weeks time.

The Governor said that he would now notify the Chancellor of the Exchequer of Court's decision and would take the opportunity to discuss the privatisation issue as well.

- 3 Mr Walker spoke about the half-yearly Report of Minorities Finance Ltd as at 31 December 1987 and explained that shareholders' funds at that date stood at £49 mn including reserves of £11.6 mn. These had improved further, by a certain £1 mn and a probable further £1 mn in addition, as a result of recoveries in the last two months which had permitted a further writing back of provisions. We were
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getting nearer to the point when the rise in shareholders funds would fully compensate the Bank for interest waived in the past; thereafter recoveries would fall to be shared equally by the Bank and the co-indemnitors. In referring to the action against Arthur Young he said that the hearing was provisionally set for January 1989 and that the prospect of a settlement ahead of the hearing would probably improve as the date approached. For the future it seemed likely that the MPL operation could be significantly reduced once the Arthur Young claim was settled but they would continue to secure recoveries where possible, probably over a period of several years.

With reference to a Minute of 25 February, the Governor said that although Mr Walker was relinquishing his Executive responsibilities on taking up the Chairmanship of the Securities and Investments Board, he had agreed to continue as Chairman of Minorities Finance Limited.

With reference to the earlier discussions relating to exchange rate and interest rate policy, it was agreed that the possibility of producing a comprehensive document for further discussion at Court should be explored.

*C. S. Craig*

*Secretary.*

*17<sup>th</sup> March 1988*

*Adrian Cadbury*

*17<sup>th</sup> March 1988*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 MARCH 1988

## Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Frederick Brian Corby, Esq  
Edward Alan John George, Esq  
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

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William Peter Cooke, Esq  
John Stanton Flemming, Esq

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

*la* 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 and with reference to a Minute of the previous week, Mr George said that the Governor had written to the Chancellor of the Exchequer about the proposed relocation of the Registrar's Department to a site in Gloucester and the privatisation issue. Written confirmation from the Chancellor was awaited but he had told the Governor that he had no objection to the proposed move to Gloucester and, although he could not rule it out completely for the future, he had no intention of pursuing the question of privatisation at the present time. The Bank was therefore free to go ahead with relocation as proposed.

In introducing the Report of the Committee on Permanent Control of Expenditure, the Deputy Governor said that, in particular, the Committee was able to confirm that, as had been intended, the reclassification of Banking Staff at July 1987, would be self-financing with the principal savings achieved from the Restricted Severance Scheme. The Report was approved by Court.

At the Deputy Governor's invitation Mr Flemming introduced a paper summarising the main proposals contained within the Chancellor's Budget Statement. During the discussion which followed attention focused on the absence of any measures in the Budget proposals to restrain consumer credit and, in the context of monetary policy overall, the effects of intervention on inflation.

*C. A. Croft*

*Secretary*

*24th March 1988*

*Alan Cadbury*

*24th March 1988*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 MARCH 1988

Present

Sir George Blunden, 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  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Anthony David Loehnis, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq

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John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

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

In commenting on the weekly figures Mr Galpin said that the Easter peak for the note issue was expected the following week: although an increase of some 5 1/2% was forecast, notes in circulation were currently about 7% higher than at the same point last year.

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

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

At the Deputy Governor's invitation:-

- (i) Mr Flemming commented on the Economic Report for March.
- (ii) In introducing the regular monthly discussion of monetary policy and with reference to the provisional money figures for February, Mr Coleby said that M0 recorded an increase of 5.3% year on year. Notes and coin had increased by some 5 3/4% in the month and with continued growth could reach 6% by end March in seasonally-adjusted terms, with much larger growth in the non-adjusted series because of the timing of Easter. The adoption of a revised target for the coming year of 1% - 5% as announced in the Budget statement, compared with 2% - 6% at present, implied a policy objective of slowing down the rate of growth of narrow money. February's growth in broad money was fairly subdued, M4 increasing by 0.9% and M3 by 0.4%, to record year on year increases of 16% and 20.4% respectively. The modest growth in February was the result of continued over-funding and lower lending. Bank lending rose by £2.6 bn compared with increases averaging £4 bn over the last six months and more than £5 bn in the last two. Within bank lending, that to persons was comparatively low, and was only partly compensated for by an upturn in lending by Building Societies. The conclusion to be drawn from this month's figures was that there were no new grounds for concern but equally no cause for any relaxation in policy: taking into account the information from the real economy there was a clear need for continued caution.
- The removal of the cap against the deutschemerk had had two consequences. First, it had made it possible to avoid the undesired easing of monetary conditions which would have occurred if 3DM had been defended either by heavy intervention or by lowering interest rates. Second, the exchange rate can now play a part, along with interest rates, in the managing of monetary conditions. Policy must aim at a combination of exchange rate and interest rates which maintains the necessary downward pressure on inflation; but it is the market which will largely decide the menu for that choice.
- 6

In the discussion which followed the question of the balance between exchange rate and interest rate policy was raised. Mr George said that the continuing strong increase in domestic demand carried risks for both the rate of inflation and the balance of payments, pointing to the need for a restrictive policy stance. While we could not disregard the effect of the exchange rate on competitiveness, inflation was the more immediate and fundamental risk.

Mr Flemming and Mr Coleby having withdrawn from Court, the Deputy Governor introduced a Minute of the Committee of Treasury concerning the appointment of a successor to Mr Galpin, consequential appointments arising therefrom, and from the reallocation of responsibilities following Mr Walker's change of status to that of a Non-Executive Director. It was agreed that:-

1 With effect from 1 April 1988:-

- (i) provided Mr Brian Quinn's proposed appointment as a Director of the Bank with responsibility for the Banking Supervision Division and the Banking Department receives the Royal consent, he should receive a salary of £75,000, the minimum of the range appropriate to Executive Directors.
- (ii) H C E HARRIS [redacted]  
 A Senior Official, [redacted] be appointed an Associate Director with responsibility for the Corporate Services Department, [redacted] at a salary of [redacted]
- (iii) [redacted]  
 An Official, currently a Manager in Banking Supervision Division [redacted] be appointed a Senior Official, [redacted] and become a Deputy Head of Banking Supervision Division



2 With effect from 1 May in anticipation of Mr D A Walker relinquishing his executive responsibilities:-

- (i) P H KENT (50)  
 A Senior Official, currently Head of International Division (International Financial Institutions and the Developing Countries) be appointed an Associate Director with responsibilities for the Finance and Industry Area and for the Printing Works, at a salary of [REDACTED]
- (ii) J P CHARKHAM (57)  
 A Senior Official, currently Chief Adviser, Finance and Industry Area be appointed an Adviser to the Governors, at a salary of [REDACTED]
- (iii) A R LATTER [REDACTED]  
 An Official, currently an Adviser, Economics Division with responsibilities in the International Division for the World Economy and Debt be appointed a Senior Official, [REDACTED] and become Head of International Division (Financial Markets, the World Economy and Debt)

3 Also with effect from 1 April, the salary of J S FLEMMING, Chief Economic Adviser to the Governor, be increased from [REDACTED] to [REDACTED] and his title be changed to Associate Director and Chief Economist.

4 Consequent on Mr Brian Quinn becoming a Director of the Bank, R A BARNES, an Assistant Director in the Banking Supervision Division to become Head of that Division with effect from 1 April 1988.

The Deputy Governor went on to explain that it was not possible to say when these appointments could be promulgated. No further action could be taken until Mr Galpin's letter of resignation had been received, and a further delay may be experienced in obtaining Royal consent.

Consequent upon these appointments the Deputy Governor went on to introduce two further Minutes of the Committee of Treasury concerning the revised composition of the Standing Committees of Court for 1988/89, a number of changes to the Boards of three of the Bank's subsidiary companies and, consequently, those authorised to act as representatives of the Governor and Company of the Bank of England at meetings of those companies. The recommendations contained in these Minutes were approved.

George Blunden

31<sup>st</sup> March 1988

C. A. Crockett

Secretary 31 March 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 31 MARCH 1988

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 Martin Wakefield Jacomb  
Sir Hector Laing  
Anthony David Loehnis, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq

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

With reference to a Minute of the previous week, the Governor said that the appointment of Mr Quinn as Mr Galpin's successor had been announced from 10 Downing Street earlier that day: the Bank had also issued a Press Notice detailing the consequential appointments arising therefrom, together with those arising from Mr Walker's change of status to that of a Non-Executive Director.

With reference to a Minute of the previous week, Mr Galpin mentioned that the note issue had reached its Easter peak that day. Mr George spoke about the foreign exchanges and the state of the domestic markets.



Under the weekly executive report:-

- 1 The Deputy Governor said that the Union had lodged their pay claim for the year from 1 July 1988, their first pay claim since the transfer of engagements to BIFU. He outlined the nature of the claim and said that, in due course, Court would be asked to agree the parameters within which negotiations with the Union would take place.
- 2 The Governor referred briefly to his appearance before the Treasury and Civil Service Committee earlier that week.

At the Governor's invitation:-

- 1 The Deputy Governor introduced a proposal regarding the Bank's interim payment in lieu of dividend to HM Treasury which had been calculated on the basis of the agreed formula. The proposal for a payment of £12.55 mn to be made on 5 April, pursuant to Section 1(4) of the Bank of England Act 1946, was approved.
- 2 Mr Loehnis commented on the Overseas Trade figures for February which had been published the previous Friday.

On the occasion of Mr Galpin's last attendance at Court the Governor thanked him for his important contributions to Court in several capacities over recent years and wished him success and good fortune in his new appointment.

*L. A. Coughlin.*

*Secretary 7th April 1988*

*Adrian Cadbury*

*7/4/88*



## COURT OF DIRECTORS

For the period 1 April 1988 - 28 February 1989

Declaration  
made beforeDate

|                     |          |  |
|---------------------|----------|--|
|                     |          | The Rt Hon Robert Leigh-Pemberton, Governor  |
|                     |          | Sir George Blunden, Deputy Governor          |
|                     |          | Sir George Adrian Hayhurst Cadbury           |
|                     |          | Sir Hector Laing                             |
|                     |          | Anthony David Loehnis Esq                    |
|                     |          | Sir David Gerald Scholey CBE                 |
|                     |          | Edward Alan John George Esq                  |
|                     |          | David Alan Walker Esq                        |
|                     |          | The Hon Sir John Francis Harcourt Baring CVO |
| The Deputy Governor | 18. 2.88 | * Dr David Valentine Atterton CBE            |
|                     |          | Frederick Brian Corby Esq                    |
|                     |          | Sir Robert Haslam                            |
|                     |          | Gavin Harry Laird Esq                        |
| The Governor        | 25. 2.88 | * Deryk Vander Weyer Esq CBE                 |
| The Governor        | 25. 2.88 | * Sir Leslie Clarence Young CBE              |
|                     |          | Sir Martin Wakefield Jacomb                  |
|                     |          | Sir Colin Ross Corness                       |
| The Governor        | 31. 3.88 | # Brian Quinn Esq                            |

\*Reappointed 1 March 1988

#Appointed 1 April 1988

A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 APRIL 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Adrian Hayhurst Cadbury  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Anthony David Loehnis, Esq  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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Hugh Christopher Emlyn Harris, 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, as well as the Official Reserves figures for March which had been published the previous day.

Under the weekly executive report:-

- 1 Mr George drew Court's attention to the Bank's final proposals on The Regulation of the Wholesale Markets in sterling, foreign exchange and bullion, to be published the following day, together with a list of those institutions exempt under

Section 43 from the provisions of the Financial Services Act 1986. In this context he explained that the Bank may be challenged by one or two institutions excluded from the list on the grounds that their market standing could be affected. We had made it clear that the list was based on functional, market-making criteria rather than status.

The Governor commented that the publication of the "Grey Paper" represented a very substantial piece of work which reflected great credit on the Wholesale Markets Supervision Division and on Mr Townend, the Head of the Division, in particular.

- 2 With reference to Mr George's earlier comments on the foreign exchanges, the domestic markets and the impact of recent intervention on the Official Reserves figures, Sir Adrian Cadbury suggested that it would be helpful if a paper, outlining the consequences of intervention on money supply, exchange rates and interest rates, could be prepared possibly for future discussion at Court: it was agreed that this should be done.

Two letters from Messrs Freshfields were submitted together with two documents to be sealed, namely a Deed of Covenant for £43,000 with the Charities Aid Foundation in respect of the Bank's charitable giving to registered charities which Court had previously agreed be increased by £10,000; and a Deed of Substitution and Release in respect of a property in Wimbledon owned by a member of staff.

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 David Scholey presented 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 1988. The Report was approved.
- 2 Mr Loehnis introduced the International Economic Developments paper for March. A brief discussion ensued.

*A. A. Wright*  
14 April 1988

*Adrian Cadbury* 14/4/88

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 APRIL 1988

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  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Sir Hector Laing  
Gavin Harry Laird, Esq  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq  
John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, 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 Deputy Governor informed Members that the annual secrecy declaration would be available for signature shortly.



At the Deputy Governor's invitation:-

1 With reference to a Minute of 31 March, Mr Harris presented a paper "Pay 1988" which set out the Union's claim and the potential problems surrounding this round of pay negotiations. He drew attention to two particular difficulties. The Bank currently faced recruitment pressures for graduates where this year the recruitment target, at 59, was the highest ever. The starting salaries offered by the Bank were already significantly below those of the Clearers and the position would be exacerbated following their proposed increases of the order of 7%. Because of conflicting recruiting demands between clerical entrants - where our requirements were of a lower order - and graduate entrants it would be important to use to the full the flexibility that had been built into the recent Reclassification.

The cash limit position was another matter which would be particularly difficult this year but nevertheless it was suggested that the Bank should aim for a settlement within an overall across the board award of 5% with, in the last resort, the possibility of a non-pensionable flat sum being considered for London based staff.

In the discussion which followed it was apparent that the salaries on offer to graduates were well below those being offered by Merchant Banks and that the Bank should seek to redress the position in order to recruit graduate staff of the appropriate calibre. It was agreed that there was some merit in considering a non-pensionable flat sum but, if so, there was support for referring to it as a London allowance: this would remove any doubt about its application for staff working outside London and particularly those who would be relocated with the Registrar's Department in due course.

It was agreed that negotiations should take place within the parameters described and that further reference should be made to Court only if a settlement could not be achieved on that basis.

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2 Mr Charkham attended Court as an observer for the discussion of a paper on Trends in Real Interest Rates which forms the basis of an article to appear in the May edition of the Quarterly Bulletin, and of a submission to the May meeting of the NEDO Committee on Industry and Finance on which he sat.

Mr Flemming introduced the paper which sought to extend the analysis of UK interest rates and set them in an international context.

In the discussion which followed, Sir Adrian Cadbury emphasised that although the analysis contained in the paper was interesting, the real interest rates relevant to industry were inevitably subjective. Nevertheless, the conclusion that could be drawn was that the more stable the currency and the lower the inflation rate, the more stable were real interest rates and the more likely it was that industry would make well-informed decisions.

George Blunden  
21 April 1988

L. S. Crafts.

Secretary 21 April 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 APRIL 1988

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  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE


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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 gave an account of developments at last week's meetings in Washington, and of his bilateral discussions with Mexican officials earlier this week.

 Court gave their approval to Sir Leslie Young becoming a Non-Executive Director of SIBEC Developments Ltd.

At the Governor's invitation:-

- 1 Mr Quinn introduced the Report and Accounts of the Deposit Protection Board for the year ended 29 February 1988, which were laid before Court.
  
- 2 With reference to a Minute of 7 April, Mr George presented a paper on the Effects of Foreign Exchange Market Intervention which examined the direct effects of intervention on money supply and its interaction with the exchange rate and interest rates.  
 In the discussion which followed, attention focussed on the effect that participation in the Exchange Rate Mechanism might have on intervention policy. It was impossible to know whether the level of intervention would have been greater or smaller within the ERM, though some felt it might have been less and that the exchange rate might have been allowed to rise sooner than it had. More generally it was thought that ultimately the level of intervention was a matter of judgement taking into account the interaction with exchange and interest rates; and that steps might be taken to ensure that the effects of intervention were more widely known and understood.
  
- 3 Mr Flemming introduced a paper on the effects of exchange rate depreciation on inflation in the USA and the UK which considered why exchange rate depreciation might have different effects on inflation in those economies.

*George Blunden*

*28<sup>th</sup> April 1988*

*S. A. Crockett*

*Secretary 28<sup>th</sup> April 1988*



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 APRIL 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
Sir George Adrian Hayhurst Cadbury  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Anthony David Loehnis, Esq  
Sir David Gerald Scholey, CBE  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq

Anthony Laurie Coleby, Esq

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

The Governor introduced a letter, dated 21 April, from Mr Deryk Vander Weyer giving notice of his resignation from Court as a Director with effect from 30 September 1988; the letter was laid before Court.

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

In commenting on the weekly figures in the absence of Mr Quinn, Mr George drew attention to the increase in the Banking Department's gilt-edged holdings which reflected a decision to switch more of the Bank's assets into fixed interest securities to protect our income against a possible fall in interest rates; we were already heavily protected against an interest rate rise through our holding of short-term, variable-rate, assets. He then went on to speak about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report and with reference to a Minute of 17 March, Mr George informed Court that it was expected to exchange contracts that day in respect of the purchase of a site in Gloucester for the relocation of the Registrar's Department. The purchase price of £4.25 mn for the four acre site had been higher than hoped but once the site was developed for the Bank's purposes it would be possible to sell off about one acre not needed for the building, so reducing the net cost of the site to around £3 mn. Subject to contracts being exchanged that day, it was proposed to make an announcement to the staff and the press the following afternoon.

At the Governor's invitation, Mr Harris introduced a Recommendation by the Governors that consequent upon the retirements of [redacted] and [redacted] and the redistribution of their responsibilities, with effect from 3 May 1988:-

[redacted] be promoted from  
 A Senior Official and a Deputy [redacted] to [redacted]  
 Chief of the Banking Department  
 and Deputy Chief Cashier

Two letters from Messrs Freshfields were submitted, together with two documents to be sealed, namely:-

- 1 a Deed appointing Mr P H Kent to the Board of Trustees of the Bank of England Pension Fund in succession to Mr Galpin.
- 2 an Extension Underlease in respect of 42 Cheapside, where the Bank has granted the tenant an Underlease of further premises for use as a storeroom.

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

Also at the Governor's invitation:-

- 1 The Deputy Governor spoke about the draft Report and Accounts for the year ended 29 February 1988 and explained that the Report was being presented in a different format this year: it would contain an expanded version of the traditional Governor's foreword; would draw particular attention to the Bank's Quarterly Bulletin and the articles that had appeared therein; and would comment specifically only on Note Issue, Management of the Stock Register, and Internal Administration. The Deputy Governor went on to talk in detail about the Bank's Accounts. Court agreed that it would be appropriate for the Banking Department's accounts to continue to be published on a current cost basis in addition to the normal historical cost basis. It was agreed that the draft accounts and the level of the dividend would be submitted for the approval of the Meeting the following week, subject to ratification by Court on 12 May.
- 2 Mr Flemming presented the Economic Report for April.
- 3 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the provisional money figures for March suggested a resumption of growth of M0 and an acceleration of growth in broad money. Seasonally adjusted, the monthly increase in M0 was 0.8%, producing a year on year increase of 5.8%, within the target range of 2%-6% for the year just ended. The currency circulation alone, however, had grown by 6.4% seasonally adjusted: there was therefore a need for the growth of narrow money to decline over the coming months to maintain the credibility of the target of 1%-5% for the current year. A large increase in broad money in March was to be expected as we needed to underfund quite heavily in order to come close to a full fund over the fiscal year as a whole. M3 had increased by 3.1% in the month and 20.7% year on year and M4 had risen to a record of 16.7% growth year on year. Building Society lending was responsible for M4's rate

of growth rising relative to that of M3 and mortgage lending was the most notable ingredient of the month's total. The increase in the rate of growth of house prices, from 17% to 18% over the month, was a visible consequence. Since the uncapping of sterling against the deutschemark the exchange rate had appreciated and, despite interest rate reductions, on balance monetary conditions had become tighter. The sectoral implications of the exchange rate and interest rate combination which markets had made available were not particularly welcome. Even so, recent economic and monetary developments indicated that a further tightening of monetary policy might be necessary.

The Governor 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 Tuesday.

George Blunden  
12 May 1988

L. A. Craggs  
Secretary. 12 May 1988



A MEETING OF DIRECTORS AT THE BANK

THURSDAY 5 MAY 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Edward Alan John George, Esq  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Robert Haslam  
Gavin Harry Laird, Esq  
Brian Quinn, Esq

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John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

The number of Directors assembled being insufficient to form a Court, those present proceeded to the business subject to ratification by Court on 12 May.

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, as well as the Official Reserves Figures for April which had been published the previous day.

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

At the Governor's invitation and with reference to a Minute of the previous week, Mr Harris spoke about the Annual Report and Accounts of the Bank for the year ended 29 February 1988. He reported that the proposals with regard to the payment in lieu of dividend of £26,121,000 had been agreed with H M Treasury in accordance with the established formula.

A Governors' Recommendation that the Accounts for the year ended 29 February 1988 be approved and signed, and that the Annual Report and Accounts of the Bank for the year ended 29 February 1988 be printed and issued was submitted and approved, subject to minor alterations to the text of the Report, and subject to ratification by Court the following week.

With reference to a Minute of 10 March, the Governor mentioned that Mr Walker, whilst still retaining the chairmanship of Minories Finance Ltd, had relinquished his membership of the Boards of the two subsidiary companies, Minories Finance Nominees Ltd and Johnson Matthey Bankers Ltd. Mr M J Harper, who was already a member of the Board of Minories Finance Nominees Ltd, had been appointed to the Board of Johnson Matthey Bankers Ltd in succession to Mr Walker.

At the Governor's further invitation Mr Flemming presented the Economic Commentary section of the May edition of the Quarterly Bulletin. In the absence of Mr Loehnis, Mr Flemming also spoke about the Overseas Trade Figures for March which had been published the previous week.

George Blunden

12 May 1988

C. A. Coyle

Secretary 12 May 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 MAY 1988

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

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John Stanton Flemming, Esq

The Minutes of the Court of 28 April were confirmed, and those of the Meeting of 5 May were approved, thereby ratifying the decisions of the previous week concerning the Report and Accounts of the Bank for the year ended 29 February 1988.

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

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

With reference to a Minute of 28 April, a letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a Deed of Transfer to complete the purchase of a site in Gloucester for the relocation of the Registrar's Department.

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 Quinn spoke about the Bank of England Banking Act Report for 1987/88, and the Statement of Principles required under Section 16 of the Banking Act 1987; both documents were due for publication, together with the Bank's Annual Report and Accounts, on 18 May.
- 2 Mr Quinn then went on to explain the changes to the new variant of the £50 note which were being introduced to combat a serious counterfeiting problem. The new note would be issued in July.
- 3 Mr Loehnis introduced the International Economic Development's paper for April.
- 4 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the May edition of the Quarterly Bulletin, and the latest edition of the Bank Briefing, both of which were due to be published later that day.

*L. A. Coates*

*Secretary*

*19th May 1988*

*George Blunden*

*19th May 1988*



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 MAY 1988

## Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Frederick Brian Corby, Esq  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Sir Robert Haslam  
Anthony David Loehnis, Esq  
Brian Quinn, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq

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

Mr Quinn 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 Governor spoke about the potential difficulties that might arise concerning Nomura and Daiwa who had applied to become gilt edged market makers.

Although their applications had been approved by the Bank with the full knowledge of HM Treasury, and dates for their admission agreed, the Bank had now postponed their entry under pressure from the Government on political grounds. This arose because the Government had chosen to link their admission to the London market with Barclays de Zoete Wedd's and James Capel's aspirations to become members of the Tokyo Stock Exchange. A question concerning the delay was to be asked by Lord Bruce-Gardyne in the House of Lords next week. The Treasury's draft answer was that this was entirely a matter for the Bank. Court agreed that such an answer would be unacceptable.

At the Governor's invitation:-

- 1 In introducing the Report of the Charitable Appeals Committee, Sir Leslie Young drew attention to the increase of some 37% in the number of appeals received by the Bank in the year ended February 1988, and said that the trend continued with a further increase of 26% so far this year. The Committee's recommendation that the Bank's contribution to the National Council for Voluntary Organisations be increased from £5,000 to £6,000 this year and that a donation of £2,000 a year for three years be made to Youth Clubs UK, was agreed.
- 2 Mr Corby introduced the Chief of Corporate Services Annual Report on Salary Policy and Fringe Benefits which had been considered previously by the Staff Committee. Mr Harris then drew attention to some of the issues covered by this Report before going on to comment on the statement of Retirements and Secondments which had taken place since October 1987.

In referring to the number of secondments of a charitable nature, Sir Adrian Cadbury suggested that these should be given greater prominence in the Bank's Annual Report and Accounts in future years. They should feature in the Notes on the Banking Department's Accounts under the heading of "Charitable donations" in addition to being mentioned in the text of the Report.

- 3 Mr Loehnis presented the World Economic Forecast: Spring 1988 and spoke about a subsequent alternative scenario that had been prepared, based on higher US domestic demand than that projected in the World Economic Forecast.

The Governor drew attention to a summary of press reaction to the Annual Report and Accounts of the Bank and the May Edition of the Quarterly Bulletin which had been published during the previous week.

BA Hoffmann  
Assistant Secretary  
26<sup>th</sup> May 1988

George Blunden  
26<sup>th</sup> May 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 MAY 1988

## 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 Hector Laing  
Gavin Harry Laird, Esq  
Anthony David Loehnis, Esq  
Brian Quinn, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq  
Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

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

The Governor expressed the sadness of Court at the news of the death of W M Allen who had been an Executive Director of the Bank from 1964 to 1970.



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 Mr George said that when consideration had been given to the new gilt-edged market structure four years ago parallel changes in the money markets had been envisaged, including opening up our dealing arrangements to new Discount Houses - provided they could meet the various requirements of the Bank. The process had been started the previous day when our initial proposals for implementing these changes had been put on a private basis to the existing Discount Houses. It was hoped to conclude those private discussions in time for a public discussion paper to be issued by the end of June.
  
- 2 With reference to a Minute of 19 May concerning the applications of Nomura and Daiwa to become gilt-edged market makers, the Governor mentioned the outcome of the question in the House of Lords, concerning the delay in approving the applications, had proved satisfactory and the impossibility of describing it as a matter for decision by the Bank had been recognised.

At the Governor's invitation:-

- 1 Mr Harris introduced a Minute of the Committee of Treasury concerning a promotion that had arisen as a consequence of the resignation of S R Chandler, Head of Systems and Office Services Division. His successor was to be L G Lloyd, whose current appointment as Auditor was an ex-officio Senior Official's position. It was agreed that with effect from 4 July 1988:-

JOHN BARTLETT [redacted]  
 An Official, and  
 currently Contingency  
 Planning Project Manager

be appointed a Senior  
 Official [redacted] and  
 Auditor.

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- 2 The Deputy Governor's interest having been declared, Mr Corby presented a Report of the Staff Committee on the increase to be awarded in pensions and allowances payable from the Staff Pension Fund with effect from 1 July 1988. After some detailed comment from Mr Harris, the recommendations contained in the Report were approved.
  
- 3 The Deputy Governor's interest again having been declared, Sir Adrian Cadbury introduced 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 a former Governor and three former Executive Directors, with effect from 1 July 1988. The Minute was approved.
  
- 4 With reference to a Minute of 20 August 1987, Sir John Baring presented a Report of the Committee to consider the Securities of Certain Funds. The Report, including an addition to the previous Report to Court to clarify the Investment Managers' responsibilities in takeover situations, was approved.
  
- 5 Mr George, in the absence of Mr Flemming, spoke about the Economic Report for May, before introducing the regular monthly discussion of monetary policy, in the absence of Mr Coleby.  
The latest real economic indicators suggested some slowdown in the growth of domestic demand, but a rather more marked decrease in the rate of growth of output. This evidence however conflicted with indirect evidence suggesting continued buoyancy. There was rather clearer evidence in wholesale and retail prices, house prices and wages and earnings data of a rise in the underlying rate of inflation.  
On the monetary side, narrow money growth (M0) remained above target and was likely to continue to do so. Broad money growth was more subdued in April and on a 12 month basis but largely because of sizeable overfunding in those periods.  
With this excluded M4 growth was probably around 17% on a 12 month basis and moving up into new higher ground.

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Taken together the evidence suggested a clear need for a very cautious policy stance. There was nothing to suggest that inflation would come down from its recent underlying rate of 4-5% and a number of factors suggesting that it could move upwards.

However this monetary analysis was not the only consideration. In recent weeks political factors had become a threat in their own right - even though the extent of the disagreement within the Government had been greatly exaggerated by the media. The statement by the Prime Minister on the previous Tuesday and associated cut in interest rates had to be seen as intended to clear the political air.

In the discussion that followed mention was made of the buoyancy of the figures for house building. It was estimated these would rise by 10%. There was pressure on the construction industry throughout the South East and demand was spreading to other regions as well with resultant increases in the price of land and houses. Although there was a lot of money available for these purposes the surge would have to come to an end when people could no longer service their loans. A new phenomenon was emerging at the moment with the increase in borrowing by the Corporate sector. This may have owed something to the rapid development of the role of the Corporate Treasurer with the treasury function becoming a profit centre. A further point made about the current economic climate was that if rising wage settlements - up to 7% or 8% - were taken in conjunction with the current exchange rates, problems would arise over the ability to export effectively although recent experience in Scotland amongst small companies had shown they were quite relaxed.

C. A. Cragg.

Secretary 2<sup>nd</sup> June 1988

Adrian Cadbury  
2<sup>nd</sup> June

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 JUNE 1988

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
The Hon Sir John Francis Harcourt Baring, CVO  
Frederick Brian Corby, Esq  
Sir Colin Ross Corness  
Sir Robert Haslam  
Sir Hector Laing  
Anthony David Loehnis, Esq  
David Alan Walker, Esq

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John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq

Anthony Laurie Coleby, Esq

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

In the absence of Mr Quinn and Mr George, Mr Coleby commented on the weekly figures. He drew attention to the spring peak in note circulation which was 7.7% higher than the previous year confirming the continuing buoyancy of consumption; and to the further increase in the Banking Department's holding of gilt-edged securities in pursuance of the decision to switch some of the





Bank's assets into fixed interest securities to protect our income against a possible fall in interest rates. Mr Coleby then went on to speak about the foreign exchanges and the state of the domestic markets, including the increase in interest rates being announced that day: he also commented on the Official Reserves figures for May.

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

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

At the Deputy Governor's invitation:-

- 1 Mr Loehnis commented on the Overseas Trade Figures for April which had been published the previous Friday. During the discussion which followed it was agreed that a detailed study of performance by sector might be undertaken.
- 2 Mr Flemming presented a paper on Recent Wage Developments which had been prepared by the Economics Division: a discussion ensued.

*L.A. Coombs.*

*Heckel Lang*

*Secretary 9<sup>th</sup> June 1988*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 JUNE 1988

Present

Sir George Blunden, Deputy Governor  
Sir Hector Lainq  
Dr David Valentine Atterton, CBE  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Gavin Harry Laird, Esq  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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John Stanton Flemming, Esq  
Pendarell Hugh Kent, Esq

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

Mr Quinn commented on the weekly figures and Mr George spoke about the foreign exchanges and the state of the domestic markets, explaining the background to the two increases in interest rates, each of 1/2%, during the previous week: a discussion ensued.

The executives had nothing to report this week but, at the Deputy Governor's invitation, Sir Hector Laing expressed his concern about the statement made in the House of Commons the previous day by Mr Kenneth Clarke, the Minister of Trade and Industry, that the nationality of the ownership of companies was increasingly irrelevant. If this view prevailed it would have long term implications for British industry; it could lead to a lack of industrial leadership and expertise particularly if industrial headquarters were based abroad; and British industry would become tenants in its own country.

In the ensuing discussion the view was expressed that this issue was perhaps one for the CBI to pursue rather than the Bank. The Bank's main concern was with foreign participation in the financial sector, and the long-term implications of this would be discussed by the City Committee in due course. Nevertheless it was agreed that further research into foreign penetration of British industry by sector might be undertaken and the subject be considered again by Court.

Also at the Deputy Governor's invitation:-

- 1 Mr Latter, in the absence of Mr Loehnis, attended Court to present the International Economic Developments paper for May.
- 2 Mr Flemming introduced a paper on companies' financial behaviour in the first quarter of 1988 which addressed the changes in the pattern of company financing since the fall in equity prices in October of the previous year. The paper touched on a number of issues relating to the earlier discussion on foreign penetration of British industry and the hope was expressed that this would be a subject for regular discussion in the future.

*C. A. Croft*  
 Secretary 16<sup>th</sup> June 1988

*George Bunder*  
 16<sup>th</sup> June 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 JUNE 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir George Blunden, Deputy Governor

Dr David Valentine Atterton, CBE

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

Gavin Harry Laird, Esq, CBE

Anthony David Loehnis, Esq, CMG

Brian Quinn, Esq

Sir David Gerald Scholey, CBE

Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq

Hugh Christopher Emlyn Harris, Esq

Pendarell Hugh Kent, 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 Mr Quinn informed Court that five building societies had expressed an interest in converting to plc status and had sought advice from the Bank about authorisation under the Banking Act 1987. Three of the societies were now in an advanced state of discussion.

There were unlikely to be any problems of principle in these building societies meeting the criteria of the Banking Act. However, it would be necessary to ensure that the level of their capital was adequate and we have indicated that they should expect to have to maintain a somewhat higher risk/asset ratio than the clearing banks, certainly in the early stages. Although the current levels of reserves were not far removed from the Bank's likely requirements, there remained to be resolved the important issue of members' prior claims on reserves in the event of liquidation, which at present could nullify the societies' reserve level requirements for purposes of meeting the Bank's capital adequacy requirement. The Building Societies Commission were currently exploring this issue and would be announcing rules for conversion in the month of July.

- 2 In outlining the background to the current situation concerning the affairs of Barlow Clowes, Mr Kent explained that the Bank had suspected as early as 1984 that Barlow Clowes were taking deposits illegally; at about the same time the Department of Trade and Industry also learned that the Company appeared to be dealing in securities without a licence. There was a continuing dialogue between the Department of Trade and Industry, HM Treasury and the Bank, in which the Bank repeatedly stressed its concern, but the DTI granted Barlow Clowes a dealing licence in 1985. The Bank continued to express its concern about the Company's affairs which subsequently led to an investigation being undertaken by the Department of Trade and Industry using the new powers under the Financial Services Act. During this investigation Barlow Clowes' licence had been renewed. In May of this year the Department of Trade and Industry had sent the papers to the Securities and Investments Board which acted very promptly



to suspend Barlow Clowes' activities. The Financial Services Act provides a range of powers which would make a repetition of this kind of episode less likely.

From a supervisory point of view, Mr Quinn explained that at an early stage the Bank had doubts about the manner in which Barlow Clowes conducted its business as well as being particularly concerned that they appeared to be taking deposits without the necessary authority. The Bank had informed them in writing to this effect. After discussions it was agreed that to conform with the Banking Act, investors' funds should be held on a Trustee Account with Lloyds Bank.

At the Governor's invitation:-

- 1 Sir Hector Laing presented the Report and Accounts of BE Services Ltd for the year ended 29 February 1988 which were laid before Court.
- 2 Mr Loehnis having given a speech "European Currency and European Central Bank - A British View" to the Intergroup 'European Currency' of the European Parliament the previous day, introduced a discussion on this subject and commented on some of the issues that had been raised by his audience.

The Governor sought Members' views on the value of providing for Court the regular summary of press reaction following the publication of the Quarterly Bulletin and Annual Report. It was agreed that the practice should be discontinued but the oral report to Court should continue and perhaps be extended.

*George Blunden*

*23<sup>rd</sup> June 1988*

*L. A. Crockett*

*Secretary. 23<sup>rd</sup> June 1988*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 23 JUNE 1988

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  
Edward Alan John George, Esq  
Sir Robert Haslam  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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John Stanton Flemming, Esq

Anthony Laurie Coleby, Esq

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

In commenting on the weekly figures, Mr Quinn drew attention to the substantial increase in time deposits in the Banking Department's liabilities taking them to a record level. This arose because certain customers chose to take advantage of the Bank's Money Employed facility in view of prevailing easy money market overnight rates. Mr George spoke about the foreign exchanges and the state of the domestic markets.



Under the weekly executive report the Governor expressed his concern about the comments made by Mr Banham, the Director General of the CBI, as reported in the press that day, concerning the impact on British industry of the latest rise in interest rates.

At the Governor's invitation:-

- 1 Mr Flemming presented the Economic Report for June.
- 2 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the provisional money figures for May indicated that M0 had risen by 0.5% to produce a year on year increase of 6.2% on a seasonally adjusted basis. Within that figure notes and coin had increased by 0.8% to record a year on year increase of 6.5% compared with 6.1% the previous month, which confirmed the continuing buoyancy of consumer expenditure. Within the broad money figures, M4 had risen by 0.8% in the month and 15.7% year on year compared with the year on year figure of 15.9% the previous month; M3 had increased by 0.5% to 18.9% year on year compared with 20.1% the previous month. The appearance of moderating growth given by these figures was however somewhat misleading. The substantial rights issue in May by Barclays Bank had provided a one-off contractionary influence on money; and there had, in the twelve months to end-May, been heavy overfunding of the PSBR, which would be unwound over time as a result of the application of the 'full fund' rule. If adjustments were made to take account of these factors M4 remained buoyant and trending upwards. Lending continued to provide the dynamic for monetary growth; personal borrowing had recently grown somewhat from its already high rate, the bulk of it in mortgage borrowing which showed no sign of slowing down, but it was still demand from the corporate sector which was growing most strongly.  
Information from the real economy added substance to our continuing fears of rising inflation with increases in earnings, retail prices, producer input prices, unit labour costs and particularly in house prices. Over the past month our desire for a better balance in the exchange rate/interest rate mix had been partly fulfilled but it would be going

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too far to say that monetary conditions as a whole had been tightened. The question remained whether interest rates were yet high enough: the three increases in base rate, each of 1/2%, had as yet not led to any increase in mortgage rates. Policy decisions over the past month had taken care not to damage industrial confidence and current investment plans, and to avoid unduly strengthening the exchange rate; but there remained the risk that the recent increases would not achieve the desired effect in restraining domestic demand. It was therefore hard to argue against the market's presumption that there was likely to be a further increase in interest rates. In the discussion which followed some concern was expressed that much of the lending to the corporate sector might be to property companies and as a consequence the property sector might be overheating. Mr Coleby confirmed that this was the case but added that investigations had not so far provided any evidence to suggest that such financing was being undertaken on an unsound basis.

In commenting on the suggestion that targets for broad money were no longer regarded as important, Mr George accepted that there had been a shift of emphasis since targets were introduced. This partly reflected the fact that, with inflation now much lower, its further reduction was no longer the exclusive objective of policy, even though still the principle objective. But it was also the result of financial deregulation in the housing and securities markets which made the monetary aggregates a less reliable guide to policy. Other indicators, including the exchange rate, had necessarily assumed more importance. Mr George went on to address the question of the frequency of changes in interest rates that had occurred in recent months, explaining the difficulty of maintaining a balance between controlling inflation and maintaining competitiveness. The consequences of restraining the rise in the exchange rate by maintaining interest rates at a lower level than was desirable for the economy as a whole were now beginning to come through: the options were to address the problem now or to be forced into taking more severe action later.

*C. A. Craig*  
Secretary, 30th June 1988

*Adrian Cadbury*  
30th June 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 JUNE 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Adrian Hayhurst Cadbury  
Dr David Valentine Atterton, CBE  
Frederick Brian Corby, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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William Peter Cooke, Esq  
Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, 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 The Governor informed Court that recent comments in the press about Mr G A Drain, a former Director of the Bank, related to certain directorships which he had assumed in 1986 subsequent to his service as a Member of Court.

- 2 With reference to a Minute of 16 June, Mr Loehnis spoke about recent discussions which had taken place at the Hanover Council Meeting of European Heads of Government. A Committee had now been established under the chairmanship of M. Delors, the President of the Commission, to study and report back within a year, on concrete ways forward towards European Economic and Monetary Union. The Committee, whose terms of reference did not refer specifically to the setting up of a European Central Bank or a European currency, would include the Governors of the European Central Banks.

At the Governor's invitation:-

- 1 Mr Harris introduced a Report of the Staff Committee proposing a number of minor changes to the Rules of the Staff Pension Fund relating to preservation of pension entitlement, terms of contracting out and payment of voluntary contributions to secure additional benefits, which were necessary to comply with recent legislation. The Report was approved.
- 2 With reference to a Minute of 7 April, Sir David Scholey in presenting a Report of the Audit Committee, drew Court's attention to a further loss of £98,000 which had resulted from a delay in processing certain ECU transactions in July 1987. Because of the size of the loss the Committee had instructed the Auditor to convey its concern to the Chief of the Banking Department and to enquire what steps were being taken to prevent a recurrence. The Committee also noted that a Disaster Contingency Planning Project Manager had now been appointed and hoped that this would lead to positive steps being taken in the near future to reduce risks.
- 3 Mr Loehnis commented on the Overseas Trade Figures for May which had been released the previous Monday.
- 4 Mr George spoke about the draft proposals for the extension of the Bank's dealing relationships in the sterling money market which had been published the previous day. The structure of the proposals, which was essentially similar to those adopted in the Gilt Edged Market, imposed two main obligations on



those wishing to have a dealing relationship with the Bank in the sterling money market. These were to provide sterling liquidity to the banking system and to assist the commercial banks in managing their day-to-day cash flows by making a continuous market in bills. The facilities being offered in return were a direct dealing relationship with the Bank in eligible bills; borrowing facilities at the Bank against approved collateral; and limited facilities to borrow and lend gilt-edged stock through Stock Exchange money brokers. These features reflected the existing arrangements in the money market. The only new feature of the proposals was the facility for a Gilt-Edged market maker to establish a money market dealing relationship with the Bank from within the same corporate entity. Mr George said that the impact of these proposals would be fairly limited: he expected no more than about half a dozen applications.

When asked whether the question of abolishing the Discount Market to allow direct interface between the Bank and the commercial banks had been considered, Mr George said that this had been the subject of a detailed investigation in 1980; it had been reconsidered when the gilt-edged market had been restructured and again in the context of these latest proposals. Although it was difficult to say that the buffer of the Discount Market was essential it was preferable because it allowed greater market influence over the determination of inter-bank rates and reduced the risk of the reintroduction of the direction of credit as a condition for access to liquidity. There had been no adverse comments so far about the Bank's requirements that an established track record would be a pre-requisite to establishing a dealing relationship with the Bank. It would be possible to establish a track record in terms of scale and quality of trading without access to the Bank, but the Bank recognised that it would be more difficult to provide liquidity to the banking system in the form of callable deposits before an intermediary had access to the Bank.

*L.A. Coyle*  
 Secretary  
 7 July 1988

*George Blunden*  
 7 July 1988



## COURT OF DIRECTORS

For the period 1 July 1988 - 28 February 1989

Declaration  
made before

Date

The Deputy Governor 20. 6.88

\*The Rt Hon Robert Leigh-Pemberton, Governor  
 Sir George Blunden, Deputy Governor  
 Sir George Adrian Hayhurst Cadbury  
 Sir Hector Laming  
 Anthony David Loehnis Esq CMG  
 Sir David Gerald Scholey CBE  
 Edward Alan John George Esq  
 David Alan Walker Esq  
 The Hon Sir John Francis Harcourt Baring CVO  
 Dr David Valentine Atterton CBE  
 Frederick Brian Corby Esq  
 Sir Robert Haslam  
 Gavin Harry Laird Esq CBE  
 Deryk Vander Weyer Esq CBE  
 Sir Leslie Clarence Young CBE  
 Sir Martin Wakefield Jacomb  
 Sir Colin Ross Corness  
 Brian Quinn Esq

\*Reappointed 1 July 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 JULY 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir George Blunden, Deputy Governor

Sir George Adrian Hayhurst Cadbury

Frederick Brian Corby, Esq

Sir Colin Ross Corness

Edward Alan John George, Esq

Sir Robert Haslam

Sir Hector Laing

Anthony David Loehnis, Esq, CMG

Brian Quinn, Esq

Sir David Gerald Scholey, CBE

David Alan Walker, Esq

Sir Leslie Clarence Young, CBE

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William Peter Cooke, Esq

John Stanton Flemming, Esq

Pendarell Hugh Kent, Esq

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

In commenting on the weekly figures, Mr Quinn said that the notes in circulation were 7 1/2% up on the corresponding time the previous year, reflecting the continuing strength of consumer expenditure. He also drew attention to the fall in time deposits in the Banking Department's liabilities - a reversal of the position recorded in a Minute of 23 June - which reflected the recent change in the structure of interest rates in the money market.

Mr George spoke about the foreign exchanges and the state of the domestic markets, as well as the Official Reserves figures for June which had been published the previous Monday.

Under the weekly executive report:-

- 1 With reference to a Minute of 26 May and earlier, Mr George referred to speculation in the press earlier that day which suggested that Nomura and Daiwa were about to become gilt-edged market makers and confirmed that this was so. He reminded Court that the Bank had given approval in principle for this some months ago but the Department of Trade and Industry had intervened, linking these applications with those of British firms wishing to join the Tokyo Stock Exchange. The matter had subsequently been discussed at Prime Ministerial level. Although there had been no immediate progress on the question of TSE membership, the Government had now decided that it had sufficiently made its point and that to persist in a direct link between these two particular issues would damage the wider British financial interests in Tokyo. The UK authorities would of course continue to press the case for membership of the TSE for qualified British firms.
  
- 2 Mr Quinn informed Court that the Bank had received a letter from Mr Robinson, a Director of Lonhro, which had also been sent to the press. The letter claimed that the activities of Harrods Bank - formerly Harrods Trust - should be investigated by the Bank under the terms of the Banking Act 1987 as the parent company, the House of Fraser, was in financial difficulties and depositors were therefore at risk. The Bank had no reason to believe that, at the present time and on the basis of information currently available, there was any foundation for these allegations. Nevertheless the Bank proposes to watch carefully for developments that might affect the authorised institution.
  
- 3 With reference to a Minute of 14 April and earlier, the Deputy Governor reported to Court that negotiations with BIFU on the pay award, effective from 1 July, had been successfully concluded. The Union had accepted the Bank's offer of an

across-the-board increase of 5% together with a flat sum addition of £200 to pensionable salary: this represented an overall increase to the pay bill of 6.4% and provided an increase of some 7% in recruiting salaries for school leavers. This was particularly helpful because it restored the Bank's competitiveness with the rest of the banking sector with whom we were in direct competition in recruiting this category of staff. The Deputy Governor reminded Court that at Reclassification it was anticipated that savings of 7% in the pay bill would be generated by departures under the Restricted Severance Scheme. In practice the savings had exceeded that figure and it would be possible to fund virtually all of the flat sum payment of £200 from those additional savings.

At the Governor's invitation:-

- 1 Mr Loehnis introduced the 1988 LDC Disaggregated Forecast which considered the balance of payments and debt prospects for 21 of the less developed countries up to 1992. During the discussion which followed reference was made to a paper "Capital Flight from Latin America: 1981 to 1984" which had been considered by Court in January 1986, and it was suggested a further paper updating this issue would be useful.
- 2 Mr Flemming presented the latest Bank Forecast on the Economic Outlook up to 1990.
- 3 Sir Hector Laing spoke about impressions he had gained during his recent visit to the Far East.

The Governor, in accordance with Section 10 of the Charter, having withdrawn, together with the Associate Directors, the Deputy Governor invited Sir Adrian Cadbury, the Chairman of the Trustees of the Court Pension Scheme, to introduce a Minute of the Committee of Treasury concerning the proposals for the Governor to take advantage of his entitlement to draw a pension from the Scheme.

It was agreed that with effect from 1 July 1988 the Governor should draw a pension from the Court Pension Scheme, and take out



a personal pension plan for the remainder of his Bank service on the following basis:-

- a after taking account of retained benefits from previous pension arrangements, a pension of £19,083.37 pa to be granted under the Court Pension Scheme Rules;
- b under the Inland Revenue rules the pension to be enhanced to £20,323.56 pa based on the Governor's final salary from National Westminster Bank, enhanced by RPI;
- c the Bank to subscribe 27 1/2% of the Governor's salary to a personal pension plan and continue to provide Death-in-Service cover from the Court Pension Scheme;
- d the figures to be subject to adjustment when the June RPI figures are published.

Heckel Laing.

L.A. Croft.

Secretary 14 July 1988.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 JULY 1988

Present

Sir George Blunden, Deputy Governor

Sir Hector Laing

The Hon Sir John Francis Harcourt Baring, CVO

Frederick Brian Corby, Esq

Edward Alan John George, Esq

Gavin Harry Laird, Esq, CBE

Anthony David Loehnis, Esq, CMG

Brian Quinn, Esq

David Alan Walker, Esq

Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq

John Stanton Flemming, Esq

Hugh Christopher Emlyn Harris, Esq

Pendarell Hugh Kent, Esq

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

Arising from the Minutes, the Deputy Governor informed Court that since the last meeting the Bank had been informed that the Governor's pension from National Westminster Bank had been increased in April. As a consequence it had become necessary to reduce the maximum pension payable from the Court Pension Scheme under Inland Revenue rules from £20,323.56 pa to £18,617.19 pa with effect from 1 July 1988. The total pension the Governor would receive from all sources would however remain unaltered.

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 10 December 1987, Mr Cooke reported to Court the outcome of the discussions that had taken place in Basle on Monday when the Supervisors Committee Report on Capital Convergence had been endorsed by the G10 Governors following the six month period of consultation. The Report in its final form would now be published in London and other centres the following day, and the parties concerned were being encouraged to implement the proposals as soon as possible although there would be a transitional period of four years to the end of 1992. The UK banks generally were unlikely to have any difficulties with the minimum standard proposed, the main problems being confined largely to US, Japanese and French banks. A wide international endorsement of the Report would be sought at the International Conference of Banking Supervisors in Tokyo in October. On behalf of the Governor, the Deputy Governor said that the convergence exercise was an important development which owed much to Mr Cooke's personal contribution as Chairman of the Committee, sentiments which Mr Loehnis said had been endorsed by Governor Poehl in Basle earlier in the week.
  
- 2 Mr Harris reported to Court that the Bank had reached agreement in principle with BIFU on the Reclassification for the eight groups of non-Banking Staff with a 1 July implementation date. The issue was now the subject of a consultative ballot among members. The Reclassification proposals adopted the same principles as for the Reclassification of the Banking Staff the previous year and would be self-financing. This had been achieved by savings from a Restricted Severance Scheme - mainly for members of the Engineering and Messenger staffs - and by changes in working time practices, which together had generated savings of 5.5% of the pay bill. This amount would be paid over and above the general pay settlement of 5% + £200 for 1988.

3 With reference to a Minute of 9 April 1987, Mr Quinn reminded Court that Arthur Young had joined the Bank in their defence against the claim by Minorities Finance Ltd. The Bank were seeking to be struck out of the action and the case was currently being heard in Chambers. Judgement was expected the following week and Mr Quinn would then report the outcome to Court.

At the Deputy Governor's invitation Mr Harris introduced a Minute of the Committee of Treasury concerning Senior Officials' salaries. It was agreed that the salary points relating to Senior Officials be revised as follows:-

i With effect from 1 July 1988, and consequent upon the award to members of the Bank staff:

|         |                                      |
|---------|--------------------------------------|
| Point A | be increased from £65,000 to £68,500 |
| Point B | from £60,000 to £63,250              |
| Point C | from £55,000 to £58,000              |
| Point D | from £51,000 to £53,800              |
| Point E | from £47,000 to £49,600              |

ii With effect from 1 March 1989:

Point D be further increased from £53,800 to £55,200;  
 A new Point E be introduced at £52,400;  
 Point E be restyled Point F at £49,600.

With reference to a Minute of 31 March, the Deputy Governor reminded Members that the payment in lieu of dividend which had been made in April was the last payment calculated on the basis of a formula agreed with HMT in 1984. The adoption of the formula whereby the Bank and HM Treasury shared post-tax profits equally had proved a very satisfactory compromise, and Court agreed that the Bank should approach the Treasury with a view to extending the formula for a further five years.

The Deputy Governor then spoke about a request from Lord Caldecote and Sir Jeremy Morse seeking the Bank's support towards an appeal to raise £5 million from the corporate sector for the Church Urban



Fund. He introduced a Minute of the Committee of Treasury recommending that the Bank make a contribution of £5,000 per annum for five years to the Church Urban Fund. The recommendation which had the support of the Governor and Dr Atterton, the Chairman of the Charitable Appeals Committee, was approved.

A letter from Messrs Freshfields was submitted together with a document to be sealed, namely a Deed of Rectification to clarify the rent review clause of the lease from Bristol Corporation in respect of the Bank's premises in Bristol.

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

The Deputy Governor informed Court that the new variant £50 note would be issued on 21 July. It was proposed to advertise the changes to the note by means of a mini-poster which would be distributed to banks, building societies and the Post Office during the following week.

Also at the Deputy Governor's invitation:-

- a Mr Loehnis introduced the International Economic Developments paper for June and explained that in future it would be presented at Court after the monthly meetings in Basle thus enabling him to comment on the discussions that had taken place there.
  
- b Mr Charkham presented the text of a speech on Corporate Governance and the Institutional Investor which he had given at a conference at the Columbia University Centre for Law and Economic Studies in May. The conference had been attended by amongst others a number of major pension fund managers. The tone of the discussion suggested that although commitment to market forces remained strong there was a sharp diminution on complacency about the future of corporate America in the light of damage done to a number of companies in takeover wars. Three strands of thought had emerged:

- (i) Strengthening of boards: in this regard NASDAQ had moved some months ago to come in line with the New York Stock Exchange and had made outside directors and audit committees a condition of listing.
- (ii) Further thought to the role of shareholders, particularly institutions.
- (iii) Possibilities of changes to the legal framework. The Securities & Exchange Commission has since moved to prohibit the issue of two classes of common stock in future thus in effect preventing many kinds of poison pills.

Mutatis mutandis the US scene was relevant to the UK and developments in the next 12 months would be especially worth watching.

BA Hoffmann  
Assistant Secretary  
21<sup>st</sup> July 1988

George Blunden  
21<sup>st</sup> July 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 JULY 1988

## Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
Sir George Adrian Hayhurst Cadbury  
Frederick Brian Corby, Esq  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq  
John Stanton Flemming, Esq  
Pendarell Hugh Kent, 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 state of the domestic markets.

Under the weekly executive report, with reference to a Minute of the previous week, Mr Quinn commented on the settlement of the third party claim against the Bank by Arthur Young in which the Bank had been struck out of the action and awarded costs.

The executives having nothing further to report, at the Governor's invitation:-

- 1 Sir Hector Laing said that in the context of the Rowntree/Rank Hovis McDougall bids he had made a number of suggestions to the Chairman of the Take Over Panel aimed at slowing down the process of any such take overs among which had been that the 5% disclosure threshold should become a stopping point for further acquisition.
- 2 Mr Corby mentioned that at a dinner of the City Communications Centre, of which he was Chairman, during the week John Banham, the Director General of the Confederation of British Industry, had said that of all the current economic issues the one that caused the greatest concern was the exchange rate.

At the Governor's invitation:-

- 1 Sir Hector Laing introduced a Report of the Debden Committee on the Annual Report and audited Accounts of the Printing Works for the year ended 29 February 1988 which, for the first time, incorporated Directors' Reports and audited Accounts of Debden Security Printing Limited and Thrissell Limited, as it was now considered appropriate for all the activities of the Printing Works to be brought together in one document. The Report was laid before Court.
- 2 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 29 February 1988. He mentioned that once the



outstanding legal action against Britannia Arrow had been resolved it would be necessary to consider whether to continue with Slater, Walker or whether it should be incorporated into the Bank. Much would depend on the tax position. In conclusion the Deputy Governor paid tribute to Mr Mallett who was to leave shortly the Bank's employ and who was also a Director of Slater, Walker. Over the years he had made a remarkable contribution to the affairs of both Slater, Walker and Minorities Finance. The Report and Accounts were laid before Court.

- 3 With reference to a Minute of 23 June, and earlier Monetary Policy discussions, Mr Flemming introduced a paper, prepared by the Economics Division, dealing with the question of achieving a balance in the exchange rate/interest rate mix.

Besides the usual list of engagements, the Governor announced that the Queen had consented to open the Bank's new Museum on Wednesday 16 November. She was to be accompanied by HRH The Duke of Edinburgh and the royal party would be entertained to lunch by Court after the ceremony.

*By Hoffman*

*Assistant Secretary*

*28th July 1988*

*Adrian Cadbury*

*28th July 1988*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 JULY 1988

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  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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John Stanton Flemming, Esq  
Pendarell Hugh Kent, 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 state of the domestic markets.

Under the weekly executive report:-

- (i) Mr Quinn spoke about the LondonClear project which had been terminated. The initial idea of LondonClear had been to provide a central depository and book-entry system for money market paper. The Bank had agreed to provide the depository for the paper. Besides the obvious immediate advantage of such a concept there was scope for its future development to cover, for instance, other instruments and currencies.

The idea of LondonClear had been developed by ICCH and taken up by the BBA. Eighteen months ago LondonClear had been established to develop the project and a few weeks ago had issued an 'Invitation to Membership' which, besides setting out detailed costings of the project, invited institutions to confirm their membership or join if not members already. The response had been disappointing. In view of this the Chairman of LondonClear asked the Bank if it would help put the project on a viable financial footing. This the Bank were willing to do providing the major clearing banks were prepared to assist. After due consideration they had declined concluding the present project could not be made financially viable. In the circumstances the Bank decided further support was not justified and the Board of LondonClear had decided that the project should be wound up. However, the Board still believe in the original concept and its possibilities for development. It is felt the concept should be reviewed as a matter of urgency together with the Bank's role.

- (ii) Mr Kent spoke about the speculation in the press about the Bank's attitude to the bid by Goodman Fielder Wattie for Rank Hovis McDouqall generally and the role of Midland Bank in particular. Mr Metcalfe, Managing Director of Rank Hovis McDouqall had come into the Bank but there had not been any discussion about the role of Midland Bank. Mr Kent said he had later agreed a statement with

Samuel Montagu, to be issued by them, to put the record straight. The speculation was based on the Bank's evidence to the MMC on the Allied Elders bid where we had said "that a run of similarly highly leveraged transactions could weaken the financial position of British industry and have serious consequences for its stability and long-term development". The Secretary of State has since made it clear that the question of leverage was not a sufficient reason for any bid to be referred to the MMC. The Mergers Panel was not due to meet on the Rank Hovis McDougall case until the second week in August when we might be asked our view on leverage. However, we would be unable to decide our views until we had seen the offer documents.

At the Governor's invitation:-

- 1 Mr Loehnis commented on the Overseas Trade Figures for June which had been published the previous day.
- 2 Mr Flemming presented a paper on Import Penetration and Trading up by Manufacturing Industries in answer to questions that had been raised by Members of Court recently during discussions on the trade situation. During the discussion which ensued the point was made that as our economy was so easy to penetrate the monopolies policy looked increasingly out of line with what was needed. Monopoly legislation should be applied on the basis that we were not an isolated market. It was to be hoped that as 1992 approached continental Europe would become more accessible through UK style retailers and to UK financial services.
- 3 Mr Flemming spoke about the Economic Report for July.
- 4 In introducing the regular monthly discussion of monetary policy, Mr Coleby said the money and banking figures for June confirmed what Mr Flemming had said about the real



economy. Domestic demand was extremely buoyant, and was being supported by strong growth in credit. On a seasonally adjusted basis MO was up by over 1% on the month and by 7.3% year on year, 1% higher than had been seen in the recent past. This was indicative of the strength of consumer demand, but might also reflect the recent low interest rates; if the new higher levels were maintained, MO was likely to ease back somewhat, but it was most unlikely to get within the 5% ceiling of its target range before the end of the year.

M4 and M3 had risen by 2% and 2 1/2% respectively on the month and by 16.3% and 20.2% over the year to end-June. The annual growth rate was within the range that had been seen during the past nine months, though M4 was right at the top of it, and was still benefitting from overfunding equivalent to about 1 1/4%. The essential dynamo for growth was the strength of credit. Bank lending in June had increased by about the same as April's record level. M4 lending, including building society business, had achieved a new record. The demand for credit was widespread with that for manufacturing industry boosted by take over activity. The demand from persons for mortgage lending was still strong and Building Society lending would continue to be stronger in relation to Bank lending than at the same time last year.

In drawing conclusions for policy, account had to be taken of the changes in interest and exchange rates over the past month or two. The chart that had been distributed indicated a monetary stance now that was perceptibly tighter than it had been. It was difficult to judge whether the tightening had been sufficient to restore downward pressure on inflation, and evidence on that point would take some time to appear. He thought it likely that some further tightening would prove necessary, but the urgency of doing so had declined and it was reasonable to wait and see for a while. Meantime, however, we should avoid giving any indication of an easing of policy. That meant an

asymmetric response to market developments; we must be prepared to tolerate significant further strengthening in the exchange rate before reducing interest rates, but must be ready to raise interest rates promptly if the exchange rate should weaken.

Sir Hector Laing having left Court, the Governor invited Mr Loehnis to remain to maintain a quorum, then withdrew together with Mr George and Mr Quinn in accordance with Section 10 of the Charter, Mr Flemming, Mr Kent and Mr Coleby having also withdrawn. Sir Adrian Cadbury took the Chair in accordance with Section 6(2) of the Charter and introduced a Minute of Committee of Treasury concerning increases, with effect from 1 July 1988, in Special Remuneration of the Governors and Directors rendering exclusive service, as well as in the annual salaries of the Associate Directors, and the Advisers to the Governor. Court confirmed their approval of the Committee of Treasury's Minute and agreed that Sir Adrian Cadbury should write to the Governor making clear the serious concern of Court over the increasing differential between the salaries paid to the Bank's Executive and Associate Directors and Advisers to the Governor, compared to those paid to private sector financial institutions.

B.A. Hoffmann  
Assistant Secretary

4<sup>th</sup> August 1988

Hector Laing

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 AUGUST 1988

## Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir Hector Laing

Dr David Valentine Atterton, CBE

The Hon Sir John Francis Harcourt Baring, CVO

Sir Colin Ross Corness

Sir Robert Haslam

Sir Martin Wakefield Jacomb

Anthony David Loehnis, Esq, CMG

Sir David Gerald Scholey, CBE

David Alan Walker, Esq

Deryk Vander Weyer, Esq, CBE

Sir Leslie Clarence Young, CBE


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John Stanton Flemming, Esq

Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

Before the Minutes were approved, the Governor mentioned that Court had become inquorate the previous week whilst the increases in remuneration for the Executive and Associate Directors and the Advisers to the Governor were being discussed. The Non-Executive Directors present, who formed a quorum for the current Court, then approved the Minutes of the previous week thereby ratifying the increases in remuneration for the Executive and Associate Directors and the Advisers to the Governor.



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 Mr Coleby said that last Tuesday's announcement of the Official Reserves figures for July had been accompanied by two items concerning debt management. First, the Government had announced it was to repay early a \$2.5 bn floating rate Eurobond issued in September 1985. There was no longer any need for this issue as reserves had tripled and continuation involved an interest rate cost. Repayment would not produce an identical reduction in foreign currency reserves, partly because some \$1 bn would be found by running off forward purchases of dollars and partly because of the contribution from the second decision. This was to issue Treasury Bills denominated and payable in European Currency Units (ecus). Starting in October, the programme would build up to a total of 1 bn-2 bn ecus (\$1.1-2.2 bn). The Bills would have maturities of one, three and six months and be sold on a similar basis to United Kingdom Treasury Bills but with no underwriting arrangements. The main purpose behind the issue was twofold. It would demonstrate practical Europeanism and also help develop activity in ecus to the benefit of the London market. There had been a widespread welcome for the issue.

At the Governor's invitation:-

- 1 Mr Kent brought Court up-to-date with recent developments concerning the Bank's shareholding in Portals which had been considered that morning at Committee of Treasury. Before so doing Court agreed that Sir David Scholey, who had an interest through Warburgs, should remain. Mr Kent reminded Members that the Bank had owned 27.4% of the shares of Portals since 1949. From being solely makers of paper Portals had diversified, particularly following their recent acquisition of Paragon, and paper manufacturing now only accounted for 25% of their business. The Bank had



indicated to Portals over a year ago that they would consider disposing of the whole or part of their holding, perhaps retaining 5% for symbolic reasons. However, the Bank did not want to do so in a manner which would have the effect of immediately putting Portals into play as a result of their action.

The Deputy Governor had received recently a letter from Portals asking the Bank to do nothing for two years while Portals reviewed their corporate strategy; after that time they would be free to sell. This approach had been considered by Committee of Treasury who had agreed that the Bank should do nothing to initiate a disposal for two years but with two caveats. Firstly that Portals kept the Bank informed on its strategic thinking and satisfied it on progress - there had been vacillations over the past two years; and secondly, that the Bank should not be bound to refuse an attractive offer it received spontaneously in the meantime - which was a possibility. In these circumstances consultation with the company would take place. Mr Kent mentioned that the Bank's supply of bank note paper would be protected as a new five year contract had recently been negotiated. This embodied a right of cancellation by the Bank in event of a change of ownership taking place of which we did not approve. In discussing the proposal the question of disclosure was raised in view of the length of time of the agreement. Mr Kent mentioned that the Bank were already in touch with Freshfields over the paper contract and this question would be raised as well. Subject to this point being resolved satisfactorily Court were in agreement with the response proposed.

- 2 Mr Flemming presented the Economic Commentary section of the August edition of the Quarterly Bulletin.

*L. A. Crafts*  
Secretary  
18th August 1988

*Adrian Cadbury*  
18th August 1988

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 11 AUGUST 1988

Present

Sir George Blunden, Deputy Governor  
Anthony David Loehnis, Esq, CMG  
Edward Alan John George, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq

The number of Directors assembled being insufficient to form a quorum, 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.

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

At the Deputy Governor's invitation:-

- 1 Mr Loehnis introduced the International Economic Developments paper for July.
- 2 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the August edition of the Quarterly Bulletin, and the latest edition of the Bank Briefing, both of which were due to be published later that day.

*C. A. Craghton*

*Secy*

*18<sup>th</sup> August 1988*

*Adrian Cadbury*

*18<sup>th</sup> August 1988*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 AUGUST 1988

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  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Sir Robert Haslam  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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William Peter Cooke, Esq  
Hugh Christopher Emlyn Harris, Esq

The Minutes of the Court of 4 August were confirmed and those of the Meeting of 11 August were approved.

In commenting on the weekly figures Mr George explained that the decrease of £23 mn in other securities in the Issue Department's assets reflected the transfer to HM Treasury of the BP Shares purchased by the Bank under the BP Share purchase arrangements which had been in operation last winter. Mr George then went on to speak about the foreign exchanges and the state of the domestic markets. A discussion on the impact of interest rate changes ensued and the Deputy Governor agreed that a paper summarising the historical experience of direct credit controls might be produced for discussion at Court.






Under the weekly executive report:

- 1 Mr Harris reminded Court that the Bank joined Business in the Community in 1983 and that he was currently the Bank's representative. It was now proposed that the Bank should join Scottish Business in the Community of which Sir Hector Laing was Chairman - and that the Bank's Agent in Glasgow should, ex officio, be the Bank's representative on the Governing Council.
  
- 2 With reference to a Minute of the previous week, the Deputy Governor in the absence of Mr Flemming, said that the publication of the Quarterly Bulletin had received satisfactory coverage in the press: there was nothing of significance to report.
  
- 3 With reference to a Minute of 4 August the Deputy Governor said that on advice from Baring Brothers and Freshfields it was proposed to modify the Bank's response to Portals in two respects:-
  - (i) the Bank would undertake that we would not take any initiative ourselves to dispose of our shareholding until we notified Portals to the contrary, rather than commit ourselves for a period of two years as suggested by Portals; and
  
  - (ii) the request to keep the Bank informed of progress with their business plan should be generalised to embrace all shareholders, not just the Bank.

Court were content.

A letter from Messrs Freshfields was submitted together with a document to be sealed, namely a Deed of Transfer relating to the repossession and sale of a property in Barkingside, Essex.

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

At the Deputy Governor's invitation:

- 1 Mr Corby, the Chairman of the Staff Committee, presented the Chief of Corporate Services' Report on Staffing Policy for Banking Staff. Mr Harris then went on to comment on the Report in greater detail.
- 2 Mr Harris then introduced a Report of the Trustees of the Bank of England Pension Fund, together with the Annual Report and Accounts for the year ended 29 February 1988 which were laid before Court.

The Deputy Governor drew Members' attention to the new booklet "A Window on the Bank of England" which was now available to members of staff and the public at a cost of £2. This had been produced by Holmes Publications together with the video of the Bank and various descriptive leaflets about the Bank's operations. Considerable concern was expressed by Members of Court that Britannia had been replaced by the Phoenix from the £50 note as the logo on this publication and the leaflets. The Deputy Governor confirmed that it was the intention to use only Britannia in future and that the Governor had agreed a new design for use on Bank publications etc.

*L.A. Cragh.*

*Secretary 15<sup>th</sup> September 1988*

*George Blunden*

*15<sup>th</sup> September 1988*

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 25 AUGUST 1988

Present

Sir George Blunden, Deputy Governor  
Edward Alan John George, Esq  
The Hon Sir John Francis Harcourt Baring, CVO  
Brian Quinn, Esq  
David Alan Walker, Esq

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William Peter Cooke, Esq

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

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

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

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

George Blunden

15<sup>th</sup> September 1988

E. A. George

Secretary

18<sup>th</sup> September 1988

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 1 SEPTEMBER 1988

## Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Frederick Brian Corby, Esq  
Edward Alan John George, Esq  
Brian Quinn, Esq  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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William Peter Cooke, Esq  
Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

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

The Minutes of the Meeting of 25 August, having been circulated, were approved.

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

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



At the Governor's invitation:-

1 Mr Taylor, in the absence of Mr Loehnis, commented on the Overseas Trade Figures for July which had been published the previous Thursday.

2 Mr Taylor then went on to speak about the Economic Report for August, in the absence of Mr Flemming.

3 With reference to the money and banking figures for July, Mr Coleby introduced the regular monthly discussion of monetary policy.

The July Banking and Monetary data confirmed the buoyancy in the economy. Seasonally adjusted MO had risen by nearly 1% on the month. The recorded year on year figure, down to 7% from 7.7%, was misleading as the figure was not seasonally adjusted and so did not reflect the effect of the timing of Bank Holidays. A more helpful measure was the unpublished figure for the seasonally adjusted growth of notes and coin, up from 7.1% to 7.3%. The growth in broad money, seasonally adjusted, was 2% and 2 3/4% for M4 and M3 respectively, the fast pace being driven by lending, which was up by about 2 1/2% on the month. Strong mortgage lending was again a feature, and undoubtedly boosted by anticipation of the ending of dual mortgage opportunities. Year on year M4 was showing an increase of 17%, which represented a new record level, and M3, 20.6%, a range it was in during the period to last March.

In considering the implications for policy it was necessary to observe the extent of changes in interest and exchange rates. The chart that had been distributed indicated a monetary stance that had been tightened in March and July, and slightly further in August when interest rate increases compensated for the decline in exchange rates. It was too early to form confident

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judgement as to whether or not sufficient tightening had taken place. Markets were still nervous and sceptical that this was the case. If there were a further major fall in the exchange rate, domestic markets would be disturbed and it would become necessary to raise interest rates further in order to maintain confidence. But if our hand was not forced in that way, the preferred course should be to hold interest rates steady until further evidence became available of the direction of the economy after the recent tightening of policy.

L. S. Cragg.  
Secretary 16 September 1988

George Blunden  
15 September 1988

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 8 SEPTEMBER 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
Sir George Adrian Hayhurst Cadbury  
Sir Hector Laing  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
Deryk Vander Weyer, Esq, CBE

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John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

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

The Minutes of the Meeting of 1 September, having been circulated, were approved.

The Governor informed Members that it was being announced from Number 10 Downing Street that day that Her Majesty The Queen had approved the appointment of Mr John Flemming as a Director of the Bank in the place of Mr Vander Weyer who had resigned with effect from 30 September on grounds of ill-health.

The Governor also mentioned that Mr Vander Weyer had resigned from the Board of Banking Supervision, on which he was one of the six independent members, and that he and the Chancellor of the Exchequer had appointed Sir Philip Wilkinson to fill the vacancy on the Board also with effect from 30 September.

In commenting on the weekly figures Mr Quinn said that notes in circulation were now 9% up on last year, continuing the rising trend that had been noticed recently. Mr Coleby spoke about the state of the foreign exchanges, including the Official Reserves Figures for August, and the domestic markets.

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

Court gave their approval to Sir Martin Jacomb joining the Board of RTZ with effect from 14 September.

Before asking Dr Atterton, the Chairman of the Charitable Appeals Committee, to introduce the Report of that Committee, the Governor explained that with Dr Atterton's agreement, he had discussed with Committee of Treasury earlier that morning the proposed level of the Bank's support for the Kennedy Memorial Trust. He explained that as Governor he had inherited the position of ex-officio member of the Trust and in that capacity felt under some obligation to support Lord Howland, the Chairman of the Trust, in seeking to expand the work of the Trust by raising a further £1 mn. Committee of Treasury had recommended that the Bank should contribute £5,000 towards the appeal. Court supported the recommendation and agreed that this sum should be made available outside the Charitable Appeals Committee's annual budget.

At the Governor's invitation:-

- 1 Dr Atterton then introduced the Report of the Charitable Appeals Committee which covered appeals considered in the latest review period.



- 2 In introducing the Report and Accounts of EBS Investments Ltd for the year ended 29 February 1988, the Deputy Governor explained that calls on the indemnity provided by the Bank at the time of the rescue some 12 years ago totalled £34 mn against which recoveries of £8.75 mn had now been made, £2 mn of which had been recovered in the past year. It was hoped that the two remaining subsidiary companies, Fulcra Finance Ltd and Edward Bates Investments Ltd would be wound up shortly which would leave EBS Investments Ltd with only two assets of any value, a Greek Drachma deposit of the equivalent of some £20,000 which was blocked under Greek Exchange Control; and promissory notes to the value of \$38,000, payable by Dalacouras, a Greek shipowner. Once the promissory notes were paid - hopefully before the end of the current calendar year - it may be possible to set in train the winding up of EBS Investments Ltd.
- The Report and Accounts were laid before Court.

- 3 Mr Loehnis spoke about the World Payments Report for August 1988, which reviewed international balance of payments and exchange rate developments over the last year and then went on to introduce a paper entitled "Implications of Higher Non-Oil Commodity Prices for Consumer Prices in the Major Industrial Economies", which arose out of a general discussion at Court in June on the inflationary risks from rising commodity prices.

*George Blunden*

*15<sup>th</sup> September 1988*

*L. A. Cragg*

*Secretary 15<sup>th</sup> September 1988*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 SEPTEMBER 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Sir Colin Ross Corness  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Brian Quinn, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE

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William Peter Cooke, Esq  
John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq

Anthony Laurie Coleby, Esq

The Minutes of the Court of 18 August and of the Meetings of 25 August and 1 September were confirmed, and those of the previous week's Meeting were approved.

With reference to a Minute of the previous week, Mr Quinn in commenting on the weekly figures drew attention to the notes in circulation which had accelerated again to record an increase of 10% year on year compared with 9% the previous week, the increase of 1% representing some £150 mn. Although the high level of consumer spending continued it was possible that the position over the past week had been further aggravated by the postal workers' strike which may have prevented the Post Office - a substantial receiver of cash from paying in to banks, but there were no means of quantifying this impression.

Mr Coleby spoke about the foreign exchanges and the state of the domestic markets. In the discussion which followed attention focused on the recent increases in interest rates and the impact of the mortgage rate on the RPI which would have a knock on effect on wage negotiations.

Under the weekly executive report:-

- 1 Mr Coleby drew attention to the Information Memorandum issued by the Bank the previous day which set out the logistics of issuing ECU Treasury Bills. The Memorandum listed the 29 institutions who would act as market makers and with whom the Bank proposed to conduct discussions to help in arriving at decisions on the amount to offer, and to gauge the prices at which the Bills would be likely to trade.
- 2 The Governor spoke informally about the first meeting of the Delors Committee on European Economic and Monetary Union which had taken place the previous Tuesday in Basle.

At the Governor's invitation:

- 1 Sir Adrian Cadbury introduced two Reports of the Trustees of the Court Pension Scheme, together with the Annual Report and Accounts for the year ended 29 February 1988. 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 1989 is known was approved as was a further recommendation relating to four minor Rule changes which had been made necessary by recent changes in legislation. The Annual Report and Accounts were laid before Court.
- 2 In the absence of Mr Loehnis, Mr Latter attended Court to present the monthly paper on International Economic Developments.
- 3 There being no comments on the Accounts of the Houblon-Norman Fund for the year ended 30 June 1988,



Mr Flemming, in his capacity as a Member of the Houblon-Norman Advisory Committee, commented on the Report of the Committee, on the appointment of Mr Colin Mayer as a Fellow for 1988/89 and on the areas of research that he would be pursuing.

With reference to a Minute of 18 August, the Governor drew attention to the new logo, a simple representation of Britannia based on Stephen Gooden's design for the Series B £5 note issued in 1957, which had been agreed for use by the Information Division and particularly in connection with the Museum where it would be used on a wide range of publications and products. It had been necessary to produce a design that related to the many Britannias, some 20 or more, that were familiar within the Bank, and one that would be suitable for use in a range of sizes and would reproduce well on a variety of different materials. The new design, which had been shown to Committee of Treasury the previous week, met both these requirements.

Mr Laird then spoke about the TUC Annual Conference which he had attended the previous week. Following his comments about the TUC's rejection of the Training Commission's Employment Training Scheme, Mr Harris said that BIFU had abstained from voting on this issue. The Bank of England Section of the Union were proposing to take a co-operative stance on the issue before they could be directed to do otherwise by the National Executive.

*George Blunden*

*22<sup>nd</sup> September 1988*

*Mr. A. Cragg*

*Secy. 22nd Sept 1988*



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 SEPTEMBER 1988

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  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
Deryk Vander Weyer, Esq, CBE

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John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq

Anthony Laurie Coleby, Esq

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

Mr Quinn, in commenting on the weekly figures, pointed out that the notes in circulation showed a year on year increase of 9 1/2% compared with 10% the previous week, probably because of the end of the Postal Workers' strike. Mr Coleby then spoke about the foreign exchanges and the state of the domestic markets.



Under the weekly executive report the Governor said that Sir Adrian Cadbury had carried out a further investigation into the relationship of the remuneration of the Governors and Executive Directors with comparable positions outside the Bank. The result indicated that a careful study of comparability should be undertaken between now and July next.

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

- 1 a Building Contract between the Bank and Holloway White Allom to carry out the work associated with the new Museum;
- 2 a further Building Contract between the Bank and Holloway White Allom for the reinstatement of the Bartholomew Lane elevation following the fire;
- 3 a Deed of Release and Substitution in respect of a member of staff who is purchasing the flat immediately above his existing one with the intention of creating one property.

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 Mr Flemming commented on the Economic Report for September.
- 2 In introducing the regular monthly discussion of Monetary Policy, Mr Coleby said that there might seem to be a contradiction in the money and banking figures. M0 had increased by 1% to record an increase of 7.8% year on year, well above the target range of 1% 5%, indicating a continuing high level of consumer expenditure in August. On the other hand growth in broad money and credit had been more moderate than in the past two months. The decline in lending was however wholly attributable to lower borrowing by companies. Lending to persons still remained high with lending for house purchase at new record levels for both

banks and building societies amounting to some £4 bn between them. Reasons for the decline in borrowing by companies were not clear. There were some special factors, and it seemed more likely that the figures for this month were just erratic than that there had been any significant downturn in corporate borrowing requirements.

In terms of the policy stance the position was much the same as three weeks ago. Since the recent tightening of policy there had been far too little evidence to indicate that we had done all that might be necessary in this direction, and no evidence at all that we had done too much. We would therefore await fuller information but in the meantime would remain ready to react to market pressures.

Mr Coleby then went on to introduce a paper on credit control which had been prepared in response to a request from Sir John Baring the previous month. The paper provided a timely opportunity to show that past experience did not support the belief that machinery to control lending by financial institutions needed only to be switched on in order to achieve quick and wholly beneficial effects. There was first, a considerable doubt about the effectiveness, even in the short run, of any such controls that might now be available. Moreover, there was an acute conflict between any short-run benefits and the prospective longer-term damage that could be done if such controls persisted. It was unlikely therefore that the introduction of controls would be justifiable except in dire emergency and at present we were some way from that situation. In the discussion which followed it was suggested that, historically, directions from the Bank to the clearing banks had perhaps been more effective than other forms of control. For the future such directions, possibly restricting borrowing to a fixed percentage of the property value, might be extended to include building societies etc. A further course of action might be to take more positive measures to encourage savings. Fiscal incentives in this direction might be much more effective than introducing controls.

It was acknowledged however that with the greater competition now prevalent between the various financial





institutions such directions may be less effective now. It was unlikely that a substantial response could be achieved by measures which did not include mortgage borrowing in their coverage. The total stock of extended credit provided through credit cards, for example, probably did not much exceed £3 bn, whereas house purchase borrowing had just gone up by £4 bn in only one month. The interest rate mechanism had the merit that it influenced the behaviour not only of borrowers but of savers too. Measures more specifically directed towards the housing market, such as the abolition of income tax relief on mortgages, etc would address the area of the economy where the strains had recently been the most acute, but would be contrary to government policy in other respects.

The Governor said that the debate had been very helpful, particularly, as the Bank was currently undertaking a study on personal credit.

*C. A. Croft.*

*Secy. 29th September 1988*

*Adrian Cadbury*

*29<sup>th</sup> Sept. 1988*



A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 SEPTEMBER 1988

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Dr David Valentine Atterton, CBE  
The Hon Sir John Francis Harcourt Baring, CVO  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Brian Quinn, Esq  
David Alan Walker, Esq  
Deryk Vander Weyer, Esq, CBE  
Sir Leslie Clarence Young, CBE

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William Peter Cooke, Esq  
John Stanton Flemming, Esq  
Hugh Christopher Emlyn Harris, Esq

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

Mr Quinn, in commenting on the weekly figures, said that the further decline in the growth of note circulation to 8 3/4% year on year, compared with 9 1/2% and 10% for the previous two weeks, confirmed that the Post Office strike had affected the issue. Mr George then spoke about the foreign exchanges and the state of the domestic markets.

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Under the weekly executive report, Sir Adrian Cadbury, in his capacity as Chairman of the Premises Committee, said that he had inspected work on two projects earlier that day. Progress on

the Museum Project was being maintained but there was still considerable work to be done before completion. Costs had continued to rise but every effort was being made to contain them. The New Change Project presented considerable problems in maintaining the working environment while demolition work etc was being done. One problem in particular which had caused concern was the protection of the public from possible falls of the lintels or parts thereof, of the external windows. The Project, although being well managed, was currently 22 weeks behind schedule and it would be difficult to ensure that it did not fall further behind.

A letter from Messrs Freshfields was submitted together with a document to be sealed, namely a Conveyance relating to the purchase of a property for occupation by the Agent at Newcastle Branch.

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

At the Deputy Governor's invitation:-

- 1 Mr Flemming spoke about the Overseas Trade Figures which had been published earlier that week.
  
- 2 In introducing the Annual Report of the Registrar's Department Liaison Committee for the year ended February 1988, Mr George apologised for the delay in bringing the Report to Court. In updating the Report, Mr George said that it had been a particularly difficult period for the Registrar's Department. The Reclassification with its distinction between Officials and Officers had not been well received. Refurbishment of the New Change building created an unpleasant working environment and had, in particular, deprived staff of their normal luncheon facilities for several months. Relocation also necessarily had an unsettling effect.  
Relocation planning itself was progressing well: the site had been chosen and architects were at the design stage of the new building. A new organisational structure had been determined and consideration given to the future

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relationship of the Department with the rest of the Bank. A relocation package had been announced and it was hoped to bring a report to Court shortly on the principles being followed on the construction of a new salary structure and for transitional arrangements for those relocating. The Central Gilts Office was functioning effectively with fewer staff and less expenditure than had been previously anticipated.

In conclusion, Mr George said that it had been a difficult period for the management, which had kept the Department running very smoothly, including a major redemption exercise. They had done an excellent job.

In endorsing Mr George's comments, the Deputy Governor said that in addition the Department had also coped very well with the despatch of dividend warrants despite the problems created by the recent Postal Workers' strike.

- 3 Dr Atterton spoke about impressions he had gained during his visit to the Far East where he had visited Hong Kong, Taiwan and Japan.

The Deputy Governor drew Members' attention to the fact that Mr Vander Weyer and Mr Cooke were attending Court for the last time. He said that both had made valuable contributions and would be greatly missed.

George Blunden  
13<sup>th</sup> October 1988

L. A. Coyle

Reading, 13 October 1988

## COURT OF DIRECTORS

For the period 1 October 1988 - 28 February 1989

Declaration  
made beforeDate

The Rt Hon Robert Leigh-Pemberton, Governor  
 Sir George Blunden, Deputy Governor  
 Sir George Adrian Hayhurst Cadbury  
 Sir Hector Laing  
 Anthony David Leohnis Esq CMG  
 Sir David Gerald Scholey CBE  
 Edward Alan John George Esq  
 David Alan Walker Esq  
 The Hon Sir John Francis Harcourt Baring CVO  
 Dr David Valentine Atterton CBE  
 Frederick Brian Corby Esq  
 Sir Robert Haslam  
 Gavin Harry Laird Esq CBE  
 Sir Leslie Clarence Young CBE  
 Sir Martin Wakefield Jacomb  
 Sir Colin Ross Corness  
 Brian Quinn Esq

The Governor

22. 9.88

\*John Stanton Flemming Esq

\*Appointed 1 October 1988



## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 6 OCTOBER 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Colin Ross Corness  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Leslie Clarence Young, CBE

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Hugh Christopher Emlyn Harris, Esq

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

There being no comments on the weekly figures, Mr George went on to speak about the foreign exchanges, including the Official Reserves Figures for September, and the domestic markets.

Under the weekly executive report:-

- 1 The Deputy Governor reminded Court that it was proposed to issue a new series of banknotes - Series E - over the next few years and said that a brief announcement to this effect, containing details of the new note sizes, would be made shortly. The other issuing banks had been told in confidence about the sizes of the new Series E notes some eighteen months previously and, later this month, Northern Bank, who in common with other issuing banks follow our note sizes, proposed to issue a new series of their own notes adopting the new sizes. It was important therefore to make our announcement in advance of that issue.

2 In referring to the recent investigation into the Kuwait Government's holding of BP shares, Mr George explained that the Bank had not been invited to give evidence to the Monopolies and Mergers Commission nor to discuss with Government their evidence to the Commission. This was probably because the Commission's terms of reference had been narrowly drawn and our concerns were more broadly based. Nevertheless the Bank had been invited by the Director General of the Office of Fair Trading to comment on the timescale during which the divestment should take place and we had taken that opportunity to express concern particularly about the possible effect on the markets, interest rates and monetary policy. However there had been no impact on those areas so far and it seemed unlikely that the Kuwaitis would adopt an aggressive posture. The decision to require the Kuwaitis to reduce their holding to 9.9% was perhaps severe following the original encouragement they had received from Government and it was hoped that this decision would not affect international perceptions of the UK as a home for investment. Our recommendation, had it been sought, would probably have been a reduction in their holding to around 15%.

3 Mr George mentioned that the Bank had announced earlier that week that the first tender of ECU Treasury Bills would be for ECU900 mn with one, three and six month maturities. The amount on offer, which was larger than had been originally anticipated, had been determined after discussion with the market makers and it was still very much a guess as to whether this would be an appropriate figure. If it proved too much we would be able to retain bills ourselves; but if it were too little, it would result in an artificially low yield.

4 The Governor spoke about the recent Annual Meetings of the IMF and IBRD which he had attended in Berlin.



At the Governor's invitation:-

- 1 The Deputy Governor introduced a Recommendation setting out proposed changes to the Standing Committees of Court following the departure of Mr Vander Weyer and Mr Cooke. The Recommendation was approved.
- 2 Mr George introduced a paper on relocation salaries for the Registrar's Department which summarised the proposed arrangements for salaries in Gloucester; transitional arrangements for moving London staff to the new Registrar's Department salaries; and the terms and conditions that would apply.

*L. A. Crockett*  
Secretary.  
13<sup>th</sup> October 1988

*George Blunden*  
13<sup>th</sup> October 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 OCTOBER 1988

## 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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
David Alan Walker, Esq

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

The Minutes of the Court of 29 September were confirmed and those of the Meeting of 6 October were approved.

There being no comments on the weekly figures, Mr George went on to speak 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, Mr George said that the outcome of the first ECU Treasury Bill tender, which had taken place earlier that week, had been very satisfactory. The tender had been oversubscribed nearly four times and all bills at each maturity had been allotted at attractive prices - viz 3/16ths to 1/4 under ECULIBID.



At the Governor's invitation:-

- 1 In the absence of Mr Loehnis, Mr Latter attended Court and introduced the International Economic Developments paper for September.
- 2 In introducing the Annual Report and Financial Statements of Minorities Finance Limited for the year ended 30 June 1988, Mr Walker said that profits for the year had amounted to £6.2 mn arising from writing back provisions on many of the recoveries that had been made and after offsetting legal and administrative costs.

Shareholders' funds now stood at £52.5 mn of which share capital amounted to £37.5 mn with reserves up by £9 mn to £15 mn. In particular, progress had at last been made on recovering Nigerian loans; £3.7 mn had been received already; more was expected from recoveries and a further sum of some £4 mn might result from the disposal of \$30-35 mn promissory notes. On this basis we could see reserves rising in the relatively near future to £21/22 mn. It would then be possible to say that the funding costs of the operation had been covered on a simple interest basis.

The claim for damages against Arthur Young, the former Auditors, continued to be pursued and there were now signs of compromise on their part. If progress with recoveries continued, the operation might be wound up perhaps by the end of the coming year.

In congratulating Mr Walker and his staff on the progress that had been made, the Governor said that the Bank as shareholder had an objective to see that the operation broke even with no cost to the Bank or the co indemnitors. This would be achieved if the Bank's contribution and those of the co-indemnitors were repaid and the Bank's capital contribution repaid with interest on a simple interest basis.

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The concept of applying simple rather than compound interest was questioned but it was indicated that there was a presentational as well as a substantive aspect to this: in any event, the recovery rate might be sufficient to allow interest to be paid compound. It was important that, in due course, the Bank should be able to make a public announcement that the whole operation had been carried out and wound up at little or no cost. In conclusion, Mr Walker said that it might not be possible to secure a settlement of the Arthur Young action, whether through negotiation or in the Courts, that achieved precisely this result, but the aim would continue to be avoidance of any ultimate net cost to the Bank and the co-indemnitors.

George Blunden

20<sup>th</sup> October 1988

C. A. Croft  
Secretary.  
20<sup>th</sup> October 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 OCTOBER 1988

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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

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

Mr Quinn 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 the previous week, Mr Walker explained that during the past week he had concluded negotiations with the Senior Partner of Arthur Young, the former Auditors of Johnson Matthey Bankers, and with the agreement of their underwriters had reached a settlement of the outstanding claim against them. On the basis of the agreed settlement, the counter-action by Arthur Young against the Bank, and that against the Chancellor of the Exchequer would be withdrawn. As Arthur Young were currently seeking to reach a settlement on a bilateral basis with other parties to the action it was a condition of the settlement between Minorities Finance Limited and Arthur Young that he should not disclose the amount of the settlement at this stage. Nevertheless the figure was within the framework discussed at Court the previous week and would result in sufficient funds being available to cover the costs of the indemnities given by the Bank and others, and to repay the Bank's capital.

The Deputy Governor explained that although Arthur Young were settling the claims against them out of Court they were in no way admitting that they had been at fault. He went on to say that, as with previous similar cases, the Bank by rescuing Johnson Matthey Bankers, rather than putting it into liquidation, had been able to devote greater time to recoveries thus achieving a more satisfactory outcome than could have been achieved by a liquidator.

2 Mr Quinn explained that despite the decision to abandon the LondonClear Project for a book entry transfer system for sterling money market instruments, the Bank saw obvious advantages in such a system and had been considering whether it should develop a similar system itself. The LondonClear Project had perhaps been too ambitious and had not had the support of potential users. The Bank had produced proposals for a simpler system, initially, which had the advantage of the Bank having sole control. The proposals had been discussed informally with one or two prospective users and had received generally favourable support.



Further more general discussions would now take place and although it was likely that the Bank would have to finance the development costs, the question of apportioning running costs could be resolved later. He would keep Court informed of future progress.

- 3 Mr Quinn reported on his recent visits to New York, Hong Kong and Tokyo where he attended the 5th Bi Annual International Conference of Banking Supervisors which had been attended by some 200 delegates representing 96 countries. The conference which had adopted the format of discussions in working parties, each reporting to a plenary session, had worked well and had been particularly well organised. The Conference had also provided a suitable opportunity for Banking Supervisors to bid farewell to Mr Cooke on his retirement.
  
- 4 The Governor explained that some time ago the Bank had been concerned when Equiticorp acquired a considerable shareholding in Guinness Mahon: had the Banking Act been in force at that time the Bank would not have been justified in according Equiticorp fit and proper status. Subsequently, therefore, we had exerted pressure on Equiticorp to sell a substantial part of their shareholding and an acceptable offer to purchase, at asset value plus 30%, had now been received from a Japanese bank.  
Although the Bank would be content for the Japanese bank to take over Guinness Mahon, and indeed had no grounds under the Banking Act to refuse the deal, HM Treasury were nevertheless exerting pressure on the Governor to decline informally on reciprocity grounds. The Governor said that he had indicated that he could not co-operate with this course of action and it now remained to be seen whether HM Treasury would issue a directive to the Bank to refuse the offer. Court endorsed the Governor's stand on this issue.  
The Governor, aware of Sir Martin Jacomb's interest in the issue of reciprocity invited his comments: Sir Martin, in supporting the proposed course of action, suggested that the opportunity might also be taken, perhaps jointly by the Bank

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and HM Treasury, of exerting further pressure on the Japanese to open their financial markets.

At the Governor's invitation the Deputy Governor introduced a paper summarising some proposals for celebrating the Bank's Tercentenary in 1994. The prime celebrations would be a Service of Thanksgiving to be held in St Paul's Cathedral on 27 July 1994, the date of the Bank's Tercentenary, to which HM The Queen would be invited; and a meeting of Central Bank Governors to be held on 8 June, at which speeches would be commissioned on a central banking theme with a view to their subsequent publication. Steps had already been taken to commission a popular history of the Bank which would be written by Christopher Fildes.

The Deputy Governor also explained that on the occasion of the Bank's 250th anniversary in 1944 the Directors commissioned a silver inkstand which had been used continuously at Court since then and Members of Court agreed that it would be appropriate for them, or their successors in office, to make a similar gesture for 1994.

In considering the other proposals which had been submitted, some by members of the staff, Sir Hector Laing urged that further consideration should be given to the proposal to issue a special banknote to mark the tercentenary as this would have a wide impact. Mr Kent said that a proposal along these lines was being formulated which might involve variation, perhaps on one side only, of the proposed Series E banknotes scheduled for issue from 1990 onwards. Sir John Baring lent his support to the proposal to commission a piece of sculpture and Mr Laird suggested that further proposals adopting a more outward and forward looking posture should be considered. Sir Colin Corness endorsed this view suggesting that some form of scholarship or educational project might be considered.

*G. A. Cragg*

*Secretary*

*27th October 1988*

*Adrian Cadbury*

*27<sup>th</sup> Oct. 1988*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 OCTOBER 1988

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  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, 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 Deputy Governor invited Mr Loehnis to speak about the Overseas Trade Figures for September which had been released earlier in the day: Mr George then spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report:


- 1 In referring to a Minute of the previous week concerning the bid by a Japanese bank to acquire a substantial shareholding in Guinness Mahon, the Deputy Governor said that HM Treasury



were now unlikely to intervene either by pressing the Governor to turn down the bid informally on grounds of reciprocity or by giving the Bank a directive to do so under the Banking Act 1987. The potential dispute had therefore not materialised and the bid was now a matter for commercial negotiation.

- 2 With reference to a further Minute of the previous week, the Deputy Governor said that some Members of Court had subsequently expressed their displeasure that they had not been advised the previous week of the amount of the settlement between Minorities Finance Ltd and Arthur Young. This had been unfortunate but as explained at the time, it had been a condition of the settlement imposed upon Mr Walker by the Senior Partner of Arthur Young that the amount should not be disclosed at that stage, except on a need to know basis. Nevertheless Members had been advised of the settlement in the sum of £25 mn as soon as it had been possible to do so, and in advance of the press announcement.

Concern had also been expressed that Court had not had an opportunity to discuss the proposed settlement. Court had been heavily involved in the decision to rescue Johnson Matthey Bankers in 1984 but that had been a decision to take on an open ended liability which might have seriously affected the Bank's own finances. The Governor considered that the achievement of a settlement which recovered all our expenditure did not warrant the same degree of detailed involvement. On 13 October, however, he had obtained Court's agreement to the objectives which should govern the Bank's negotiations in their dealings with Arthur Young: that the Bank should seek a settlement that ensured that the operation broke even with no cost to the Bank or the co-indemnitors. The Governor had then said that he was hopeful that such a settlement could be achieved in the near future: the settlement had in practice achieved that objective.





3 The Deputy Governor said that while disclaiming Government responsibility for losses suffered by investors with Barlow Clowes, Lord Young, the Secretary of State for Trade and Industry, had suggested that the Governor should consider launching a lifeboat operation in the City to provide relief to those investors; a similar proposal had been put forward by David Shaw MP. His proposal had been addressed to the Governor and to Mr Walker, as Chairman of the Securities and Investments Board; it suggested that the City had a moral obligation to take such action and he hoped that the Bank would encourage the SIB to organise a fund and would participate by making a loan of £10 mn.

Mr Walker had already responded to Mr Shaw saying that he did not think that the SIB could or should seek to organise such an initiative as the regulatory powers under the Financial Services Act were not given for that purpose and to use them in that way would entail a compromise of the necessary regulatory action.

The Governor had explained to Lord Young that he shared Mr Walker's doubts about involving the SIB as co-ordinator of a private sector scheme to compensate investors, and that it was the view of the Bank's Executive that it would be a quite improper use of his powers and of the Bank's funds for the Bank to be involved in such an operation.

Nevertheless, the Governor had explained that before responding to Mr Shaw he would seek the views of Court.

In considering the Governor's proposed response to Mr Shaw, Court endorsed the view that there was no moral obligation on the part of the City overall to provide support. Some institutions who had advised investors might feel under some obligation in this direction, but this was a matter for them individually. Court supported fully the strong stance that the Governor proposed, adding that such an operation would involve the improper use not only of the Bank's funds and those of shareholders but also those of policy holders in mutual companies.

6 At the Deputy Governor's invitation and in the absence of Mr Flemming, Mr Coleby introduced the Economic Report for

October before going on to introduce the regular monthly discussion of monetary policy.

At first sight, the evidence from the money and banking figures seemed discouraging, but on closer examination it was perhaps less so. There had been rapid growth in narrow money, M0, taking its year-on-year increase to over 8%, well in excess of the target range of 1% - 5%. To some extent this had however been attributable to the postal workers' strike. Adjusting for the measurable part of that distortion, the year-on-year rate of growth probably did not increase in September, but there was nothing to suggest that it was yet declining. M0 was therefore still indicating strong growth in nominal spending.

Growth in broad money continued at an uncomfortable level with M3 and M4 increasing by some 3 1/4% and 2 1/4% respectively, and their lending counterparts exceeding the average of the last six months. The postal workers' strike may also have had an impact on these figures but it was less readily identifiable than in the figures for narrow money. M4 lending had exceeded the six monthly average by less than M3 lending because the rate of growth of lending by building societies had slowed down: bank lending to persons also showed a slowing down especially in mortgage loans. On the other hand, lending to corporate borrowers in September had bounced back strongly after the lower figures for August confirming the earlier view that the August figures had been erratic.

However, taking the indicators as a whole there was on balance sufficient indication of an incipient slow down in demand to suggest that the present policy stance could work, given sufficient time and continued acceptance by the markets.

Heckol Lang

L. A. Cragg

Secretary

21 November 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 NOVEMBER 1988

Present

The Rt Hon Robert Leigh Pemberton, Governor

Sir Hector Laing

The Hon Sir John Francis Harcourt Baring, CVO

Frederick Brian Corby, Esq

John Stanton Flemming, Esq

Edward Alan John George, Esq

Sir Robert Haslam

Anthony David Loehnis, Esq, CMG

Sir David Gerald Scholey, CBE

Sir Leslie Clarence Young, CBE

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Hugh Christopher Emlyn Harris, Esq

Pendarell Hugh Kent, Esq

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

Arising from the Minutes, the Governor drew Members' attention to his letter of 28 October addressed to Mr David Shaw MP which contained some changes from that discussed at Court the previous week. The Governor went on to explain that Sir Peter Emery MP had subsequently called on him also seeking assistance in establishing a body to provide support for Barlow Clowes Investors. The Governor had explained that the Bank had no locus in such an operation.

In commenting on the weekly figures, Mr George drew attention to the increase of £128 mn in the cash ratio deposits resulting from the regular six monthly review of these deposits which



were based on the eligible liabilities of the banks. He then went on to speak about the state of the foreign exchanges including the Official Reserves figures for October, and the domestic markets.

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

Court gave their approval to Sir Adrian Cadbury joining the Supervisory Board of DAF BV from the beginning of the coming year.

At the Governor's invitation:-

- 1 Sir David Scholey introduced a Report of the Audit Committee which was laid before Court.
- 2 Mr Flemming presented a paper on Recent Wage Developments which focused on the factors that had affected the labour market in the previous six months. A brief discussion followed.
- 3 Mr Flemming then went on to speak about the Economic Commentary section from the forthcoming edition of the Quarterly Bulletin, which was due to be published the following week.

*G. A. Croft*

*Secretary*

*10 November 1988*

*George Blunden*

*10<sup>th</sup> November 1988*



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 NOVEMBER 1988

## 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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
David Alan Walker, Esq

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

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

Mr Quinn 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 20 October, Mr Quinn informed Court that following the decision to abandon the LondonClear Project and having received a clear indication of support from the clearing banks, the Bank had earlier that week announced its decision to develop a book-entry-transfer system for sterling money market instruments, to be called the Central Moneymarkets Office. As a next step, the Bank would consult the principal participants in the market about the nature of the facilities which the CMO should offer.
- 2 The Deputy Governor mentioned that the second Quadrilateral meeting had taken place the previous week involving the Federal Reserve, the Securities and Exchange Commission, the Securities and Investment Board and the Bank. Working groups would now be established with representatives of each of the organisations to examine in some detail various aspects that could lead to a further degree of convergence in securities regulation.
- 3 The Governor informed Court that he had noted with regret that Mr John Banham, the Director-General of the CBI, had misrepresented the Bank's views on takeover practices at the CBI Conference earlier in the week. The Governor said he had written to Sir Trevor Holdsworth, the President of the CBI to express his concern.

At the Governor's invitation:-

- 1 Mr Loehnis presented the International Economic Developments paper for October.
- 2 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 that day.

- 3 In speaking about the CBI Annual Conference, Sir Adrian Cadbury said that the main focus of attention had been on Sir Hector Laing's speech on takeover practices. This had brought the subject into the open and the debate would continue.

George Blunden

17 November 1988

L.A. Craggs.

Secretary.

17 November 1988

A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 NOVEMBER 1988

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

John Stanton Flemming, Esq

Edward Alan John George, Esq

Sir Robert Haslam

Sir Hector Laing

Gavin Harry Laird, Esq, CBE

Anthony David Loehnis, Esq, CMG

Brian Quinn, Esq

David Alan Walker, Esq

Sir Leslie Clarence Young, CBE

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Hugh Christopher Emlyn Harris, 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.

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



At the Governor's invitation Mr Flemming introduced a paper on the Construction Industry, the latest in the series on current developments in the economy. With the agreement of Court, Mr Charkham was present during this item.

During the discussion which followed, attention focussed on a number of issues. In particular it was noted that the recent growth in bank lending to the property sector had been matched by a similar increase in lending to the construction industry and that the level of property development, particularly in the City, could have a marked impact on the construction industry in the next two or three years.

There had also been a notable change in the composition of contracts in the construction industry in recent years with the private sector now accounting for some 64% compared with 50% some ten years ago. However, for political reasons future Government injection into the public sector was a possibility to counter any decline in the private sector.

The implications of the opening up of the European market and the likely impact that this might have for the British construction industry was also discussed: apart from the obvious language barriers, the level of Government subsidy in certain European countries, particularly towards energy costs, would make it difficult for British firms to compete successfully as it would be obligatory for contracts to go to the lowest tender. On the building materials front, however, the prospect was more encouraging as the British construction industry already had a strong presence in Europe.

Among other changes in the construction industry, the inadequacy of training had become disturbing. Apprentice schemes had declined with the tendency to sub-contract labour. Although this had led to greater efficiency it had also led to a marked deterioration in the supply of skilled workmen. The question of training was an important issue that had implications for industry as a whole and it was agreed that future papers on specific industries should address this issue.

With reference to a Minute of the previous week, Mr Flemming commented on the press reaction to the November edition of the Quarterly Bulletin.

*For Hoffmann*

Assistant Secretary

24<sup>th</sup> November 1988

George Blunden

24<sup>th</sup> November 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 NOVEMBER 1988

## 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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

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

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

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

At the Governor's invitation:

- 1 Sir John Baring presented a Report of the Committee to consider the Securities of Certain Funds, which was approved.
- 2 [redacted] attended Court to present his paper on the Post-Election prospects for the US Economy which described impressions he had gained during a visit to the United States in the middle of October. During the discussion which ensued comment was made that much would depend on the accommodation the new President reached with Congress over the Federal Budget. This would be the first priority if pressure on the dollar was to be avoided. There was some confidence, in view of Bush's experience, that an accommodation could be reached, if only after some difficulty. The point was also made that the Federal Reserve Board might not be ready to take any tough decisions because of the narrow margin between correcting and over-correcting the economy with, in the latter instance, the danger of sparking off recession because of the weight of private sector indebtedness.
- 3 Mr Flemming spoke about the Economic Report for November.
- 4 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the monthly change in narrow money in October should be disregarded as its level had been inflated the previous month due to the postal strike. The year-on-year increase at end October was between 7 1/2% and 7 3/4%, the same as at the end of August and similar to our estimate of the undistorted figure for September. The message from MO was that it had stabilised at a level well above the top end of the target range. This might indicate that the acceleration in expenditure had come to an end but not yet given way to a slower rate of growth. There had been a 1 1/4% increase in August in broad money which was below the recent average monthly rate. The sharp

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fall in the year-on-year figure should be disregarded because of the distortion caused last October by the effect of the offer for sale of British Petroleum shares: it was inevitable that twelve-month broad money growth rates would bounce back in November. The relatively moderate growth of M3 and M4 was accounted for by the lower levels of lending. From information available from Clearing Banks and Building Societies, mortgage lending appeared to have stabilised at the lower level attained after August. Building Society commitments suggested that a further fall in mortgage lending is not to be expected; if anything the trend in commitments has become gently upwards. The feature of the modest October lending figures was the actual fall in non mortgage lending to persons of £200 mn, of which £150 mn arose from the repayment of loans on credit cards. An absolute fall in such lending had not occurred for two years, and might be taken to indicate a slowdown in consumption expenditure but this was at variance with the official figures for retail sales, and more evidence was needed before a conclusion could be reached.

So far as concerned the implications for policy, the indicators were mixed. There were clear signs of a slowing down in the housing market and mortgage finance, though the latter had probably now stabilised at a new and still high level. On the other hand, the indicators on consumption were conflicting and it would be premature to assume the pace had slackened. We could probably be reasonably confident that the policy changes had not so far produced overkill, but we could not yet be confident that enough had been done. The market evidently lacked such confidence too, and it was a continuing question how long their patience would last. If there should be renewed market pressure for a further increase in interest rates, it would probably be wise not to resist too strongly.

*L. A. Cragg*

*Secretary. 1 Dec 88*

*George Blunden*

*1<sup>st</sup> Dec 1988*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 DECEMBER 1988

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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Hector Laing  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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Pendarell Hugh Kent, 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. In the discussion which followed, concern was expressed that the rise in the retail price index brought about by a tighter monetary policy with higher mortgage interest rates would have implications for wage negotiations, particularly in those industries which sought to negotiate longer-term wage agreements. Employees' expectations would be very much influenced by inflation prospects and in forthcoming wage negotiations they would naturally look for protection against

rising inflation. At the same time, the higher exchange rate associated with higher interest rates was worsening the balance of payments. In response, Mr George agreed that there would be a deterioration in the level of pay settlements over the coming twelve months both for the reason stated and because of employers' need to attract and retain labour. This was a part of the cost we had to pay for not having pursued a tighter monetary policy over the previous eighteen months and allowing excess demand to build up unchecked. The cost could not be avoided by keeping interest rates down, indeed it would increase the longer restrictive action was delayed. As to the balance of payments, Mr George argued that this was also due to excess demand, which higher interest rates would reduce; it was not, at this stage at least, a result of weak competitiveness as the continuing rise in profit margins in the tradeable goods sectors demonstrated.

In response to a question about the availability of reliable statistics, which had been of concern to the Bank earlier, Mr Flemming said that he would be attending a meeting later that week to consider a report on the subject that had been prepared following an official enquiry.

Under the weekly executive report and with reference to a Minute of 11 June 1987, the Deputy Governor reminded Court of the details of the outstanding claim for \$12 mn that Slater Walker, a wholly-owned subsidiary of the Bank, had against Britannia Arrow Holdings plc, Slater Walker's former parent company. The action against Britannia Arrow was scheduled to be heard the following Monday and Slater Walker had been advised by Counsel that the claim against Britannia Arrow stood every chance of success.

However, Lord Lever, a Director of Britannia Arrow, was calling on the Deputy Governor later that day to negotiate an out-of-court settlement. Counsel's opinion was that Slater Walker should dismiss any proposed settlement below 80% of the claim and that an attempt should be made to negotiate a settlement of 90%.

Court agreed that a settlement below 80% would be unacceptable and that a settlement above that figure should be left to the Deputy Governor's discretion.



At the Governor's invitation, the Deputy Governor presented a Report of the Committee on Permanent Control of Expenditure which was approved.

The Governor, having declared his and the Deputy Governor's actual interest in the Court Pension Scheme and the potential interest of Messrs Loehnis, George, Walker, Quinn and Flemming, invited Sir Adrian Cadbury to introduce a Report of the Trustees of the Court Pension Scheme which was laid before Court.

At the Governor's further invitation, Mr Loehnis commented on the Overseas Trade Figures for October, which had been published the previous Friday, before going on to speak about the World Economic Forecast for Autumn 1988.

The Governor reported that Sir John Baring and Sir Adrian Cadbury had acted as Alternates at a meeting of the Audit Committee on Thursday 24 November.

George Blunden

8<sup>th</sup> December 1988

C. A. Cagata

Secretary. 8<sup>th</sup> Dec. 1988.



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 DECEMBER 1988

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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Brian Quinn, Esq  
David Alan Walker, Esq

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

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

In commenting on the weekly figures, Mr Quinn said that notes in circulation were 7 1/4% up on the corresponding time the previous year showing a deceleration from the figures of over 9% reported in September at the time of the postal workers' strike. He went on to note that the increase in the Banking Department's liabilities (other deposits: current), reflected the temporary effect of the deposit of funds resulting from the scaling down of applications for the British Steel privatisation offer: these would be refunded the following week. The

increase in the Banking Department's assets (other advances), reflected a loan to Johnson Matthey Bankers in respect of the repayment of the indemnities, which would be recovered in due course from Minorities Finance Ltd; and funds advanced to the main British Steel receiving banks to offset the payover of cleared funds resulting from the privatisation offer.

Mr George then spoke about the foreign exchanges, including the Official Reserves figures for November, and the state of the domestic markets. In referring to the withdrawal of Morgan Grenfell as a market maker, Mr George said that of the original 27 firms who had started as gilt market makers 23 now remained; it was possible that other firms would withdraw but also that other firms, such as further Japanese, would come in.

Under the weekly executive report and with reference to a Minute of the previous week, the Deputy Governor reported that an out of court settlement had been reached in respect of the claim by Slater Walker against Britannia Arrow. This amounted to [redacted] which represented [redacted] of the claim but, taking into account the sum of [redacted] already received from the liquidators [redacted] and the further expected receipt of [redacted] from the same source, the final settlement would be of the order of [redacted] of the original claim.

By settling out of court there would also be a substantial saving on costs, each party having agreed to bear their own. The overall settlement was therefore very satisfactory and would enable progress to be made towards winding up Slater Walker. The Governor expressed Court's thanks to the Deputy Governor and his team for reaching such a satisfactory conclusion.

With reference to a Minute of 20 October and earlier, the Governor introduced a Recommendation seeking Court's endorsement of two changes to the Board of Directors of Minorities Finance Ltd. These changes had arisen as part of the winding up process which had been pursued since the settlement of the claim

against Arthur Young. The following appointments to the board of Minorities Finance Ltd were agreed:-

- 1 G E A KENTFIELD in place of D J MALLET with effect from 8 November 1988.
- 2 M J HARPER as Chairman in place of D A WALKER with effect from 9 December 1988. Mr Walker will remain a Director.

In referring to the winding up of Minorities Finance Ltd, Mr Walker said that in his view this could probably be achieved within about a year. However there were still two matters of litigation outstanding. The first was in respect of a claim for \$80 mn by Baglab against MFL, which was down for hearing in New York; this action was confidently expected to be struck out, but the court hearing had now been deferred until the Spring. The second claim was in respect of a triangular dispute between Johnson Matthey PLC, MFL, and the American Insurance Underwriters. The claim arose from an insurance policy in the name of Johnson Matthey PLC which had been declared null and void by the Underwriters. MFL had asked the Underwriters to return the premiums - about £3.2 mn - which they had seemed inclined to do. However the issue had been complicated by the fact that Johnson Matthey Bankers, while still a subsidiary of Johnson Matthey PLC, had suffered loss through a fire. However the three parties concerned were now in discussion and there was some hope of a settlement with the possibility that the premiums would be refunded in large measure to MFL: if or when this point were reached, the web of claims and counter claims should fall away.

At the Governor's invitation, Dr Atterton introduced a Report of the Charitable Appeals Committee which was laid before Court. The Deputy Governor, in his capacity as Treasurer of the Imperial Cancer Research Fund, expressed thanks on behalf of the Fund for the donation of £1,000 received from the Bank.

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Sir Martin Jacomb in speaking to Court about a recent visit he had made to Italy as a member of the British Invisible Exports



Council, said that the Italians had expressed their extreme disappointment that the UK had not joined the EMS, which they regarded as indicative of our lack of commitment to Europe.

George Blunden

15<sup>th</sup> December 1988

L. S. Cragg.

Secretary. 15<sup>th</sup> December 1988



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 DECEMBER 1988

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
Frederick Brian Corby, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
David Alan Walker, Esq

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

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

The Governor informed Court that at a Meeting of Committee of Treasury earlier that month he had advised them that it was with great regret that he had agreed to Mr Loehnis's request that he should not be considered for reappointment as a Director when his current term of office expired at the end of February next. Having sought advice from colleagues within the Bank, the Governor had recommended that Mr Andrew Crockett, who was currently Deputy Director of the Research Department of the International Monetary Fund, should be appointed to fill the

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vacancy. Mr Crockett had been employed by the Bank from 1966 until he was seconded to the International Monetary Fund in 1972 to become Personal Assistant to the Managing Director. He subsequently resigned from the Bank to join the Fund's staff. Mr Crockett's appointment as a Director had now been approved by HM The Queen. The Governor then introduced a recommendation that Mr A D Crockett be appointed an Executive Director with responsibility for the international work of the Bank and the Financial Statistics Division with effect from 1 March 1989, at a salary of £79,000, the minimum of the range appropriate to that rank, which was agreed.

In commenting on the weekly figures, Mr Quinn said that the notes in circulation showed a further deceleration from the figure noted the previous week and were now 5 1/4% up on the corresponding date a year ago. In addition, he said that the Banking Department's liabilities (other deposits: current) and assets (other advances) reflected the unwinding of the arrangements regarding the British Steel privatisation offer to which he had referred the previous week. Mr George spoke about the foreign exchanges and the state of the domestic markets. He mentioned that the market had welcomed the announcement the previous day that a reverse auction to buy in Government securities would take place on 13 January. Although primarily a money market operation, this method, if successful, might be used in future to withdraw stock from the market.

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

The Governor recommended that the Bank should make a contribution to the Disaster Appeal in respect of the earthquake in Armenia and sought advice on the amount that might be given. After a brief discussion, it was agreed that a contribution of £10,000 should be made to the disaster appeal and that this amount should be over and above the funds already set aside for charitable purposes.

The Governor also drew attention to the appeal fund which had been established in respect of the Clapham rail crash earlier

that week and it was agreed that a contribution to this fund should be considered by the Charitable Appeals Committee at their next meeting in January.

At the Governor's invitation, Mr Loehnis presented the International Economic Developments paper for November.

George Blunden

22<sup>nd</sup> December 1988

L.A. Craghton

Secretary 22<sup>nd</sup> Dec 1988

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 DECEMBER 1988

## 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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Anthony David Loehnis, Esq, CMG  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

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

6 In commenting on the weekly figures Mr Quinn said that the notes in circulation showed an increase of 7 1/4% on the corresponding




figure a year ago compared with an increase of 5 1/4% noted the previous week. Mr George then spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report Mr Harris said that agreement had been reached with BIFU the previous week on the terms and conditions of service for staff to be recruited at Gloucester and for staff transferring from London. The salary levels for staff recruited in Gloucester were based on local rates so as not to embarrass local employers and were lower than the regional scales which applied at the Branches. The transitional arrangements for staff relocating provided for phased payments in recognition of changed terms and conditions of service, including lower salary scales. Mr Harris also reported that two members of staff would be moving to Gloucester early in January to recruit staff locally, some of whom were expected to be in employment by Easter. Some 80 people, including a satisfactory number at senior and middle management level, had already indicated a willingness to relocate: it was likely that further acceptances by March 1989 would bring this number up to 100 which it was thought would be sufficient.

In accordance with Section 10 of the Charter, the Executive Directors, with the exception of Mr Loehnis, withdrew before discussion of the next item: the Associate Directors and Mr Coleby also withdrew.

With reference to a Minute of the previous week, the Governor informed Court that as a consequence of Mr Crockett's appointment as an Executive Director, Committee of Treasury had considered again the question of housing assistance for Executive Directors. At the Governor's invitation, the Deputy Governor then explained that in 1982 Court had decided that, despite the permission given in the Companies Act for subsidised loans to bank directors for housing, appointees to Court should in future be allowed to borrow from the Bank for housing only at commercial rates. Mr Crockett's move from the US to the UK might raise problems with this policy. Additionally, Committee of Treasury's and Court's recent concern that remuneration and terms and conditions of service for Executive Members of Court compared unfavourably with others in financial institutions in



the City, was another reason why it might be appropriate to reconsider the question of loans to Directors. Accordingly it had been agreed by Committee of Treasury at their meeting earlier that morning, that the following recommendation be submitted to Court:-

- 1 Existing members of the staff, who as such were eligible to receive housing loans and who have been, or are in future, appointed as Governors or Executive Directors, should be allowed, during their membership of Court, to increase their housing loans to £50,000 at the same rates as those applying to employees.
- 2 As the Housing Loan Scheme has for a number of years been closed to new entrants to the staff, those appointed as Governors or Executive Directors who have not been members of the staff, or who have been members of the staff but have not been eligible for housing loans, should be eligible for Housing Assistance on the same basis as employees covered by that scheme to a maximum of £50,000 subsidised.

Court approved these recommendations.

The Deputy Governor said that Committee of Treasury had considered whether Mr Crockett, as a former member of the staff, who as such had been eligible for a housing loan, should be given the option to chose between a Housing Loan or Housing Assistance. The consensus had been however that offering a loan on beneficial terms would not be in keeping with the sense of the Companies Act and that it would probably in any case be in Mr Crockett's interest to receive Housing Assistance. Court also noted that the provision remained for members of the staff appointed as Governors or Executive Directors, to retain, but not increase, outstanding educational, personal or medium-term loans which had been granted on beneficial terms and that housing loans in excess of £50,000 granted prior to appointment to Court could also be retained.

Two letters from Messrs Freshfields were submitted together with two documents to be sealed, namely a Counterpart Underlease in respect of premises, acquired by the Bank from Gloucester City Council, to provide temporary accommodation for the Registrar's



Department, and a Deed of Transfer arising from a matrimonial settlement, whereby the Title Deeds of a property in East Grinstead were being transferred from joint names into the sole name of a member of staff.


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

The Governor then explained to Court that, earlier that year, Sir Adrian Cadbury had written to him expressing the concern of the Non-Executive Directors that the levels of remuneration of Executive Members of Court compared badly with those of their counterparts in other financial institutions in the City. Committee of Treasury had addressed the subject earlier in the month and again that morning.

At the Governor's invitation, Sir Adrian Cadbury outlined a suggestion for the appointment of a Remuneration Committee to consider all questions relating to the remuneration of the Governors, Executive and Associate Directors, and Advisers to the Governor. It was proposed to establish the committee as a sub-committee of Committee of Treasury with membership consisting of the Non-Executive Members of Committee of Treasury, together with Mr Corby and Mr Laird. A committee of this nature would be in a stronger position to argue the case publicly, if need be, for realistic remuneration of the Bank's senior executives. It was the intention that the committee should address the question of overall levels of remuneration and the timing of increases; it would submit its first report to Committee of Treasury by July 1989. The committee would expect to draw on Mr Harris for assistance in their deliberations.

Court endorsed these proposals.

At the Governor's invitation:-

- 1 Mr Flemming spoke about the Economic Report for December.
  - 2 In introducing the regular monthly discussion of monetary policy, Mr Coleby examined the recent money and banking figures to see whether they gave greater evidence of an imminent slow-down than did the data on the real economy.
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M0 in November remained at the 7.7% figure for year on year growth for the fourth consecutive month. M0 had certainly reached a plateau and latest figures suggested that it might just have begun to turn down. The markets had become excited at last week's apparent sharp fall in the growth of the note circulation, but great caution was necessary in interpreting the figures at this time of year. This week's reading of  $7\frac{1}{4}$  -  $7\frac{1}{2}$ % probably gave a better indication, suggesting no more than a modest slowdown.

Broad money showed only modest growth for the second consecutive month and overall the indications were that the situation was slightly more promising. Mr Coleby made the point, however, that the decline in M4 growth from the very high levels of the summer months was attributable more to the balance of payments deficit than to the slowing down in domestic credit. There had however been some slowing down in lending to the household sector, mostly for house purchase, and some more modest decline in lending for consumption.

The conclusion that could be drawn was that the comfort that could be taken from the money and banking figures was only modest. Taken with other data on the real economy there was justification for last month's increase in interest rates. We still needed to look for further evidence before we could conclude that interest rates were at a peak; it would be reasonable to resist market pressures for further increases if they were no more than moderate, but we would need for some time to come to stand out firmly against any reductions in rates.

In the discussion which followed the problems of obtaining reliable statistics, which had been mentioned earlier in the month, were again raised. Mr Coleby and Mr Flemming said that the fact that long term interest rates had risen little augered well for investment, which would contribute to the growth of output; on the other hand high short term interest rates should restrain consumption, particularly as a result of their impact on first time home buyers.



Sir Adrian Cadbury suggested that these prospective interest rate effects ran counter to the forecasts of the Bank model which had been presented earlier in the year. However, the model has recently been updated and domestic demand is now thought to be more interest sensitive - the relevant research is to be published shortly.

C. A. Crofton.

Secretary. 12th Jan 1989.

George Blunden

12th January 1989

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 29 DECEMBER 1988

Present

Sir George Blunden, Deputy Governor  
Edward Alan John George, Esq  
Brian Quinn, Esq

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Hugh Christopher Emlyn Harris, 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, Mr Quinn mentioned that LondonClear had paid off their overdraft of £400,000 plus interest in advance. Mr George spoke about the foreign exchanges and the state of the domestic markets.

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

George Blunden

E. A. George

12<sup>th</sup> January 1989

Secretary. 12 Jan 1989

