



A MEETING OF DIRECTORS AT THE BANK

THURSDAY 5 JANUARY 1989

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  
John Stanton Flemming, Esq  
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

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 29 December, having been circulated, were approved.

In commenting on the weekly figures, Mr Quinn said that notes in circulation showed an increase of 10.5% on the corresponding figure a year ago although the total amount of notes in circulation was down £1 bn on the figure for the previous week; the incidence of holidays made it difficult to draw conclusions from these figures and the picture should



become clearer in a few weeks. Mr Coleby spoke about the foreign exchanges, including the Official Reserves figures for December, and the state of the domestic markets.

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

At the Governor's invitation, Mr Loehnis commented on the Overseas Trade figures for November, which had been published the Friday before Christmas.

*C. A. Cragg*

*Secretary. 12 Jan 1989*

*George Blunden*

*12 January 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 JANUARY 1989

## 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  
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  
Sir David Gerald Scholey, CBE

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

The Minutes of the Court of 22 December and of the Meeting of  
29 December were confirmed, and those of the Meeting of  
5 January, were approved.

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In commenting on the weekly figures, Mr Quinn said that notes in circulation showed an increase of 8.5% on the corresponding figure a year ago and that the holiday distortions were now probably more or less over. Mr George then spoke about the foreign exchanges and the state of the domestic markets.

Under the Weekly Executive Report:

- 1 The Deputy Governor reminded Members that on 15 December Court had appointed Mr Crockett as an Executive Director with responsibility for the international work of the Bank and the Financial Statistics Division. As a result of a subsequent review of the structure and functions of the Financial Statistics Division, it now seemed more appropriate for the directorial responsibility for that Division to rest with Mr Flemming alongside his responsibility for the Economics Division. Court agreed that Mr Flemming should assume this additional responsibility and that Mr Crockett should be responsible for the work of the Audit Division in addition to the international work of the Bank.
  
- 2 The Governor said that Members may have heard BBC reports that he had written to the Chancellor of the Exchequer setting out the Bank's views and advice on proposals for this year's budget, a task which he undertook annually. However, it now appeared that this year the letter had been leaked, possibly from the Bank: this was a very serious matter and a thorough investigation had been instigated.

At the Governor's invitation:

- 1 Mr Loehnis introduced the International Economic Developments paper for December.
  
  - 2 Mr Flemming presented the latest Bank Forecast on the Economic Outlook up to 1990. The current forecast had been produced from an amended model, based on recent research carried out in the Bank, in which demand was more interest sensitive. This went some way towards answering the
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question raised at Court on 22 December 1988. The model continued, however, to show cost inflation as being relatively insensitive to interest rates: this was because earnings were not seen to respond much to changes in demand.

George Blunden

19<sup>th</sup> January 1989

G. S. Craigie

Secretary 10 January 1989

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 JANUARY 1989

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 Robert Haslam

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

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 first reverse auction which had taken place the previous Friday. This had gone very smoothly and reverse auctions could prove to be a useful additional technique for our operations in the gilt edged market, certainly for short dated stocks.

Under the weekly executive report:

- 1 The Governor said that the GEC/Metsun issue raised certain matters of concern for banks and their relationship with their customers particularly in a multi customer situation: this was a subject that would be discussed with the CLSB Chairmen at their next meeting.
- 2 With reference to a Minute of the previous week, the Governor said that he hoped to be able to report soon on the outcome of the investigation into the possible leak of details contained in his letter to the Chancellor of the Exchequer.
- 3 Sir Adrian Cadbury asked where responsibility lay for policing the rules relating to the short selling or lending of stock in takeover situations, and the consequent uncertainties as to ownership. Primary responsibility for stock lending lay with the Stock Exchange but the Takeover Panel had some responsibility in this area. A further response would be given after more detailed consideration.

The Governor informed Court that Sir George Abell, who had been an Executive Director of the Bank from 1952 1964 had died the previous week, and invited Sir Adrian Cadbury, as Chairman of the Trustees of the Court Pension Scheme to speak about the proposed pension provisions for Lady Abell.

Court agreed that, in addition to the Widows' Allowance of £674.07 per annum payable from the Staff Pension Fund, Lady Abell be paid a pension of £10,026.48 from the Court Pension Scheme, subject to the Trustees reverting to Court should Lady Abell's financial circumstances warrant it.

Sir Hector Laing expressed the view that the formula agreed by Court in 1978 whereby the widow of a former Director should receive half the pension actually in payment to the husband on his death was particularly severe and warranted further consideration.



A letter from Messrs Freshfields was submitted together with a document to be sealed, namely a Deed of Transfer relating to the sale of a small parcel of land, belonging to a member of staff, to East Sussex County Council for the purposes of highway works. Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

At the Governor's invitation and with reference to a Minute of 7 July, Mr Loehnis introduced a paper on Capital Flight from Latin America, which updated the paper discussed by Court in January 1986.

*Ben Hoffman*

Assistant Secretary

26<sup>th</sup> January 1989

*George Blunden*

26<sup>th</sup> January 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 JANUARY 1989

## 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

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Hugh Christopher Emlyn Harris, Esq

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

Mr Quinn said that the weekly figures showed that the note issue was now only just under 7 1/2% higher than this time last year. This did not necessarily indicate a significant weakening but will have been caused to some extent by a clearing

bank changing its arrangements for holding notes. Mr George then 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, the Governor said he had instituted a severe security investigation into the possible leaking of details of a letter he had sent to the Chancellor. It had been concluded that either a draft of the letter or a copy of the letter itself, had left the building. It was not known if this document was in the hands of the BBC and it had been decided not to interview their staff to pursue the matter. We now had a good idea where responsibility for the leak lay. He had concluded that it would not be right to call in the Police which could well lead to an unwelcome widening of interest. If our suspicions could be firmly established, which at the moment was not known, the individual concerned would be dismissed. This was likely to have the same affect on the person's future as the outcome of a police investigation which was liable to take longer. The intensity of the enquiries would emphasise how badly the Bank viewed the matter.
- 2 The Deputy Governor mentioned to Court that we had been informed that the Police enquiries into JMB had ended. The Commissioner of the City of London Police had said that the enquiry was the largest and most complex fraud investigation ever undertaken by his Force and, he suspected, by any United Kingdom Force. 16 people had been charged as a result of the investigation, but only two had been members of the staff of JMB.
- 3 Mr George informed Court that the Bank had announced on Monday that it would enter into money market dealing relationships with two new companies. These were S G Warburg Discount, who would become a fully fledged discount house authorised under the Banking Act, and Greenwell Montagu Gilt Edged who would operate in the money

markets out of their gilt edged market making company and would not acquire a banking licence. He thought that, if the Bank had been willing to open up new money market relationships two years ago, a number of other companies would probably have applied and there could have been a danger of over capacity. The present level of capacity was satisfactory, although there might be one or two more applications to come.

- 4 The Governor and Mr Quinn spoke about the background to the decision to give information to the press in quotable form about the affairs of Equiticorp and Guinness Mahon.

The Governor introduced a Recommendation to Court, arising from Mr Loehnis' departure from the Bank at the end of February, for changes to the Boards of three of the Bank's subsidiary nominee companies and to those authorised to act as representatives of the Governor and Company of the Bank of England at Meetings of two of those companies. The Recommendation was approved.

At the Governor's invitation:

- 1 Mr Flemming commented on the Economic Report for January.
- 2 In introducing the regular monthly discussion of monetary policy Mr George said that the December figures for money and credit were somewhat disappointing after the better figures for October and November. But they still showed a decline on the three months rate of growth. This decline in MO was exaggerated by the postal strike, but narrow money was still growing more slowly even allowing for that. Broad money, M4, had grown at an annual rate of 13 1/2% in the latest quarter compared with rates of nearly 25% in the late Summer/early Autumn. Credit growth on an M4 basis was down to an annual rate of some 20%, from nearer 30% earlier in the year, but this rate was still very high. Within the total there had been a more pronounced slackening in lending to the personal sector especially in mortgage lending but also in lending for consumption.

When all the monetary data were taken together there were meaningful signs that growth was slowing, though it was not yet conclusive and another month's figures could easily alter the picture.

The most serious risk for policy was not to restrain domestic demand sufficiently. There were now more grounds than there had been a month ago to hope that it would not be necessary to tighten policy further, but we were not yet out of the wood and any thoughts of relaxation were premature.

Mr George went on to discuss some criticisms of monetary policy in recent months. First, it was suggested that we were relying on a single policy instrument. This ignored the unprecedented tightness of the fiscal position as it had evolved during the year. Secondly, it was suggested that interest rates were an inappropriately blunt instrument. In fact, given that the source of the problem was excessive personal sector borrowing the interest rate weapon was precisely chosen and appeared from the slowdown in monetary growth and in lending to the personal sector to be having the desired effect. Thirdly, it was argued that interest rates had a perverse effect in strengthening the exchange rate at a time when the balance of payments was already very weak. The strength of the exchange rate was not a conscious objective of policy but a consequence. It did affect some sectors to an unwelcome degree, but the continuing widening of profit margins did not suggest unbearable competitive pressure in manufacturing as a whole. And it was a price that had to be paid if we were to achieve our essential counter inflationary objective. Indeed undue emphasis on a stable exchange rate had been an important cause of our present problems. Nor could we avoid paying that price: failure to achieve a sufficient moderation of demand now would simply mean more severe restraint at some stage in the future.

L. A. Cragg

Secretary 2nd February 1959

Hector Laming

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 FEBRUARY 1989

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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
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.

In commenting on the weekly figures, Mr Quinn said that notes in circulation showed an increase of 6 3/4% on the corresponding figure a year ago, compared with increases of 7 1/2% and 8 1/2% in the two previous weeks. Mr George spoke about the foreign exchanges, including the Official Reserves figures for January, and the state of the domestic markets.

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

The Deputy Governor introduced a Recommendation that, with effect from a date to be agreed, Sir Peter Petrie Bt CMG be appointed an Adviser to the Governor at a salary of £74,000. The appointment would be for approximately four years from April of this year.

The Recommendation was approved.

The Deputy Governor said that in January 1986 Committee of Treasury had agreed that Mr Kent, in a personal capacity, be allowed to join the Southern Regional Board of British Rail, a purely advisory Board, as a Non-Executive Director. Mr Kent had now been invited to become Chairman of the Regional Board, to which Court gave their approval.

At the Deputy Governor's invitation, Mr Harris introduced a Recommendation that Mr D A Sharp, Head of the Personnel Division, be appointed a Nominative Trustee of the Central Foundation Schools of London in place of Mr D L Best, for a period of four years from 3 March 1989. The Recommendation was approved.

Court also agreed that, in future, authority to make such appointments be vested in the Governors.

Also at the Deputy Governor's invitation:

- 1 Mr Loehnis commented on the Overseas Trade figures for December, which had been published the previous Friday.
- 2 Mr Flemming presented the Economic Commentary section from the February edition of the Quarterly Bulletin.

G. A. Craggs.

George Blunden

9<sup>th</sup> February 1989

Secretary 9<sup>th</sup> February 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 FEBRUARY 1989

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  
Sir David Gerald Scholey, 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.

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 In answer to a question by Sir Adrian Cadbury recorded in a Minute of 19 January, Mr Kent explained the process of stock borrowing for delivery to a buyer; the buyer had outright title and it was up to the market maker who sold short to buy in similar stock to return it to the original lender. Legally, the voting rights moved with the shares along the chain of the transaction. In practice, the process was akin to a sale and repurchase. In theory, the stock lender could ask the borrowing market maker to cast votes in a preferred way, but this was not practical and the lender merely requested a return of the stock to enable him to vote himself. This raised the policy issue of whether the practice of borrowing shares should be suspended once a takeover bid was announced. However, this would probably reduce the liquidity of the market in an unacceptable way. Procedures had recently been tightened up to avoid any double counting of voting rights.
- 2 Mr Harris spoke about a briefing on the Bank's involvement in Community Affairs, which it was intended to update annually, designed to keep members of staff informed of the Bank's support for charities and community enterprises.
- 3 The Governor spoke about the G7 meetings which he had attended in Washington the previous week.
- 4 With reference to a Minute of 26 January, the Governor explained that the investigation into the leak of the details contained in his letter to the Chancellor of the Exchequer giving the Bank's advice on the forthcoming budget had now been completed, but had proved inconclusive. It had not been possible to establish whether the BBC had possession of the letter or a draft of the letter or just knowledge of its contents. However, there was circumstantial evidence to suggest that the leak had come from the Bank, although those on whom suspicion rested had denied having passed the paper outside the Bank. The

outcome of the investigation was therefore unsatisfactory in that there was insufficient hard evidence on which to base dismissal or institute other proceedings. We were nevertheless now considering how and where to convey general warnings about confidentiality and about relations with those in the media.

However, the investigation which had examined in detail the circulation of the documents in question had identified weaknesses in the system for the handling and storage of such papers and revised procedures will be introduced.

At the Governor's invitation:

- 1 Sir David Scholey introduced a Report of the Audit Committee containing a Recommendation for a revision of the Committee's Terms of Reference. It was agreed that the Terms of Reference should be as follows:
  - i The Audit Committee shall review the annual accounts with the external auditors prior to their presentation at Court; and shall review accounting policies and the external auditor's plans. The Committee shall consider the Management Letter and the Bank's response. The Committee shall review the external auditor's fee. The Committee shall report on all these matters at the appropriate time.
  - ii The Audit Committee shall submit annually to the Court for approval a general programme of internal audits designed to ensure that all work, appropriate for audit, of the Bank and its Branches is audited and examined at suitable intervals. These audits should not unnecessarily duplicate the work of the external auditors.
  - iii The Committee shall meet three times a year and shall receive the Auditor's Reports covering the progress of audits and the work of Audit Division.

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

Court also agreed that it was the responsibility of the Audit Committee to ensure that the position of External Auditor was held by a firm entirely suitable for that role and that the tenure of office of the individual audit partner should be reviewed frequently to ensure that an appropriate professional relationship with members of the Bank staff was maintained.

- 2 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 the Bank Briefing, both of which were due to be published later that day.
- 3 Mr George informed Court that the Bank had been granted planning permission to develop the site in Gloucester to meet the needs of the Registrar's Department.

BA Hoffmann

16<sup>th</sup> February 1989

Assistant Secretary

George Blundell

16<sup>th</sup> February 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 FEBRUARY 1989

## 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  
John Stanton Flemming, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Anthony David Loehnis, Esq, CMG  
David Alan Walker, 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.

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

Under the weekly executive report:

1 The Deputy Governor said that as a major change was taking place in the structure of the Bank he was advising Court of the change and seeking their agreement. It had been the intention to transfer the Central Gilts Office from the Registrar's Department to the Banking Department towards the end of the move of the Registrar's Department to Gloucester. However, in view of a recent decision to develop a Central Money Markets Office in the Banking Department, and the possibility of some form of parallel relationship with the Central Gilts Office, it was thought more sensible to move the latter to the Banking Department at the end of the month. Court were content.

2 With reference to a Minute of 8 December 1988, Mr Walker mentioned to Court that Arthur Young had agreed to pay £24.25mn to Johnson Matthey PLC in settlement of their claims relating to Arthur Young's work as auditor of Johnson Matthey Bankers. This settlement removed the prospect that Sir Kit McMahon, Mr Walker and possibly other Bank officials would receive sub poenas in respect of the Johnson Matthey PLC litigation.

Mr Walker also mentioned that a settlement had been reached the previous day of MFL's outstanding claim against American Insurance Group (AIG) and other underwriters. A settlement of £2mn had been agreed in respect of a claim which, though nominally for some £4mn, involved acknowledged deficiencies on the part of the former JMB. More or less simultaneously, Johnson Matthey PLC were expected to be able to settle a much larger claim against the Underwriters who had taken protective action against JMB: if such a settlement is achieved, this should lead to the dropping of Johnson Matthey PLC's protective action against MFL and thus of the latter's counterclaim. This left only one action of any significance outstanding against Minorities Finance and

there seemed a reasonable prospect that this would be struck out in the New York court in March.

At the Governor's invitation:

- 1 Dr Atterton introduced a Report of the Charitable Appeals Committee. It was agreed that:

- a with effect from 1 March 1989:

- (i) the authority delegated to the Secretary and the Secretary of the Charitable Appeals Committee to make donations be increased from the current level of £300 to £500;

- (ii) the annual limit of funds available to the Secretaries under delegation be increased from £17,500 to £40,000 to accommodate the increase mentioned in paragraph (i).

The overall budget for charitable appeals to remain unchanged at £150,000.

- b the Bank should augment the contributions of the staff and pensioners under the scheme for payroll giving on a pound for pound basis for a further year which would result in a contribution of £20,619.60 for the year ending 28 February 1989, this sum to be in addition to the current annual budget of £150,000.
- 2 Mr Harris commented on a number of retirements and secondments which had either taken place, or had been announced since July 1988.
- 3 Mr Loehnis presented the International Economic Developments paper for January.
- 4 With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the press reaction to the February edition of the Quarterly Bulletin.

In view of his own absence from Court the following Thursday, the Governor paid tribute to Mr Loehnis on his forthcoming retirement from the Bank. He expressed his and Court's gratitude for Mr Loehnis's nine successful and distinguished years in the stressful function of Overseas Director. At the end of that period the Bank's reputation internationally was as high as it had ever been.

C. A. Coughlin  
Leamington 23<sup>rd</sup> Feb 1989

Adrian Coughlin

23<sup>rd</sup> Feb 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 23 FEBRUARY 1989

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Dr David Valentine Atterton, CBE  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Colin Ross Corness  
John Stanton Flemming, Esq  
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

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Hugh Christopher Emlyn Harris, 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, the Deputy Governor said that HM Treasury had now agreed to extend for a further five years the present dividend formula which had expired with the payment of the dividend in April 1988.



At the Deputy Governor's invitation, Mr Harris introduced a Minute of the Committee of Treasury relating to the Senior Officials' Annual Review.

It was agreed that:

1 with effect from 1 March 1989

(i) [redacted] be appointed Senior  
An Official, and an Official, [redacted]  
Adviser in the  
International Divisions

(ii) (a) P A BULL [redacted] be [redacted] from [redacted]  
A Senior Official and to [redacted]  
Head of the Financial  
Statistics Division

(b) W A ALLEN [redacted] be [redacted] from [redacted]  
A Senior Official and to [redacted]  
Head of the Money Markets  
Operations Division

(c) M D K W FOOT [redacted] be [redacted] from [redacted]  
A Senior Official and to [redacted]  
Head of the Foreign  
Exchange Division

(d) J C TOWNEND [redacted] be [redacted] from [redacted]  
A Senior Official and to [redacted]  
Head of the Wholesale  
Markets Supervision Division

2 Further to Court's decision of 14 July 1988 on the introduction of a new Point E, with the current Point E restyled Point F, the following Senior Officials on current Point E be allocated as follows with effect from 1 March 1989

[redacted]

[redacted]

The Deputy Governor explained that at their Meeting earlier that day, Committee of Treasury had also agreed to recommend to Court that it would be appropriate for the Bank, having provided a pensioner to oversee the financial administration and to help with an international financial appeal to be launched shortly by the Trade Policy Research Centre, to make a contribution of £10,000 towards his employment costs, the payment to subsume the three annual contributions of £1,000 which remained outstanding from the five year agreement the Bank had entered into in 1987. The recommendation was approved.

Also, at the Deputy Governor's invitation:

- 1 With reference to a Minute of 20 October 1988, Mr Quinn explained that further consideration had been given to issuing a bank note to mark the tercentenary of the Bank in 1994. It was now suggested that the issue of the proposed new £10 Series E note should be delayed by some nine months until early 1994; that the note should portray Governor Houblon instead of Charles Dickens as had been planned originally; and that the design should incorporate an engraving of the early Bank and some reference to the tercentenary which might feature on the note for a limited period only.

Court agreed and noted that the portrait of Charles Dickens would be held in reserve for use in the future for a possible £100 note.

Mr Quinn also informed Court that HM The Queen had approved the new engraving of her portrait which would be featured on the Series E bank notes.

- 2 With reference to a Minute of 12 January, Mr Flemming introduced a paper on Savings Ratios which had been produced in response to a question which had arisen from the discussion of the Economic Outlook to 1990, before going on to comment on the Economic Report for February.
- 3 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that in January MO (seasonally-

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adjusted) had declined by 0.6%, bringing the year on year increase down to 7.4% from the 7 3/4% level at which it had stood for five months. The decline was attributable to a 1/2% reduction on the month in the note circulation, which looked likely to be repeated in February. The year on year increase was probably now rather less than 7%. These figures gave clear evidence of a slow down of consumption expenditure.

Broad money and lending, on the other hand, provided no clear message. The increases on the month of 0.7% for M4 and 1.2% for M3 were fairly subdued, but higher than in the corresponding month last year, so that the year on year increases of 18.2% and 21.7% respectively, were the highest of the past year but for the exceptional month of September. The evidence of slowing down in lending by banks and building societies remained rather slim, with increases in January £1.5 bn higher than the average for the past six months, no doubt attributable to borrowing by companies to make tax payments. There was confirmation of a change in composition with lending to persons in clear decline, especially that for consumption. Lending for house purchases appeared to have stabilised at a lower level, with banks losing market share to building societies. Overall, however, the year on year lending counterparts of both M3 and M4 remained virtually unchanged: we could not confidently project any decline from the average levels of recent months, so the averages themselves were unlikely to grow less fast and might even, in the short term, accelerate.

The conclusion that could be drawn from the monetary evidence and that from the real economy was that there was a slow down in consumption demand but nothing to suggest the slowdown had gone too far. The inflation indications were not good and indeed were getting worse. It was appropriate, therefore, to maintain the present degree of tightness of policy.

On the occasion of Mr Loehnis's last attendance at Court the Deputy Governor wished him every success in his new career.

*C. A. Crisp*  
Secretary 2nd March 1969

*Hector Lowry*

## COURT OF DIRECTORS

For the year ending 28 February 1990

<u>Declaration made before</u>	<u>Date</u>	
		The Rt Hon Robert Leigh-Pemberton, Governor
		Sir George Blunden, Deputy Governor
		Sir George Adrian Hayhurst Cadbury
		Sir Hector Laing
		Sir David Gerald Scholey CBE
		Edward Alan John George Esq
The Governor	16. 2.89	#David Alan Walker Esq
		The Hon Sir John Francis Harcourt Baring CVO
		Dr David Valentine Atterton CBE
The Governor	16. 2.89	#Frederick Brian Corby Esq
The Governor	16. 2.89	#Sir Robert Haslam
		Gavin Harry Laird Esq CBE
		Sir Leslie Clarence Young CBE
		Sir Martin Wakefield Jacomb
		Sir Colin Ross Corness
		Brian Quinn Esq
		John Stanton Flemming Esq
The Governor	11. 1.89	*Andrew Duncan Crockett

\*Appointed 1 March 1989

#Reappointed 1 March 1989

A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 MARCH 1989

Present

Sir George Blunden, Deputy Governor  
Sir Hector Laing  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
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.

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

Under the weekly executive report:

- 1 Mr George mentioned recent press comment about Hammersmith and Fulham Council's swap losses and said that the Bank had been aware nearly a year ago of the scale of the Authority's activity in swaps and swap options and had expressed concern

to HM Treasury. The Audit Commission had sought Counsel's opinion on the legal position, which suggested that such transactions were within the law up to the amount of the Authority's debt but not if entered into for speculative reasons. Other legal opinion suggested that all such transactions could be ultra vires. Hammersmith Council had started to reduce their swap position last summer. More recently, the Council's District Auditors had taken further legal advice which suggested that Hammersmith's swap activities were illegal and as a result servicing had been suspended. Hammersmith had indicated that they were able and willing to maintain service on the transactions and had applied for sanction to do so from the Secretary of State for the Environment. Such sanction, which could not affect the legality of the transactions but only the position of the Council officers involved, had not been forthcoming. The position now was that the issue would have to be resolved by the Courts with the action being taken either by Hammersmith Council or by the counterparties. If the Council's activities were found to be ultra vires then the contracts would be declared void with the deficiency falling on the creditors. It was hoped that Court proceedings would be accelerated but the matter was still unlikely to be resolved before mid summer at the earliest. In the meantime, the sums currently outstanding to counterparties were not sufficient to cause financial embarrassment to any of them individually. However, Sir David Scholey, having declared his interest S G Warburg were one of the counterparties involved - said that they and others in a similar position were considering the wider implications of this case.

- 2 Mr Quinn spoke about the Report of the Review Committee on Banking Services Law the Jack Committee which had been published the previous week, and drew Members' attention to some of the recommendations which would directly involve the Bank. There would now be a period of consultation involving all interested parties with a view to a White Paper being published later in the year with any necessary legislation during the 1990/91 Parliamentary session.
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- 3 With reference to a Minute of 23 February, Mr Walker confirmed that the insurance litigation involving Johnson Matthey Bankers, Johnson Matthey PLC and American Insurance Group (AIG) had been resolved with Minorities Finance Limited receiving £2 mn in final settlement.

At the Deputy Governor's invitation Sir Hector Laing introduced a report "The next generation of bank note production equipment for the Printing Works" and explained that to meet its future production needs, the Printing Works ostensibly had the choice for the first phase of re equipment between two printing systems, their own SNOW machinery which they had developed jointly with Molins PLC or to purchase off the shelf machinery from either De La Rue Giori or Komori. However, the SNOW machine would not now meet the timetable or the production volume needed for the £20E. The recommendation of the General Manager of the Printing Works, which had the support of the Debden Committee, was that it should accordingly purchase off the shelf machinery but continue to develop the SNOW machinery subject to firm limits on cost and time.

Mr Kent reported that at a meeting with the Deputy Governor held the previous day Molins had expressed their concern about the commercial viability of the SNOW machinery if the Bank did not show its support more positively. They had therefore offered to assume the development costs of a two note wide machine if the Bank would then agree to a contract to purchase it which could be terminated by the Bank without cost if the machine failed to achieve certain stated standards of qualified speed which would make it competitive with the alternatives. Mr Kent was hopeful that agreement could be reached on the price and the conditions within the coming week, after which today's decisions would be announced.

Court supported the recommendation that the purchase of a fleet of sheet machines up to a maximum cost of £8.7 mn should be negotiated (almost certainly to be the Giori) and that development trials on the SNOW machinery be continued until the end of 1989 or up to an additional cost not exceeding £250,000 for material and labour.

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A letter from Messrs Freshfields was submitted together with a document to be sealed, namely an Underlease relating to premises on the fifth floor link block and parts of the fourth and fifth floors of 9/12 Cheapside, being occupied by Allen & Overy. Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

Two recommendations of the Governors relating to the composition of the Standing Committees of Court for 1989/90 and the programme of Directors' visits to the Branches, Agencies and Offices during the year 1989/90 were submitted and approved.

Mr Crockett commented on the Overseas Trade figures for January, which had been published the previous day. A brief discussion ensued focussing particularly on the unreliability of the figures, something that continued to be a matter of concern to both HM Treasury and the Bank.

George Blunden  
9<sup>th</sup> March 1989

L. S. Craggs  
Secretary 9.3.89.



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 MARCH 1989

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 Colin Ross Corness  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
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.

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 spoke about two matters relating to the Court Pension Scheme which had been considered previously by the Trustees and discussed by Committee of Treasury earlier that day. The first concerned Mr Loehnis'

The Deputy Governor then explained that widows of former Members of Court who retired prior to 1978 were entitled to an allowance based on their husband's pension net of commutation whereas the Rules established in 1978 used the gross pension as the basis for calculation. The Trustees of the Court Pension Scheme had suggested that this inequality of treatment should be rectified by offering ex gratia payments to those widows concerned, and that the same method be adopted in the calculation of future similar widows' allowances, subject to each case being approved by Court.

Court agreed thereto and to the Recommendation contained in the Minute of Committee of Treasury that the undermentioned ex gratia allowances be paid:

Lady Peppiatt	£117.51
Lady Bolton	£5,077.56
Lady Cobbold	£10,717.69
Lady Abell	£6,134.39

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

In the absence of Mr Flemming, Mr Taylor attended Court and introduced a paper on the UK Retail Sector, which discussed performance and prospects in the light of recent interest rate changes and longer term developments such as the single European market: a brief discussion followed focussing on the difficulties that would be faced during the coming year particularly by smaller retail units.

L. A. J. Cragg

L. A. Cragg

Secretary 16th March 1969

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 MARCH 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Edward Alan John George, Esq  
Dr David Valentine Atterton, CBE  
Sir George Adrian Hayhurst Cadbury  
Frederick Brian Corby, Esq  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Sir Martin Wakefield Jacomb  
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.

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

Under the weekly executive report, Mr George drew Members' attention to the announcement made by the Chancellor of the Exchequer in his Budget speech that the Control of Borrowing Order 1958 was effectively abolished so that new issues in sterling, other than those by local authorities, would no longer

require timing consent from the Bank. At the same time, the Bank had announced changes in the arrangements for the issue of sterling commercial paper and capital market instruments in sterling with a view to simplifying and liberalising the overall framework for short dated issues.

At the Governor's invitation, Mr Crockett presented the International Economic Developments paper for February.

The Governor informed Members of Court that given the satisfactory position now reached by Minorities Finance Ltd, Mr Walker felt that he could relinquish his seat on the Board of that company. Accordingly, Court noted that Mr Walker had written to the Chairman of MFL offering his resignation with effect from the close of business that day.

After thanking Mr Walker for the contribution he had made to MFL, particularly in his role as Chairman, the Governor, with the agreement of Court, then invited Mr Harper, who had succeeded Mr Walker as Chairman of MFL in December 1988, to attend Court to comment on the Report and Financial Statements of Minorities Finance Ltd for the six month period ended 31 December 1988.

Mr Flemming introduced a paper summarising the main proposals contained within the Chancellor's Budget Statement the previous Tuesday and commented on the press reaction. A brief discussion ensued.

The Governor reported that Sir Colin Corness had acted as Alternate at a meeting of the Staff Committee on Thursday 9 March.

*Bob Apperance*  
Assistant Secretary

*30<sup>th</sup> March 1989*

*George Blunden*  
*30<sup>th</sup> March 1989*

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 23 MARCH 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Andrew Duncan Crockett, Esq  
Brian Quinn, Esq

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Hugh Christopher Emlyn Harris, 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 last Court, having been circulated, were approved.

Mr Quinn commented on the weekly figures and Mr Coleby 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*  
Assistant Secretary  
30 March 1989

*George Blunden*

30 March 1989

A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 MARCH 1989

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  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Sir Robert Haslam  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
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

Anthony Laurie Coleby, Esq

The Minutes of the Court of 16 March were confirmed and those of the previous week's Meeting were approved.

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



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 £26.6 mn to be made on 5 April, pursuant to Section 1(4) of the Bank of England Act 1946, was approved.

2 Mr Crockett commented on the Overseas Trade figures for February which had been published the previous day.

3 Mr Flemming presented the Economic Report for March.

4 In introducing the regular monthly discussion of monetary policy, Mr Coleby noted that the fall of more than 1/2% in seasonally adjusted MO in February had brought the year on year percentage change down to 6.6%. This was now a clear departure from 7 3/4% level, where it had been stuck for some time, but remained well above the 5% top of the target range. The decline in the currency circulation had, however, been interrupted in March with an increase which would probably be close to last March's 0.6%. Any decline in MO's growth rate in March therefore required a favourable outcome for its erratic component, bankers' balances, which looked likely to have happened.

Broad money was expected to grow strongly in February because of substantial underfunding, partly attributable to the large gilt maturity. In practice the public sector contribution proved less expansionary than expected, and there was a sharp decline in lending. So the increases of 1.7% in M3 and 1.9% in M4 were substantially lower than had been feared, but even so on a year on year basis we were back to last September's high point.

The interpretation of the lending position held the key to the outlook for broad money. Lending to persons remained subdued and February showed a sharp decline in Corporate borrowing, mainly attributable to the absence of the tax payments which had occurred in January, but partly owing to an erratic decline in the cash needs of security dealers.



If the monthly total of M4 lending were now to settle at a level perceptibly lower than the £7bn average of the last six months, then the rate of growth of broad money would begin to decline. Only time would tell. The recent performance of building society lending commitments suggested that no further decline could be looked for in lending for house purchase, and some resumption of growth was possible.

The exchange rate had softened over the past five weeks, with weakness attributable both to higher interest rates in other countries and to concern over developments in the UK economy. Any further decline could itself be damaging to the fight against inflation, both through the higher level of import prices and the reduced discipline on profit margins within the UK.

The disappointing news from the real economy, particularly on inflation, had implications for policy. The retail sales and balance of payments figures posed the question whether or not demand had become sufficiently subdued to allow policy to succeed accordingly on a reasonable timescale, even with the help of a cautious Budget. We were not yet in a position to contemplate any spontaneous further increase in interest rates. But the degree of resistance that would be appropriate to pressures originating in the markets had probably diminished in the past month, with higher interest rates being preferable to a significant further decline in sterling's foreign exchange value.

*George Blunden*

*6<sup>th</sup> April 1989*

*G. A. Cragg*

*Securay. 6 April 1989.*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 6 APRIL 1989

Present

The Rt Hon Robert Leigh-Pemberton, Governor  
Sir George Blunden, Deputy Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir George Adrian Hayhurst Cadbury  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Sir Robert Haslam  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq

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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 Coleby spoke about the foreign exchanges, including the Official Reserves figures for March, and the state of the domestic markets.

Under the weekly executive report:

-  1 The Governor spoke to Court about progress that had been made in the Delors Committee towards producing a final report for signature on 19 April. The differing views

were now well represented in the draft report and it was hoped that in its final form the report would be acceptable for signature by all.

Members of Court supported the stance the Governor had taken and endorsed the Deputy Governor's tribute to the Governor on his handling on what was acknowledged by many to be a very difficult and sensitive task.

- 2 The Governor then went on to speak about the meetings he had attended in Washington over the previous weekend.

A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a Lease which had been granted to Godfrey Davis Europcar Limited in respect of premises situated on the second floor of Leeds Branch.

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

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

*John Scho*

*L. A. Clayton.*

*Secretary 13<sup>th</sup> April 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 APRIL 1989

## Present

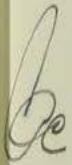
The Rt Hon Robert Leigh Pemberton, Governor  
Sir David Gerald Scholey, CBE  
Dr David Valentine Atterton, CBE  
The Hon Sir John Francis Harcourt Baring, CVO  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
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.

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 and with reference to a Minute of the previous week, the Governor explained that unanimous agreement had been reached at a meeting of the Delors Committee the previous day and the report signed by all parties. Copies would be made available to Heads of Government the following day but the report remained confidential until publication on Monday 17 April when a press conference would be given by M. Delors.

A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a Deed of Variation to the original lease for 22 23 Cheapside, premises occupied by "The Body Shop".

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 Crockett presented the International Economic Developments paper for March which was followed by discussion.
- 2 Mr George spoke about the impressions he had gained during his recent visit to Australia, Hong Kong and Japan.

*G. S. Cragg*

*George Blunden*

*20<sup>th</sup> April 1989*

*Secretary. 20th April 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 APRIL 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
Sir George Adrian Hayhurst Cadbury  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Hector Laing  
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

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 briefly about the reaction to the Delors Committee Report which had been published earlier that week, copies of which would be made available to Members of Court in due course.

At the Governor's invitation:

- 1 The Deputy Governor introduced a Recommendation concerning changes to the membership of two of the Standing Committees of Court.

It was agreed that for the period ending 28 February 1990, Sir John Baring be appointed to the Audit Committee and Mr G H Laird be reappointed to the Debden Committee.

- 2 Mr Quinn spoke about the proposed revision of the guidelines for the reproduction of Bank of England notes in advertisements and illustrations.

*L. A. Cooper.*  
Secretary 27 April 1989.

*George Blunden*  
27 April 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 APRIL 1989

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  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
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

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 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 evening. The Deputy Governor said that members of the Rifle Club had expressed similar sentiments at their Annual General Meeting held earlier in the week.

At the Governor's invitation:

- 1 The Deputy Governor spoke about proposals to include a Report of the Court of Directors in the Bank's Annual Report this year for the first time, and also to publish details of the external responsibilities of Directors and their dates of appointment to Court.  
The draft Report was agreed subject to certain amendments to the text.
- 2 Mr Quinn introduced the Report and Accounts of the Deposit Protection Board for the year ended 28 February 1989, which were laid before Court.
- 3 Mr Crockett spoke about the Overseas Trade Figures for March which had been published the previous day.
- 4 Mr Flemming presented the Economic Report for April.
- 5 In introducing the regular monthly discussion of monetary policy, Mr Coleby commented on the money and banking figures for March and said that as bankers' balances had been particularly low during the month it was more helpful to look at the behaviour of notes and coin in circulation. These had increased by 0.7% after two months of decline, taking the year on year increase up to 6.6% from 6.5% in February. But April had seen a reversion to a decline in note circulation of some 0.3% with the year on year figure down to around 6%: M0 was also likely to be at or below 6% year on year. It was difficult to estimate the extent to



which the recent slow growth of currency holdings an annual rate of under 1% over the past six months might be due simply to the substitution for cash of interest bearing money, now readily available in interest bearing current accounts; but it was reasonable to conclude that these figures reinforced the evidence of slowing down in consumer expenditure.

M4 lending for the month was £1 bn above the average of the last six months, in which period it had been exceeded only by the tax paying month of January. Borrowing demand from business remained strong. Lending to persons had recovered from its recent lower levels, particularly in the form of building society mortgage lending and bank lending for consumption. Overall M4 had risen by 1.9% in the month, and the year on year rate had stayed close to 18 1/2%. However over funding in the past twelve months had amounted to £2.6 bn suggesting that the underlying figure for M4 growth could be somewhat higher. Continuing buoyance in the business sector was less a source for concern than the warning signs of a possible revival in personal credit. Taking the evidence from the real economy and the financial data together, it was clear that there could be no thought at present of easing policy. But nor were there sufficient grounds for choosing, spontaneously, to tighten policy. The more difficult questions might be posed if the markets were again to become disturbed, because any sharp fall in the exchange rate would be damaging to the objectives of policy.

*C. A. Craxford.*

*Secretary 4 May 1989.*

*George Blunden*

*4<sup>th</sup> May 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 MAY 1989

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  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, 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.

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

Under the weekly executive report, and with reference to a Minute of the previous week, the Deputy Governor introduced a revised text on "Employment Policies" for inclusion in the Court of Directors' Report which would form part of the 1988/89 Annual Report. The text was approved after some minor amendments.



A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely an Underlease in respect of part of the sixth floor of 9/12 Cheapside, premises occupied by Allen and Overy.

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

The Governor spoke about a proposal to include a copyright symbol on the new Series E banknotes, which had been discussed by Committee of Treasury the previous week. The use of the symbol in the form approved by the Universal Copyright Convention on the front and back of the notes would be the most effective means of serving notice to everyone that the Bank owned the copyright in its notes. The presence of the symbol for which advertising agencies were trained to look, could give them cause to seek permission first before making reproductions and would simplify the procedures to be followed if the Bank wished to sue under the Copyright Act, instead of prosecuting under the Forgery and Counterfeiting Act 1981.

After a copy of a pre production version of the Series E £5 note with the symbol and wording included, had been circulated, Members agreed that the symbol be incorporated in the new notes.

At the Governor's invitation:

- 1 The Deputy Governor explained that the Department of Trade and Industry were considering whether there was a case for bringing bodies other than the Civil Service and the organisations set up under the Financial Services Act within the scope of the "public servant" definition for the purposes of the Company Securities (Insider Dealing) Act 1985 and had identified the Bank as a candidate. The effect of being brought within the scope of this definition would be to widen the circumstances within which individuals from the Bank could be subject to criminal proceedings. The matter had been discussed by Committee of Treasury the previous week. They saw no reason why the Bank should not be included within the public servant

definition which, if adopted, would cover the Governors, Executive and Non Executive Directors and all employees: it was also thought appropriate that Members of the Board of Banking Supervision should come within this definition.

Court agreed thereto.

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

*C. A. Croxall*

*Secretary. 11. May 1989*

*Adrian Cadbury*

*11<sup>th</sup> May 1989*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 11 MAY 1989

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
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.

There being no comments on the weekly figures, Mr George spoke about the foreign exchanges and the state of the domestic markets. He also drew attention to an announcement made by the Bank earlier that week that in future there would be an increase in the amount of Treasury Bills on tender; that the Bank might issue Bills of longer maturity than three months; and that the Bank might restrict its offer to buy bills to those with a shorter maturity than three months which was the present practice. The purpose of these measures was to offset the recurrent surplus of funds which might otherwise occur in the money market, and thereby to maintain the Bank's influence over short term interest rates.



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

The Deputy Governor reminded Court that earlier in the year it had been agreed that the Audit Committee, on behalf of Court, should examine the Bank's accounts each year. Accordingly they would now come before Court for approval only.

The Deputy Governor reported that because of the Bank's increased profitability a further payment in lieu of dividend of £30 million would fall due for payment to HM Treasury on 5 October in accordance with the established formula. Court were content.

Sir David Scholey, the Chairman of the Audit Committee, reported that the Committee had accepted the Accounts and had made a number of suggestions which had been incorporated in the Accounts now before Court for approval.

In addition the Committee had made the following observations:-

- 1 they were content to be associated with the statement in the Notes to the Accounts that, in the opinion of the Directors, it would be misleading to consolidate the accounts of Minorities Finance Ltd and Slater Walker Ltd;
- 2 they recommended that the Bank should continue to produce current cost accounts. Although they noted that few companies now produce them in this form, it was felt that they did provide useful information and could become more relevant in the future;
- 3 they noted the discussions that had taken place previously at Court relating to the paragraph in the Directors' Report relating to Employment Policies. Whilst not wishing to suggest further changes for this year the Committee felt that there was scope for strengthening this section in future years particularly in respect of matters such as Health and Safety etc;
- 4 Messrs Deloitte, Haskins & Sells, the external auditors, had confirmed to the Committee that the audit had gone smoothly and that the control environment in the Bank continued to be of a very high order. The management letter would contain no criticisms but a number of observations.

A Minute of the Committee of Treasury recommending that the Accounts for the year ended 28 February 1989 be approved and signed, and that the Annual Report and Accounts of the Bank for the year ended 28 February 1989 be printed and issued was approved.

At the Deputy Governor's invitation:

- 1 Mr Quinn spoke about the Banking Act Report for 1988/89 which was due for publication on the same day as the Annual Report and Accounts of the Bank.
  
- 2 Mr George introduced a Minute of the Committee of Treasury recommending that a new subsidiary company be set up to own the land and buildings to accommodate the Registrar's Department in Gloucester, thus enabling the Bank to avoid the payment of VAT on the construction of the building, an imposition that had been introduced in the Budget in March in respect of commercial buildings. The company, to be called BE Property Holdings Limited, would be a private company limited by shares, with the issued share capital covering the initial purchase of the land from the Bank and with further financing through long term loans from the Bank. Court agreed the recommendation and further agreed that, in accordance with a recommendation of Committee of Treasury, Mr E A J George be appointed Chairman of the new company and Mr H C E Harris and Mr J S Rumins be appointed as the first directors.
  
- 3 Mr Flemming introduced a Minute of the Committee of Treasury concerning a Senior Appointment that had arisen as a consequence of the resignation of P J Warland, Head of the Information Division. It was agreed that with effect from 22 May 1989:

J R E FOOTMAN (36)  
An Official, previously  
Private Secretary to the  
Governor

be appointed a Senior  
Official as Head  
of Information Division



- 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. He also spoke about the latest paper on Recent Wage Developments which concentrated on the factors that have affected the labour market in the last seven months.

*C. A. Wright*

*Secretary 18 May 1989*

*Adrian Cadbury*

*18<sup>th</sup> May 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 MAY 1989

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  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Gavin Harry Laird, Esq, CBE  
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

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.

At the Governor's invitation, Mr Harris outlined the Bank's proposals for the 1989 pay award, reporting to Court on the discussion that had taken place at the previous week's meeting of Committee of Treasury, and drawing attention to the particular factors affecting this year's negotiations. After a brief discussion, Court agreed that Mr Harris should enter negotiations with the Bank of England Section of BIFU within the parameters that had been discussed. It was also agreed that if a settlement could not be reached within those parameters Mr Harris should revert to Court before taking the disagreement to conciliation.

At this point, the Governor having to leave for an official visit abroad, Sir Adrian Cadbury assumed the Chair.

With reference to a Minute of 25 February 1988, a letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a Deed of Indemnity between the Bank and its wholly owned subsidiary, EBS Investments Limited, to enable the company to provide for the cost of its liquidation in its 1989 accounts.

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

In introducing the Report of the Charitable Appeals Committee Dr Atterton drew attention to the table summarising the Bank's charitable giving as a percentage of pre tax profit and explained that a similar table produced subsequently, as part of the Report of the Committee on Permanent Control of Expenditure, contained more up to date figures; these showed that the Bank's giving as a percentage of pre tax profits before exceptional items had amounted to 0.91%.

The two Recommendations contained the Report, namely that:

- 1 the contribution to the National Council for Voluntary Organisations should remain at £6,000 for the year 1989/90; and,
- 2 a donation of £2,000 a year for three years be made to Workwise, were approved.

Mr Harris introduced the Head of Personnel Division's Annual Report on Salary Policy and Fringe Benefits which was laid before Court. In commenting on the Report, Mr Laird commended management on their handling of the relocation of the Registrar's Department to Gloucester.

Mr Crockett presented the International Economic Developments paper for April, deferred from the Court of the previous week, before going on to speak about the World Economic Forecast for Spring 1989.

With reference to a Minute of the previous week, Mr Flemming drew attention to some aspects of the press reaction of the May edition of the Quarterly Bulletin.

*C. A. Crockett*

*Heckler Law G.*

*Securay 25th May 1989*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 25 MAY 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir Hector Laing  
Dr David Valentine Atterton, CBE  
The Hon Sir John Francis Harcourt Baring, CVO  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE

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Hugh Christopher Emlyn Harris, Esq

Anthony Laurie Coleby, Esq

The Governor expressed the sadness of Court on learning of the death of Sir Humphrey Mynors who had been a Member of Court as a Director from 1949 1954 and subsequently as Deputy Governor until 1964.

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 said that arising from his appearance before the Treasury and Civil Service Committee the previous day, it might be helpful to establish the Bank's policy stance on EMU and membership of the ERM. We could operate monetary policy either in or out of the ERM but would need to be sure when and on what terms the UK might join. The difficulty would be in choosing the time carefully when the exchange rate was right so that we could hold our position within the band and continue to operate a successful monetary policy for counter inflationary purposes. It was agreed that a paper exploring the background of this issue should be prepared for discussion at Court and that the Governor might use the opportunity of delivering the annual lecture to the Institute of Economic Affairs to make an objective statement on EMU and the ERM.

At the Governor's invitation:

- 1 Mr Harris, the Chairman of the Trustees of the Staff Pension Fund, 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 1989. After some discussion on whether the potential difference between the level of award to pensioners in line with the RPI and that being proposed for staff salaries constituted "extraordinary circumstances", the recommendations contained in the Report were approved.
- 2 The Governor's interest having been declared, Dr Atterton, in the absence of Sir Adrian Cadbury, the Chairman of the Trustees of the Court Pension Scheme, 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 four former Executive Directors, with effect from 1 July 1989. The Minute was approved.
- 3 Sir Robert Haslam introduced the Annual Report of the Registrar's Department Liaison Committee which was laid before Court. During the discussion concern was expressed

that the Registrar's Department intended to look for new business once relocated in Gloucester: the sensitivities that might arise in competing with the private sector were noted. Concern was also expressed about the morale of those staff not wishing to relocate or sever: it was accepted that this presented a problem for management as the position of some staff could not be resolved quickly because of the need to maintain the Department's London operation for a further two years.

- 4 Mr Crockett spoke about the Overseas Trade Figures for April which had been published earlier that morning.
- 5 Mr Flemming presented the Economic Report for May.
- 6 In introducing the regular monthly discussion of monetary policy Mr Coleby said that M0 had reverted to subdued growth in April, with an increase of 0.1% on the month and an increase of 5.7% year on year: within that figure notes and coin had increased by 6%. May's outturn looked likely to be very similar to that of May 1988, with growth in the currency circulation probably exceeding 1%, as it had done on average for five summer months in 1988. How M0 would develop in relation to its target growth range of 1% 5% p.a. depended on how far last year's pattern continued to be followed. The very low figures in recent months might be attributable in considerable part to inadequate seasonal adjustment.

Broad money aggregates had all grown on the month by about 1%, a modest rate in relation to their year on year growth which, in the case of M4, stood at 18%. Our hopes three months ago that the annual rate might show a sustained decline had been disappointed, as was evident from the annualised growth rates over the past three and six months. April's outturn had been depressed by overfunding, the lending counterpart at £7 bn being slightly above the recent monthly average. Loan demand from business continued strong, and could be explained by the buoyancy of investment at a time of narrowing profit margins. Loan demand from persons had fallen back after

its spurt in March, but remained above the level of earlier months. Building societies had gained market share in mortgage lending, at the expense of the newer types of mortgage lender.

The money and credit figures, alongside the data from the real economy, suggested the domestic adjustment was proceeding as well as could be expected but had some way still to go. The policy message was that interest rates needed to remain high but did not, as yet, require increasing. However the recent weakness of the exchange rate threatened that position and an increase in interest rates of 1% a figure thought unlikely to affect the mortgage lending rate had become necessary.

Heckel Law 9.

C. A. Coughlin.

Secretary 1 June 1989.



A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 JUNE 1989

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  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
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. In response to a question from Sir David Scholey about the size of the recent increase in interest rates, Mr George explained that domestic adjustment was proceeding as anticipated and there had been no grounds to increase interest rates on that account: the weakness of the exchange rate however threatened that position and an increase in interest rates had become necessary. This had been restricted to 1%, since this was thought unlikely to produce a rise in mortgage lending rates, which we did not regard as necessary, and which would have had an unwelcome impact on the Retail Price Index at a sensitive time in the pay round.

Responding to comments in the press and elsewhere suggesting that the central banks had "lost control of the foreign exchange markets" Mr George said that central banks never had "control" though they could exert influence, which was more powerful at some times than others. The G7 countries viewed the exchange rate of the \$ as too high and this was unsatisfactory. The major countries were, not unreasonably, not prepared to sacrifice domestic policy objectives to securing the preferred pattern of exchange rates in response to what might be temporary exchange market pressures. They therefore sought to influence exchange rates through intervention. There could be legitimate differences of view on intervention tactics and there were practical problems over coordination of intervention anyway. It was at this tactical level that the impression of ineffectiveness appeared. Since the Plaza Agreement there had been a widely, but mistakenly, held perception of the power of central banks in maintaining exchange rate stability: as a result of recent events this perception may now have been undermined.

Under the weekly executive report:

- 1 the Deputy Governor reminded Members that on 9 March Court noted that widows' allowances for former Members of Court who retired before 1978 were less favourable than the benefits payable under the Rules of the Court Pension Scheme and agreed a formula whereby ex gratia allowances would be paid, where appropriate, to bring the total allowances paid to these and future widows in line with those current Members of Court, subject to each case being approved by Court.

In considering the allowance payable to Lady Mynors following the death of Sir Humphrey Mynors, it had become apparent that having established the formula it was unnecessarily burdensome to seek Court's specific approval for each allowance. It was agreed therefore that in this case and for the future, such allowances be authorised by a Governor in accordance with the agreed formula.

- 2 With reference to a Minute of 2 March, Mr George spoke about the latest developments in Local Authority swap losses. It now seemed unlikely that the matter would be brought before the Courts before July and it might be as late as October before the hearing took place. Even then it was unlikely that the position would be clarified. In the meantime there was growing dissatisfaction in the markets and damage was being done to Local Authorities' creditworthiness and London's reputation as a financial market, and the Government was increasingly criticised for allowing the disorder to develop and persist. The Bank had consistently drawn Government's attention to the risks involved and had recently again written asking Government to address this issue as a matter of some urgency.

Court gave approval to Sir John Baring's request to accept an invitation to join the Board of Jaguar plc.

At the Deputy Governor's invitation and in the absence of Mr Crockett, [redacted] of the International Divisions were invited to join Court to present a paper on Political and Economic Reform in the USSR and China.

The Deputy Governor then spoke about his recent visit to Hong Kong and the impressions he had gained in the wake of the recent student demonstration in China and the potential impact for 1997.

George Blunden

8<sup>th</sup> June 1989

G. A. Crockett.

Secretary 8<sup>th</sup> June 1989.

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 JUNE 1989

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

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Hugh Christopher Emlyn Harris, Esq

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

In commenting on the weekly figures, Mr Quinn mentioned that the year on year increase in notes in circulation registered 6% this week compared with increases of the order of 6 1/4% in recent weeks. However, the reduction was more apparent than real, reflecting the writing off, under the terms of the Currency Act 1983, of the remaining Series C £1 and £10 notes amounting in total to £51 mn. This was an infrequent event which last occurred in 1983. Mr George then spoke about the foreign exchanges and the state of the domestic markets.



Under the weekly executive report, Mr Laird enquired whether there had been a run on the Bank of China in London during the past week as a result of the recent events in Beijing. Mr Quinn said that queues had developed outside the London branch but these had initially been caused by the delayed delivery of notes to that Bank. PRC owned banks in Hong Kong and Singapore, however, had suffered considerable withdrawals in the wake of recent events in China, primarily in protest at the authorities' actions in PRC.


At the Governor's invitation:

- 1 The Deputy Governor presented a Report of the Committee on Permanent Control of Expenditure which was approved.
- 2 Sir David Scholey introduced 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 1989.



Mr Quinn confirmed that banks had established procedures in this respect but he could not speak for the building societies: he undertook to make enquiries of the Commissioner of Building Societies.

The Report having been approved, the Deputy Governor reported that Mr Bullock, the Senior Partner of Messrs Deloitte Haskins and Sells, the Bank's external auditors, had expressed his complete satisfaction with the new arrangements now in place involving co operation between the Audit Committee and the external auditors.

 The Governor spoke about his recent visits to New York and Washington and the impressions he had gained in conversation

with members of the US Administration, bankers and industrialists.

Sir David Scholey also spoke about his impressions of the plenary session of the International Monetary Conference in Madrid earlier that week at which he had been a guest speaker.

G. A. Cragg

Secretary 15 June 1989

George Blunden

15<sup>th</sup> June 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 JUNE 1989

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 Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Brian Quinn, Esq  
Sir David Gerald Scholey, 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, and with reference to a Minute of the previous week, Mr Quinn said that his enquiries had established that before opening accounts, building societies

carried out checks on applicants' creditworthiness. In addition he understood that the Building Societies Commission had recently written to all Societies on the subject of fraud, stressing the need to establish beyond doubt the identity of potential customers.

At the Governor's invitation:

- 1 Sir Hector Laing spoke about the Report and Accounts of B E Services Ltd for the year ended 28 February 1989 which were laid before Court.
- 2 In the absence of Mr Crockett, Mr Latter introduced the International Economic Developments paper for May. During the discussion which followed, a comparison of the impact of interest rate changes in other countries, particularly the USA, was considered a subject on which further work was already in hand; and an international comparison of the cost of capital in real terms, currently high in the UK compared with our competitors, was also identified as a subject which might be pursued further.
- 3 Mr Charkham presented his paper on the "Nationality of Companies". During the discussion which followed, attention focussed on the consequences of nationality in terms of the physical location of research and development and of headquarters and the impact on policy decisions etc; the staffing implications; and the implications of nationality on company boards and those of subsidiaries, as well as at senior management level. It was accepted that although the UK was more exposed than some countries takeovers and mergers were inevitable and acceptable; they worked in both directions with UK companies in recent years having invested heavily abroad. It was agreed that the subject might be pursued further particularly with the Department of Trade and Industry.

*C. A. Crangham*

Secretary 22 June 1989

*George Blundell*

22<sup>nd</sup> June 1989



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 JUNE 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Hector Laing  
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

On behalf of Members of Court, the Governor congratulated Sir Brian Corby on the knighthood conferred upon him in the Queen's Birthday Honours the previous weekend and noted also with pleasure the knighthood conferred on Sir Nigel Althaus, the Government Broker.

*b* 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.

Court gave approval to Dr Atterton's request to accept an invitation to join the Board of Enviropac International Limited.

At the Governor's invitation:

- 1 Mr Harris commented on some recent retirements and secondments.
- 2 Mr Flemming presented the Economic Report for June.
- 3 Mr Coleby introduced the regular monthly discussion of monetary policy. Comment on the May figures had focussed on two features which were regarded as disappointing: the rate of growth of MO, and bank and building society lending. Neither seemed, on closer examination, to justify that conclusion.

MO, admittedly, grew quite strongly with an increase of 1.2% on the month, reflecting an increase of 1.4% in notes and coin, and causing the year on year rates to increase from 5.7% to 6.2% and from 6.0% to 6.3%, respectively. The monthly rate however reflected the problems of seasonal adjustment mentioned the previous month. Year on year comparisons did not suffer from this problem to anything like the same extent and although the current rate was higher the best guess was that it was erratic rather than an indication of a new trend. Evidence from the June figures so far was consistent with that interpretation with the year on year increase in currency circulation hopefully back to about 6%. Turning to broad money and credit, Mr Coleby said that the monthly growth of broad money aggregates was again low but that the increase in May last year had been even lower so the year on year figure had shown an increase. The counterpart pattern was much the same as we



had become used to, except for the higher figure for public sector external flows which reflected the decline in reserves as a result of foreign exchange intervention. M4 lending at £6.7 bn for the month, had disappointed those who had hoped for a perceptible decline from the recent monthly average of £6.9 bn. In fact, its composition remained favourable with lending to persons for consumption subdued and that for housing not growing fast, although building societies' gain in market share had boosted their net lending to £2.2 bn compared with an average of £1.9 bn for the previous eight months since August. Corporate borrowing was still strong but explicable so. In summary there was growing evidence that total lending was on a gentle decline in percentage terms.

Mr Coleby went on to explain that there would be only one more month in which the money figures would be presented in this form, as it had been decided to abandon M3 in July, to avoid a sharp discontinuity that would arise as a result of the change of status of the Abbey National from a building society to a bank. In future only M4 would be used. In considering the policy implications that could be drawn, Mr Coleby said there was nothing in the latest information to change the view that the adjustment was broadly on the desired course. We would not have wished spontaneously to increase interest rates two weeks ago but that position had been forced upon us by the markets. Equally, there were no grounds as yet for believing, even at 14%, that we were in imminent danger of overkill. No interest rate changes were therefore intended but the markets could again put us to the test. Resistance through intervention would be the first line of defence but further interest rate increases could not be completely excluded.

*C. A. Wright*

Secretary 29 June 1989

*George Blunden*

29<sup>th</sup> June 1989

A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 JUNE 1989

Present

The Rt Hon Robert Leigh-Pemberton, Governor

Sir George Blunden, Deputy Governor

Dr David Valentine Atterton, CBE

Sir Frederick Brian Corby

John Stanton Flemming, Esq

Edward Alan John George, Esq

Sir Robert Haslam

Sir Hector Laing

Gavin Harry Laird, Esq, CBE

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.

16 Under the weekly executive report and with reference to a Minute of 18 May, Mr Harris reported that negotiations for the 1989 pay award with the Union had now reached the point where first disagreement had been recorded, the Bank having offered an

across the board increase of 6% and rejected any add ons. Although he had a brief to offer up to 6 1/2%, Mr Harris' view was that this too would be rejected by the Union and that once the second disagreement had been registered the matter would be referred to ACAS for conciliation. However, since the earlier discussions at Court a number of factors had changed: the rate of inflation had increased and industrial action was being seen or proposed in some clearing banks and some public sector utilities in the face of offers around 7 7 1/2%: Court might therefore wish to reconsider the parameters for negotiation. The Governor said that in the circumstances the view of the Bank's Executive was that a settlement of the order of 7 7 1/2% was now probably inevitable but the manner in which it might be achieved either willingly in advance of the involvement of ACAS or reluctantly as a result of their intervention should be considered.

During the discussion that followed there was general agreement that the Bank should aim to seek a settlement without involving ACAS. Although most Members shared the view that an award of the order of 7 7 1/2% was appropriate the view was also expressed that the Bank should not overlook its special position and the public calls for wage restraint that had been made recently. It was nevertheless agreed that Mr Harris should continue to negotiate with the Union up to a maximum of 7 1/2%, if necessary, with the aim of achieving an early settlement without involving ACAS.

At the Governor's invitation and with reference to a Minute of 11 May, Mr George introduced the proposals for the capitalisation of BE Property Holdings Ltd which had been discussed with both Messrs Deloitte, Haskins and Sells and the Banking Department. Court agreed that:

- a) the issued share capital of the company be increased from £2 to £5mn, to acquire the land; and
- b) the company be granted an interest free loan, repayable on demand of up to £20mn, to cover the building construction costs.

It was also agreed that following the capitalisation of the company, Messrs George, Harris, Rumins and Croughton, as Nominees, should each hold one share of £1 and the Governor and Company of the Bank of England the remaining 4,999,996 £1 shares.

It was further RESOLVED that pursuant to Section 375 of the Companies Act 1985 and until otherwise resolved by the Court of Directors, Mr E A J George, the Executive Director responsible for the Registrar's Department, or failing him, Mr H C E Harris, or failing him, Mr J S Rumins, or failing him, the Secretary of the Bank, be authorised to act as the representative of the Governor and Company of the Bank of England at any meeting of BE Property Holdings Ltd, a wholly owned subsidiary of the Bank.

Having dealt with the capitalisation of BE Property Holdings Ltd, and with reference to a Minute of 12 May 1988, a letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a Transfer in respect of the transfer of Southgate Hospital, Southgate Street, Gloucester from the Bank to BE Property Holdings Limited.

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

Mr Flemming spoke about the Overseas Trade figures for May, which had been published the previous Tuesday, before going on to present the latest Bank Forecast on the Economic Outlook up to 1991. During the discussion which followed Mr Flemming said that he would welcome comment from the Non Executive Directors on the Forecast. It was agreed that to facilitate discussions in future the Forecast, despite its confidentiality, should be circulated to Members a week in advance of the discussion at Court, and that comparison should be made with other forecasts when possible.

*L. S. Cooper.*

*Secretary.*

*6th July 1989.*

*George Blunden*

*6<sup>th</sup> July 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 6 JULY 1989

## Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Hector Laing  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
Sir Leslie Clarence Young, CBE

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 including the Official Reserves figures for June and the state of the domestic markets.

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

At the Governor's invitation and with reference to a Minute of 29 June, the Deputy Governor reported that agreement had been reached between the Bank and BIFU for a 7 1/2% increase in salaries for those staff within the bargaining units, to be effective from 1 July. He went on to introduce a Minute of the Committee of Treasury concerning Senior Officials' salaries.

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It was agreed by Court that the salaries of Senior Officials be revised with effect from 1 July 1989 as follows:

Point A be increased from £68,500 to £73,650  
Point B be increased from £63,250 to £68,000  
Point C be increased from £58,000 to £62,350  
Point D be increased from £55,200 to £59,350  
Point E be increased from £52,400 to £56,350  
Point F be increased from £49,600 to £53,350.

In commenting on the Annual Reports and Accounts of EBS Investments Ltd and Slater, Walker Ltd, for the year ended 28 February 1989, the Deputy Governor explained that it was likely that the liquidation of both these wholly owned subsidiaries of the Bank would begin during the coming year. The Reports were laid before Court.

George Blunden  
12 July 1989

G. A. Coughter

Secretary 13<sup>th</sup> July 1989



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 JULY 1989

## Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
Andrew Duncan Crockett, Esq  
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

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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 drew attention to the increase in cash ratio deposits which resulted from Abbey National acquiring banking status. 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 reminded Court that the Banking Act 1987 conferred on the Bank various powers, duties and functions. Recent legal advice had made it clear that delegation of the Bank's powers should be more explicit. It was agreed that the recommendation to Court should be supplemented by an understanding that the names of those to whom powers were subsequently delegated should be reported to Court periodically. It was also noted that Court would be informed of the exercise of these delegated powers when the Annual Report under the Banking Act was submitted in the normal course, and also when otherwise appropriate.

Court resolved that with immediate effect, each of the persons for the time being holding the positions of Governor (as defined in the Regulations), Head or Deputy Head of Banking Supervision Division or Head of Wholesale Markets Supervision Division (or any successor positions to such positions) be authorised to exercise severally on behalf of the Bank any and all of the powers, duties and functions conferred on or vested in the Bank by or under the Banking Act 1979 and Banking Act 1987, with power to delegate at his sole discretion and on such terms as he thinks fit any and each of such powers, duties or functions to any officer, servant or agent of the Bank. The authorities hereby conferred shall with immediate effect supersede and replace any and all previous authorisations in relation to the same matters, without prejudice to anything done pursuant to any such previous authorisations prior to the passing of this resolution.

*C. A. Croft*

*Secretary 20<sup>th</sup> July 1989*

*Adrian Cadbury*

*20/7/89*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 JULY 1989

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Dr David Valentine Atterton, CBE  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Frederick Brian Corby  
Sir Colin Ross Corness  
John Stanton Flemming, Esq  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
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

Anthony Laurie Coleby, Esq

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

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

Under the weekly executive report:

- 1 Mr Flemming talked about the Bank's Educational Resource Packs which had been launched earlier that week.

- 2 Mr Quinn spoke about the Report of the Inspectors of the Department of Trade and Industry into the affairs of NatWest Investment Bank and County NatWest - the merchant banking subsidiaries of the National Westminster Bank and the role they played in the offer by Blue Arrow for Manpower and their subsequent interests in the shares of Blue Arrow. The Bank had considered the Report which had been published earlier that day and what action should be taken in accordance with the procedures for administering the Banking Act 1987. Consequently, it was proposed to serve notice on National Westminster Bank, NWIB and County Bank informing them that their authorisation was to be restricted by reason of their employment of several individuals whom the Bank was minded to judge not fit and proper under the criteria of the Banking Act.

Sir Leslie Young's personal interest as a Director of National Westminster Bank was noted.

Mr Quinn went on to explain that coincidentally the Bank would be pursuing a similar course of action against Morgan Grenfell and others in connection with the Guinness case.

- 3 In response to a question from Sir Hector Laing about the bid by Sir James Goldsmith and others to take over BAT Industries, the Deputy Governor explained that none of the institutions supervised by the Bank appeared likely to be in an over exposed position; nor did this bid appear to have the undesirable features which had made it appropriate for the Bank to express public concern in some other examples of highly geared bids.

At the Deputy 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 28 February 1989 which incorporated Directors' Reports and audited Accounts of Debden Security Printing Limited together with the summary of audited accounts for Thrissell Limited for the year ended 31 December 1988.

- 2 Mr Latter presented the International Economic Developments paper for June.
- 3 Mr Flemming introduced a paper concerning Rates Reform and the Community Charge: a brief discussion ensued.

Boa Hoffmann  
Assistant Secretary  
30 August 1989

Heckol Lang

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 27 JULY 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Adrian Hayhurst Cadbury  
The Hon Sir John Francis Harcourt Baring, CVO  
Andrew Duncan Crockett, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Brian Quinn, Esq  
David Alan Walker, Esq

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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 last Court, having been circulated, were approved.

There being no comments on the weekly figures, Mr Coleby 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 the Governor spoke about the events that had taken place during the previous week as a consequence of the publication of the Report of the Inspectors of the Department of Trade and Industry into the affairs of the National Westminster Bank's merchant banking subsidiaries and their involvement with Blue Arrow.
  
- 2 The Governor also referred to the lecture 'The Future of Monetary Arrangements in Europe' which he had delivered the previous evening to the Institute of Economic Affairs and explained that it might now be appropriate for the Bank to move on to consider a policy for joining the ERM.

The Governor having declared his actual interest in the Court Pension Scheme and the potential interest of Messrs Walker, Quinn and Crockett, invited Sir Adrian Cadbury to introduce a Report of the Trustees of the Court Pension Scheme relating to the annual actuarial valuation of the Scheme which had previously been discussed at Committee of Treasury on 6 July. The Report which recommended that the contribution rate remained unchanged for the current year, was approved.

The Court gave approval to Sir Adrian Cadbury's request to accept an invitation to join the Board of the Birmingham National Exhibition Centre.

At the Governor's invitation:

- 1 Mr Crockett introduced a memorandum on LDC Debt which the Bank had submitted to the Treasury and the Civil Service Committee. The memorandum considered recent economic developments, external financing, and debt ratios in heavily indebted countries and examined the role of banks and their attitudes to new ldc financing. Mr Quinn spoke briefly about the potential impact that the new debt financing arrangements might have on the Bank's provisioning policy.

- 2 Mr Crockett commented on the Overseas Trade figures for June which had been published the previous day.
- 3 Mr Taylor spoke about the Economic Report for July.
- 4 Mr Coleby introduced the regular monthly discussion of monetary policy by assessing the recent monetary information. M0 and notes and coin in circulation increased respectively by 0.7% and 0.9% in June, seasonally adjusted. These rates were high in relation to the target for M0 growth of 1 5% p.a., but we were not confident of the accuracy of the seasonal adjustment. There were even higher figures in June last year, so that year on year growth rates were down, from 6.2% to 5.9% in the case of M0. Moreover, growth of the currency circulation had slowed down considerably within June and remained modest in July. This seemed to confirm that there had been a short lived surge in consumption in May, but that demand had now settled back to its former subdued state.
- Turning to broad money and credit, Mr Coleby said there was conflicting evidence from the money aggregates and their lending counterparts. M4 had recorded a record growth of 2.4% for the month with a year on year figure increasing from 18.6 to 19.2%. Lending on the other hand remained steady at £7 bn, as a result of which its year on year rate of growth was declining slowly but progressively. The main growth continued to be in corporate sector, no doubt associated with investment outlays. There were grounds for believing that the acceleration in M4's growth was attributable to money held as an asset rather than for transactions purposes: a high proportion was in interest bearing form, and the fastest growing holdings were those of "other financial institutions" such as life and pension funds. It posed the question of whether this was a temporary situation and how such funds would ultimately be used, to meet domestic demand for finance or be transferred into other types of asset, perhaps overseas. For the present the position was probably not particularly threatening.



During the past month monetary conditions had become tighter with sterling strengthening substantially (by some 4% from its lowest point) but it was only marginally higher than when base rates increased to 14%. Evidence from the real economy suggested that the possibility of a further interest rate rise which might be needed to reinforce the slowdown in activity had diminished. Equally there was no evidence to suggest that an easing of policy would be appropriate either: we were therefore not seeking an early change in our policy stance.

R. H. Hoffmann  
 Assistant Secretary  
 3rd August 1984

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A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 AUGUST 1989

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  
Andrew Duncan Crockett, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
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 Court of the 20 July were confirmed and those of last week's Meeting were approved.

There being no comments on the weekly figures, Mr Coleby, in Mr Quinn's absence, went on to speak about the foreign exchanges including the Official Reserves figures for July and the state of the domestic markets.

Under the weekly executive report, and with reference to Minutes of the 4th and 18th August 1988, Mr Kent informed Court of recent developments regarding the Bank's shareholding in Portals. Before so doing Court agreed that Sir David Scholey,

who had an interest through Warburgs, should remain. Mr Kent reminded Court that a year previously he had reported that the Bank was considering selling its shareholding in Portals when a suitable opportunity arose. It was agreed subsequently that the Bank should do so but that this be delayed for, say, two years while Portals made strategic plans for the group. Since then Portals had sold their water treatment business one of the main areas of difficulty. They had suggested that the time was now ripe for the Bank to place its shareholding. The Bank agreed with that judgement and were, accordingly, making plans to that effect.

The Bank's association with Portals was of long standing; our current shareholding of just over 25% had been acquired in 1949 when Lord Portal died. However, we had recently been loosening the ties. A new 5 year fixed term paper contract was agreed in 1988 replacing the old rolling contract.

As a responsible shareholder the Bank would not want to dispose of its shareholding in a way which would destabilise the company or put it into play. The Portals share price had shown some upward movement during the year partly on the back of speculative buying. The Bank had been advised that a placing of the shares would probably be done at a discount to the open market price which seemed an acceptable price to pay for an amicable separation. It was estimated the placing would realise £40mn after tax.

The Bank had considered whether a case could be made to retain a small stake, of say 5%, but had concluded it could turn out to be a hostage to fortune. The paper and printing industry were going through a phase of merger and acquisition and even a 5% stake could put the Bank in the invidious position of having to choose between rival bidders. We were surrendering the opportunity of getting a bid premium as we had been advised that otherwise we would run the risk of insider dealing. Also, the Bank would have the added difficulty of explaining why it had retained 5%. We would need to make clear that we no longer regarded a holding in what was now a diversified public company as opposed to a company that just made paper as appropriate for a Central Bank.

Portals had said they would like us to retain a small stake to assist with their marketing but this would be hard to reconcile with the overall rationale of the sale. It would, in any case, still be known the Bank obtained their paper from them. Court were content with the steps proposed.

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

- 1 A Deed of Covenant with the Charities Aid Foundation.
- 2 A Deed of Substituted Security to enable a member of staff to purchase an extended lease on his property.
- 3&4 A Transfer and Conveyance in respect of Forbanks Sports Club, to enable the sale of the buildings and land, by first transferring the freehold interest from the the Midland Bank Trust Company Limited, to the Bank and the National Westminster Bank. 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 John Baring presented a Report of the Committee to consider the Securities of Certain Funds, which was approved.
- 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 28 February 1989 which were laid before the Court.
- 3 Mr Taylor presented the Economic Commentary Section from the August edition of the Quarterly Bulletin.

*Boa Hoffman*  
 Assistant Secretary  
 10<sup>th</sup> August 1989

*Adrian Cadbury*  
 10/8/89.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 AUGUST 1989

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
Sir Colin Ross Corness  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
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.

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 Kent mentioned that the sale of the Bank's stake in Portals had gone ahead very quickly. The entire parcel was placed with Warburgs at a price of 284p last

Friday morning compared to the previous night's close of 299p - this represented a discount of 5 1/2% and was an improvement against the expected price of 280p. Warburgs in turn had been able to place the full amount with other institutions at a price, it is understood, of 288p. Since then the market price had risen somewhat as our blocking holding had disappeared the previous day's close being 312p. This all suggested that the Bank had got as good a price as it could.

The proceeds of the sale had come to £49.3mn which compared to a book value of £7.5mn. The transaction appeared to have gone smoothly and all the parties closely involved expressed themselves content with the outcome. However, the Deputy Governor reported that Julian Sheffield, the Chairman of Portals, had written to the Governor expressing regret at the end of the association and that the Bank had not been able to retain a small shareholding. In reply the Deputy Governor had stressed the importance of the commercial relationship which would continue.

At the Deputy Governor's invitation, Mr Harris introduced a Recommendation by the Governors that with effect from the 1 August 1989:

[redacted]  
An Official, previously  
an Adviser in the Finance  
and Resource Planning Division

be appointed a Senior Official  
[redacted] as Head of Management  
Information Development and  
Strategy

With reference to a Minute of the previous week, Mr Taylor 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.

Sir Brian Corby, the Chairman of the Staff Committee, presented the Chief of Corporate Services' Report on Staffing Policy for Banking Staff. Mr Harris went on to comment on the Report in greater detail.

*B.A. Hoffman*  
Assistant Secretary  
17<sup>th</sup> August 1989

*Adrian Cadbury*  
Aug 17<sup>th</sup> 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 AUGUST 1989

Present

Sir George Blunden, Deputy Governor  
 Sir George Adrian Hayhurst Cadbury  
 The Hon Sir John Francis Harcourt Baring, CVO  
 Sir Frederick Brian Corby  
 Sir Colin Ross Corness  
 Edward Alan John George, Esq  
 Sir Martin Wakefield Jacomb  
 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.

Having commented 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 the Deputy Governor spoke briefly about the generally favourable press reaction to the Quarterly Bulletin.

At the Deputy Governor's invitation, and in the absence of Mr Crockett, Mr Kirby introduced the International Economic Developments paper for July.

*G. A. Crockett.*  
 Secretary. 24th Aug. 1989.

*Adrian Cadbury*  
 24/8/89.

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 AUGUST 1989

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Brian Quinn, Esq  
David Alan Walker, Esq  
Sir Leslie Clarence Young, CBE

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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 Crockett introduced the Overseas Trade figures for July which had been published the previous day, and Mr George spoke about the foreign exchanges and the state of the domestic markets.





Under the weekly executive report:


- 1 Mr George informed Court that police were investigating two cases where stock transfer forms in relation to gilt edged stock, backed by stolen stock certificates and bearing forged corporate seals, had recently been delivered to the Registrar's Department and passed. A notice of warning had been circulated to Members of the Stock Exchange reminding them that responsibility for good delivery rested with them.
- 2 Mr Crockett answered questions raised during the discussion the previous week about statistics in the International Economic Developments paper.

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

- 1 An underlease of additional space in Bank Chambers, Manchester, to Fairhursts, the existing tenants; and
- 2 A Deed of Covenant recording changes in Fairhursts' partners and assigning the obligations to the new partners.

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

At the Deputy Governor's invitation:

- 1 Mr Flemming presented the Economic Report for August.
  - 2 In introducing the regular monthly discussion of monetary policy Mr Coleby said that both M0 and M4 showed only modest growth, 0.3% in both cases in the month of July, while the year on year increases were 5.3% and 17% respectively. M4 had recorded its lowest year on year increase for over a year compared with its highest increase on the same measure, the previous month. The decline in M0 was partly
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attributable to low bankers' balances. Notes and coin recorded a year on year growth of 5.7% compared with 6.2% the previous month, continuing this year's steady but gentle decline, but still with some way to go before getting within the target range for M0 of 15%. The growth in notes and coin was likely to be quite strong in August. The low growth in M4 in July was in sharp contrast to the strong growth in June. It could be attributed partly to overfunding and the effects of the Abbey National flotation, but was largely the product of the reversal of June's expansionary influence from the 'external' counterparts, frequently an erratic item.

Sterling lending was stable at £7 bn, with a continuing decline in borrowing by persons, consistent with a slow down of personal expenditure, and an increase in lending to companies.

Taking the real and monetary data together, the picture remained one of a slowing economy but we were still well short of any suggestion of overkill. This suggested neither a tightening nor an easing of policy. The possibility remained of a rise in mortgage interest rates, which had not been adjusted since base rates went to 14% in May. The risk of this was probably receding, with building societies having had a better month in July. There was no policy reason to welcome a mortgage rate rise, but that would be preferable to lowering base rates in order to avoid it. The most immediate source of concern was the outcome of wage negotiations, and any hint of policy easing could give a most damaging signal. The possibility remained that a more general increase in interest rates might be forced upon us by pressure on sterling. A brief discussion ensued.

- 3 Sir Robert Haslam spoke about the impressions he had gained during his recent visit to Poland.

*L. A. Crawford.*

*Secretary.*

*7<sup>th</sup> September 1989.*

*George Blunden*

*7<sup>th</sup> September 1989*

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 31 AUGUST 1989

Present

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

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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.

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.

*E. A. J. George*

*Secretary.*

*7th September 1989.*

*George Blunden*

*7th September 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 SEPTEMBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Hector Laing  
Brian Quinn, Esq  
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 Court of 24 August were confirmed and those of last week's Meeting of Directors 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 and with reference to a Minute of 23 February, the Governor informed Court that it was proposed to make certain changes to the figures from history to be depicted on the Series E banknotes and to make a slight

variation in the timetable for their issue during the early part of the 1990s. The notes would be issued in the sequence £5, £20, £10 and £50, with the portrait of Charles Dickens being featured on the £10 and that of Governor Houblon on the £50 note. The latter would be issued in 1994 to mark the tercentenary of the Bank. The £5 and £20 notes would feature portraits of Stephenson and Faraday respectively.

At the Governor's invitation:

1 Mr Crockett introduced the World Payments Report for 1989, which reviewed international balance of payments and exchange rate developments over the previous year. A brief discussion ensued.

2 There being no comments on the Accounts of the Houblon Norman Fund for the year ended 30 June 1989, Mr Fleming, in his capacity as a Member of the Houblon Norman Advisory Committee, commented on the Report of the Committee and drew attention to the award of fellowships to Professor Michael Artis and Dr S H Thomas, each for a period of six months.

It was noted that the Houblon Norman Fund had been established in 1944 in commemoration of the Bank's 250th anniversary and that, similarly, the endowment of a chair or some form of scholarship would be considered to mark the tercentenary at the Bank in 1994.

*Heckler Lang*

*C. S. Crockett*

*See [unclear] 14<sup>th</sup> September 1989*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 SEPTEMBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor

Sir Hector Laing

Dr David Valentine Atterton, CBE

Sir Frederick Brian Corby

Sir Colin Ross Corness

Andrew Duncan Crockett, Esq

John Stanton Flemming, Esq

Edward Alan John George, Esq

Sir Robert Haslam

Sir Martin Wakefield Jacomb

Gavin Harry Laird, Esq, CBE

Brian Quinn, Esq

Sir David Gerald Scholey, CBE

David Alan Walker, Esq

Sir Leslie Clarence Young, CBE

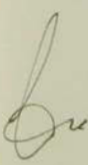
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Hugh Christopher Emlyn Harris, Esq

Pendarell Hugh Kent, Esq

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 Mr George commented on the results of the survey of turnover in the London foreign exchange market which had been reported in the press that day. Similar surveys had been conducted by other central banks and it was encouraging to note that London had maintained its premier position, the average turnover in April being \$187 bn in London compared with \$129 bn and \$115 bn, respectively, in New York and Tokyo.
- 2 With reference to a Minute of 16 March, Mr George said that following the abolition of the Control of Borrowing Order 1958 earlier in the year, the Bank had been approached by the market to reinstate something on the lines of the queueing system for new sterling issues. The Bank had now agreed to introduce such a system on the basis of a voluntary informal exchange of information.
- 3 The Governor spoke about the meeting of ECOFIN which he had attended recently in Antibes.

At the Governor's invitation:

- 1 Mr Crockett introduced the International Economic Developments paper for August.
- 2 Mr Laird spoke about the TUC Annual Conference which he had attended the previous week.

*C. A. Crockett*  
Secretary

*George Blunden*  
21<sup>st</sup> September 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 SEPTEMBER 1989

## 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 Frederick Brian Corby  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
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.

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 The Governor said that it would be announced shortly that Mr Ian Plenderleith would be appointed Government Broker in succession to Sir Nigel Althaus, who had now retired. There had been some debate as to whether this role should survive. The Bank were keen that it should, not only for traditional reasons, but because under the constitution of the Stock Exchange Council the Government Broker was entitled to a seat on the Council: this was a convenient way therefore for the Bank to have a presence on that Council.

2 The Governor also sought views of Members of Court on the value of the British Invisible Exports Council which the Bank currently supported to the extent of some £250,000, representing approximately 25% of the Council's budget. The Bank had reviewed the level of its contribution and had felt that it did not represent good value for money. The Council had been advised, therefore, that the Bank would wish to reduce its contribution unless there was sufficient justification and support from other Council members to warrant continuing its support at the present level. In response, Lord Limerick, the Chairman of the Council, had suggested to the Governor that the Bank's support was essential to the Council's continued existence.

During the discussion which followed Members endorsed Lord Limerick's view but there was general agreement that the BIEC had to some extent lost its way: some of its activities were worthwhile and valuable but others were much less so. However, it was suggested that rather than reduce its contribution immediately, it might be more helpful if, in discussion of the Cooke report on the activities of the BIEC, the Bank tried to steer the Council into a more constructive way ahead. In particular, it was felt that we might seek a merger with the British Overseas Trade Board and should discuss the possibility with Sir James Cleminson.



Sir Brian Corby spoke about re actions to the apparent attitude of the British Government to EMU expressed at a recent meeting in Milan by high level representatives of the Italian public and business sectors.

*C. A. Craigie.*

*Secretary. 28<sup>th</sup> Sept 1989.*

*Adrian Caddug*

*28<sup>th</sup> Sept 1989.*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 SEPTEMBER 1989

Present

Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Dr David Valentine Atterton, CBE  
The Hon Sir John Francis Harcourt Baring, CVO  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
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.

There being no comments on the weekly figures, Mr Flemming introduced the Overseas Trade figures for August which had been

published the previous Tuesday. Mr George then 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, Sir Adrian Cadbury introduced a Minute of Committee of Treasury of 22 June recommending that upon the Governor leaving the service of the Bank, a payment should be made to him to cover any shortfall in pension expectations resulting from the changes to the annual payment limits to personal pensions introduced in the Finance Act 1989. The amount of any payment to be agreed at the time the Governor leaves the Bank, in consultation with the Actuarial Adviser to the Court Pension Scheme. The Minute was approved.

The Deputy Governor, having declared his interest in the Staff Pension Fund, asked Mr Harris to introduce a Report of the Staff Committee proposing a number of changes to the Trust Deed and Rules of the Staff Pension Fund to bring them into line with recent overriding legislation. The Report was approved.

The Deputy Governor, having declared his actual interest in the Court Pension Scheme and the potential interest of Messrs George, Walker and Flemming, invited Sir Adrian Cadbury to present two Reports of the Trustees of the Court Pension Scheme, together with the Annual Report and Accounts for the year ended 28 February 1989 which were laid before Court. The recommendation that certain changes be made to the Trust Deed and Rules to bring them into line with recent overriding legislation was approved.

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

- 1 a Deed of Amendment of the Staff Pension Fund;
- 2 a Deed of Amendment of the Court Pension Scheme;
- 3 a Deed of Release enabling the Bank to accept the surrender of the lease of parts of the first floor and sub basement of 9/12 Cheapside, premises occupied by Swiss Life Insurance and Pension Company.

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

Mr Flemming spoke about the Economic Report for September.

In introducing the regular monthly discussion of monetary policy, Mr Coleby said that, at first sight, the money and banking statistics for August might be seen to support the view that the slowdown in demand had come to a stop or even reversed. Closer examination, however, removed that impression. M0 and currency in circulation had both grown strongly month on month, with currency increasing by 1.3% seasonally adjusted. The year on year increase, up to 5.9% from 5.7% last month, interrupted the recent trend of gradual decline. But there were reasons for thinking that August might have been affected by timing disturbances, and the September figures bore out that interpretation. The year on year growth rate would probably be down to an underlying 5.4%. A similar outcome was likely for M0.

M4 and M4 lending had also grown strongly in August 1.8% month on month in both cases. Sterling lending of £8.4bn seasonally adjusted was attributable in part to substantial drawings of £1.8bn in relation to the financing of corporate take overs, the proceeds of which, together with those of a gilt redemption, remained in the hands of institutions awaiting re investment. August also saw a sharp growth in bank lending to persons for consumption, possibly to finance holidays and car purchases; it would be disturbing if that was not quickly reversed.

Conclusions for policy depended on the answers to two questions: was demand slowing sufficiently to enable the objectives of policy to be met; and was it being reflected too much in lower output and not enough in the balance of payments? Some of the recent indicators, car sales for example, seemed to cast doubt on the extent of the demand slow down, though like the money numbers they were less worrying on closer examination. The current account figures were more disturbing, but their message might be about insufficient restraint of demand, or about lack of competitiveness or simply reflect the long lags in the process of adjustment. Our

present conclusion was that restraint on demand needs to be kept at least as tight as hitherto, and there was no case for easing interest rates. However, there were signs of further slowing to come, particularly in corporate investment and also in the housing market, so there was little reason for positively wishing to tighten policy but, if it became necessary to respond to downward pressure on the exchange rate, intervention would be the first option but higher interest rates could not be excluded.

C. A. Cragg.

Secretary.

12<sup>th</sup> October 1989

Adrian Cadbury

12/10/89.

## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 5 OCTOBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Adrian Hayhurst Cadbury  
The Hon Sir John Francis Harcourt Baring, CVO  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Brian Quinn, 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.

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

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

*E. A. George*

*Secretary*

*12th October 1989*

*Adrian Cadbury*

*12/10/89*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 OCTOBER 1989

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  
Sir Frederick Brian Corby  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
Brian Quinn, Esq  
Sir David Gerald Scholey, CBE  
David Alan Walker, Esq

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

The Minutes of the Court of 28 September were confirmed and those of last week's Meeting 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 Mr Kent drew Members' attention to some of the distinctive features of the new



Series E £5 note due to be introduced in May 1990, copies of which were exhibited to Court.

At the Governor's invitation:

- 1 Dr Atterton, the Chairman of the Charitable Appeals Committee, introduced the Report of that Committee. In approving the recommendations contained in the Report, Court fully supported the concept of the Bank matching the contributions of staff and pensioners under the Give As You Earn Scheme and were content that the level of matching be considered annually. It was noted that the relevant data of overall Bank giving and profit were drawn together annually in May in the Report of the Committee on Permanent Control of Expenditure. It was also agreed that the Bank should respond with a minimum donation of £500 to appeals from cathedrals, irrespective of whether there was a Bank presence or connection with the City concerned, and that the Committee be given discretion to extend the Bank's charitable giving to appeals from charities concerned with environmental and conservation issues.  
In agreeing that the Bank should become a guarantor of Workwise, the Scottish equivalent of Project Fullemploy, Court noted that the contingent liability of each of the guarantors was technically £2,500 and hoped that there would be no more commitment to a greater sum.
- 2 Dr Atterton spoke about impressions he had gained during a recent visit to West Berlin.

In accordance with Section 10 of the Charter, the Governor, Mr George, Mr Quinn, Mr Flemming and Mr Crockett then withdrew together with Mr Kent and, in accordance with Section 6 (2) of the Charter, Sir Adrian Cadbury, the Chairman of the Remuneration Committee, then took the chair. It was agreed that Mr Harris who had assisted the Committee in an advisory capacity should remain for the ensuing discussion.

Sir Adrian Cadbury then explained that in reviewing the levels of remuneration of the Bank's Executive, the Committee had considered that, with the exception of the Governor, it was

appropriate to introduce the concept of salary ranges for each level, and that individual salaries within the range should be determined by performance. The Committee had also considered that the role of the Executive Directors represented the most readily identifiable comparison with other institutions. Accordingly the salary ranges proposed for that level had been based on a market survey undertaken by a professional consultancy. The proposals at other levels stemmed from that benchmark and looked reasonable in comparison with rates for jobs of a similar nature or responsibility. It was proposed that the market survey should be repeated annually but increases would not necessarily be of that frequency.

The proposed salary ranges, etc, were fully endorsed by Court, but concern was expressed about the impact that such increases would have within Government and in other quarters, particularly at the present time. Sir Adrian Cadbury acknowledged that concern and explained that the Committee had felt that, in the first instance, it was essential that they should determine the appropriate salary structure.

Sir Adrian Cadbury next proposed to seek guidance from the Deputy Governor and the Governor before informing the Chancellor of the Exchequer of the revised salary structure. Should any arguments be put forward which merited further consideration by Court he would raise the topic again. Once the ranges had been accepted, he would ask the Governors to recommend to Court the appropriate salary levels for each of the Directors and Advisers. Court would also determine the Deputy Governor's position within his range. It was the intention that the new salaries should be effective from 1 January 1990.

*L. A. Coagate*  
Secretary.

19 October 1989

*George Blunden*

19<sup>th</sup> October 1989

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 OCTOBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor

Sir George Blunden, Deputy Governor

Dr David Valentine Atterton, CBE

Sir George Adrian Hayhurst Cadbury

Sir Colin Ross Corness

Andrew Duncan Crockett, Esq

John Stanton Flemming, Esq

Edward Alan John George, Esq

Sir Martin Wakefield Jacomb

Sir Hector Laing

Gavin Harry Laird, Esq, CBE

Brian Quinn, Esq

David Alan Walker, Esq

Sir Leslie Clarence Young, CBE

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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:

- 1 Mr Crockett presented the International Economic Developments paper for September.
- 2 Mr Flemming introduced a paper on the Electronics Industry, the latest in the series on current developments in the economy. A discussion ensued.

*By A. Hoffmann*  
*Assistant Secretary*  
 26<sup>th</sup> October 1989

*George Blunden*  
 26<sup>th</sup> October 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 OCTOBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor

Sir George Blunden, Deputy Governor

Sir George Adrian Hayhurst Cadbury

Sir Frederick Brian Corby

Sir Colin Ross Corness

Andrew Duncan Crockett, Esq

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

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

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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.

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

- 1 A lease for the ground and first floors, Heathville House, Gloucester.
- 2 An Agreement, in duplicate, for the sale of the Forbanks Sports Club to Cheviot Trust.
- 3 A Transfer of part of the land of the Forbanks Sports Club to the Albacore Meeting Room Trust.
- 4 A Transfer of the remainder of the land of Forbanks Sports Club, to the Lewisham Association for People with Disabilities.

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 introduced a Report of the Audit Committee which was laid before the Court.
- 2 Mr Crockett commented on the Overseas Trade Figures for September which had been published the previous Tuesday.
- 3 Mr Flemming spoke about the Economic Report for October.
- 4 In introducing the monthly discussion on monetary policy, Mr Coleby said that information from the monthly data had been supplemented by quarterly sectoral data. In September, there had only been a modest growth in MO and

currency circulation. As suggested a month ago this probably reflected the unwinding of a timing disturbance which had led to a rapid growth in August. Adjusting for the effects in September 1988 of the postal strike, the annual growth in M0 and currency in circulation was running at about 5.3%. This was a continuation of the decline from about 8% at the start of the year, but the rate of decline had become very slow, and in October would probably be non-existent. The conclusion to be drawn from this was that the rate of consumption expenditure had slowed down but was still fairly sturdy; there was no evidence of sharp falling away.

M4 and lending had shown strong growth in September and, for the second consecutive month the year on year increase was higher. The sterling lending figure of £10.2bn was the largest absolute figure we had ever had. Within this figure, borrowing for housing purposes had continued to grow from earlier months, particularly from Building Societies, whose commitment figures were also growing strongly. Prior to the recent increase in interest and mortgage rates there had been a suggestion of some recovery in the housing market, but as house building figures were sharply down, it seemed likely that there had been a greater rate of equity extraction for use for other purposes.

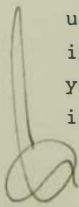
The striking feature emerging from the quarterly data in respect of persons was that they provided the largest contribution to the growth of M4 deposits. During the previous few months it had been a story of persons building up deposits faster than they had added to their borrowings. This indicated that the personal section savings' ratio was changing in response to high interest rates. It begged the question of whether the higher deposits were held as an asset or in anticipation of consumption. There was no way of obtaining a direct answer. But there had been a substantial shift to interest bearing deposits within narrow money, from little more than 50% a year ago to over two thirds at the end of September. Within the personal sector, the strongest demand for new borrowing had come from unincorporated businesses.

Turning to the companies sector, industrial and commercial companies had been the largest borrowers. Net borrowing had exceeded £10mn, around a quarter of which was related to takeover activity. The heavy borrowing undoubtedly reflected the state of corporate cash flow but it was not easy to reach a conclusion about prospective activity levels. Policy conclusions depended on how one interpreted the latest real and financial indicators, which could be drawn on to support a range of hypotheses:

- 1 There has been a heavy build up of stocks, much of it involuntary; its liquidation could be abrupt and heavy, with early and sharp depressive effects both on activity and imports. The Central Statistical Office reconciliation of the National Income figures encouraged this conclusion.
- 2 There would be a continuing slowdown, but taking place more gradually, as the investment boom (of greater strength than so far measured) runs out of steam.
- 3 Activity will continue to grow at rates close to that of output capacity, led by reviving consumption. This view, favoured by some in the financial markets, rested on an interpretation of the recent figures for narrow money, bank and building societies lending, and external trade.

The data available did not enable a choice to be made with any confidence. The essential need for policy was that we should be poised to respond to which ever situation emerged.

Mr Coleby said his own view lay somewhere in the middle ground: adjustment was in train but would take sometime, with no substantial downturn in the short term. He felt it unlikely that there would be a persuasive case to move interest rates either up or down until some way into next year. We would still be vulnerable to upward pressure on interest rates from the market, but should be increasingly





resistant to them. On the other hand, we would need to be wary of reducing rates ahead of market acceptance that it was prudent to do so.

- 5 Sir Brian Corby spoke about impressions he had gained during a recent visit to Russia with a CBI delegation.

*C. A. Croft*  
Secretary, 21 Nov 89.

*George Blunden*  
2<sup>nd</sup> November 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 NOVEMBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Sir George Adrian Hayhurst Cadbury  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Hector Laing  
Brian Quinn, Esq  
Sir David Gerald Scholey, 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 including the Official Reserves figures for October, and the state of the domestic markets.

Under the weekly executive report:

- 1 With reference to a Minute of 1 June, Mr George explained that judgement in the case brought by the District Auditor against Hammersmith and Fulham had found that all the £6 bn

(nominal) of interest rate swap transactions entered into by the Authority were unlawful. Consequently the Local Authority was not required to make any further service payments and those that had been made would now have to be unwound. The counterparties, some of whom had been joined in the action, were expected to appeal against the judgement.

Mr George said that the judgement was unfortunate and damaging to the reputation of the City in that the Local Authority having acted unlawfully was not penalised in any way while the counterparties suffered considerable loss. The judgement implied that a further 77 Local Authorities would find themselves in the same position as Hammersmith and Fulham, in relation to a further £1 bn of such transactions. He explained that the Bank having alerted Government to the potential problem a year or so before it emerged, had again more recently expressed its deep concern to the Government.

Sir David Scholey, having declared his involvement, said that Warburgs had withdrawn from all business with Local Authorities prior to the judgement and had sought legal advice to try to ascertain whether it would have been possible to establish prior to entering into these transactions whether they were lawful or not. The view was that this would not have been possible: it now raised doubts about whether a similar situation could arise in dealings with other bodies such as Building Societies.

- 2 The Governor explained that political concern about foreign ownership of British Banks the Japanese had recently expressed interest in the purchase of certain banks and this had prompted the preparation of a draft letter to the Chancellor of the Exchequer, copies of which had been made available to Members of Court, setting out what the Bank believed to be powers to challenge such situations. These were the "fit and proper" test administered by the Bank and the reciprocity issue administered by the Treasury, neither of which were particularly strong or convincing. It was difficult, therefore, to see any formal ways in which we could object to foreign ownership of British Banks but the

general gut feeling was that it would be wrong to allow the core of the British banking system to fall into foreign hands: the letter therefore tried to identify that core.

During the debate which followed there was a unanimous view that political decisions on such issues should be taken by Government and not by the Bank and to that extent the letter was valid: however the arguments were not strong. Sir Adrian Cadbury challenged the view that the gut feeling against the foreign ownership of banks was any different from the gut feeling against foreign ownership of other industries. In other areas Government had left industry to organise its own protection against foreign ownership: why should this not apply to the banking sector too? Others shared this view. Sir David Scholey however expressed the view that it was right to focus on this issue as it was one that should be resolved now rather than when the situation arose. There were several important issues involved in the foreign ownership of parts of the banking system, not least the informal influence of the Central Bank although Mr George explained that non indigenous banks were often more sensitive to the Bank's wishes than were British Banks.

In response to Mr Quinn's enquiry about users' reaction to foreign ownership of parts of the banking system, Sir Colin Corness said this should not be a matter of concern as a very considerable proportion of banking was already conducted either with or through foreign banks.

- 3 The Governor then sought the views of Court on the possible disposal of the Bank's shareholding in 3is. He explained that the shares in 3is were all held by banks, some of whom wished to retain their holding while others were potential sellers on the grounds that 3is was competing against their own institutions, the return on their capital was poor, and they could use that capital to better purpose. The Governor said that he had spoken to the Chairmen of the banks concerned and there were conflicting views among the potential sellers some of whom wanted a flotation and others a placement of shares.

The Governor suggested that it was inconsistent for the Central Bank to maintain an interest in such a commercial undertaking as 3is which no longer needed its support. He suggested, therefore, that the Bank should dispose of its shareholding in the long term but in such a way as to assist an orderly reconstruction of the ownership of 3is. Court agreed.

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

At the Governor's invitation, Mr Flemming responded to questions on the Economic Commentary Section from the November edition of the Quarterly Bulletin, copies of which had been circulated to Members in advance.

BA Aggan  
Assistant Secretary  
9<sup>th</sup> November 1989

George Blunden

9<sup>th</sup> November 1989

A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 NOVEMBER 1989

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 Frederick Brian Corby  
Andrew Duncan Crockett, Esq  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Gavin Harry Laird, Esq, CBE  
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.

Under the weekly executive report:

1 Mr Quinn mentioned that Lloyds Bank was adding a further £1.2bn to its specific provisions for lending to 29 countries experiencing debt servicing problems. This brought their outstanding provisions to about 85% of their medium and long term exposure of £3.6bn and to over 70% of their total exposure of £4.2bn; and brought them into line with two of the larger United States Banks. Lloyds is one of three United Kingdom banks with substantial amounts of ldc debt on its books. What it had done was to make a decision with the object of eliminating its ldc problem.

Lloyds's action raised interesting implications for the other United Kingdom banks with significant exposure to troubled debtor countries. National Westminster Bank had just informed the Bank that it was likely to follow suit.

Two wider questions arose: firstly, what were the implications for Lloyds participation in the negotiations on Mexico; and secondly, what was Lloyds's policy in respect of exercises for the wider group of ldc debtor countries. Lloyds's press release had indicated a decision to make full provision for that part of their debt which was doubtful, while in no way relaxing efforts to recover it in due course. In the meantime the bank would have greater flexibility in debt negotiations and would continue to work with debtor countries, creditor governments and international institutions with the object of restoring the countries concerned to creditworthiness. The announcement therefore suggested that Lloyds was not about to disengage from efforts to solve the problems of these countries.

Lloyds's move had placed some questionmarks over the role of the Bank's matrix. The Bank was at present engaged in a review of the matrix and hoped it would continue to play a helpful part in addressing these issues.

- 2 The Governor mentioned that the Serious Fraud Office would be prosecuting County NatWest and Phillips and Drew in connection with the Blue Arrow affair. They were arresting that day one present and five former members of the County NatWest staff, one lawyer and four former staff from Phillips and Drew.
- 3 A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely an Agreement covering conditions relating to improvements to Parliament Street and Southgate Street, adjacent to the Bank's new building in Gloucester. 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 presented the latest paper on Recent Wage Settlements, which concentrated on the factors that had affected the labour market in the previous six months. With reference to a Minute of the previous week, he went on to draw attention to some aspects of the November edition of the Quarterly Bulletin and the latest edition of the Bank Briefing, both of which were due to be published later that day.
- 2 Mr Crockett spoke about the World Economic Forecast for Autumn 1989.

George Blunden

16<sup>th</sup> November 1989

C. A. Craig

Secretary

16 November 1989



## A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 NOVEMBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
Sir Colin Ross Corness  
Andrew Duncan Crockett, Esq  
Edward Alan John George, Esq  
Sir Hector Laing  
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.

Under the weekly executive report:

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- 1 The Governor drew Members' attention to the Deputy Governor's appointment as Chairman of the new London

Pension Fund Authority with effect from 1 April 1990, the announcement of which had been made now because of the statutory timetable for the establishment of the new Authority.

- 2 The Deputy Governor explained to Court that in the early stage of printing the new Series E £5 note which carried the portrait of Stephenson, it was found that, despite an earlier examination of the detail which had been instigated by the General Manager of the Printing Works, the date of death of Stephenson was incorrect. This incident would have no effect on the planned date of issue for the new notes but the cost of the error was estimated to be of the order of £60,000/£100,000.

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At the Governor's invitation, Mr Crockett presented the International Economic Developments paper for October.

George Blunden

23<sup>rd</sup> November 1989

C. A. Crockett.

Secretary

23<sup>rd</sup> November 1989

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 23 NOVEMBER 1989

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  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Robert Haslam  
Sir Hector Laing  
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

Anthony Laurie Coleby, Esq

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

Mr Quinn commented on the weekly figures and Mr Flemming spoke about the Overseas Trade Figures for October which had been published earlier that morning. Mr George then spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report and with reference to a Minute of 6 July 1989, the Deputy Governor informed Court that both Slater Walker and EBS Investments Limited would be going into voluntary liquidation shortly. These processes would begin within the next three months when Extraordinary General Meetings of each Company were scheduled to take place.

At the Governor's invitation:

- 1 Mr Harris introduced a Recommendation increasing from £2 to £10,000, the share capital of BE Museum Ltd, a wholly owned subsidiary company which had been set up recently to conduct the commercial activities associated with the Museum. Court agreed thereto.

The Governors having appointed Mr J P Charkham, Chairman, and Messrs J S Flemming, H C E Harris, J R E Footman and G A Croughton, Directors, Court further agreed that, Messrs Charkham and Harris being the initial shareholders each with a share of £1, the remaining 9,998 shares be held by the Governor and Company of the Bank of England.

It was also RESOLVED that pursuant to Section 375 of the Companies Act 1985 and until otherwise resolved by the Court of Directors, Mr J S Flemming, or failing him, Mr H C E Harris, or failing him, Mr J P Charkham, or failing him, Mr J R E Footman, or failing him, Mr G A Croughton, be authorised to act as the representatives of the Governor and Company of the Bank of England at any meeting of BE Museum Ltd, a wholly owned subsidiary of the Bank.

Court noted that BE Museum Ltd would start trading on 1 March 1990.

- 2 Mr Flemming presented the Economic Report for November.
  - 3 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the October figures showed the annual growth of M0 as 5.2% while currency in circulation was running at 5.5%. The latter indicated that the decline of the rate of growth of narrow money, starting at the beginning of the year, had come to an end. It was unlikely to have resumed in November. The relationship between
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currency and spending seemed to have changed over recent months so that confident conclusions could not be drawn. That said, the behaviour of narrow money might suggest that spending continued to hold steady.

Figures for M4 and lending growth showed a sharp decline on those for September. M4 growth was 0.6% against 2.3%, and lending £4.9 bn against £11.4 bn. The likeliest explanation was that the September figures were aberrant. Taking the two months together, we had a picture very similar to that of earlier months, with the year on year increase in M4 steady at about 17 1/4%, and lending gently declining to about 21 1/2%. The main change between the two months was in company borrowing within which the only identified factor was a decline in the financing of take over activity. Lending to persons showed mortgage borrowing at its highest for the past year, with the exception of the previous month, while borrowing for consumption from CLSB banks was negative.

Policy had become even more on a knife edge. There were growing signs that investment outlays would fall away next year, and the possibility of a sharp downswing in the stock cycle. With consumption demand no more than flat, net exports was the most promising contributor to output. In these circumstances, it would be right to resist any further increase in interest rates as a result of market pressure, with weakness in the exchange rate being countered if possible through intervention. The outlook for inflation was far from good, and the most desirable development would be a spontaneous recovery of some of the recent depreciation of sterling. That probably had to await fuller evidence of improvement in the current account, and it was impossible to judge how much patience the market would display. If the decline of sterling threatened to become a rout, we might have to raise interest rates again, however unwelcome that might be.

*L. A. Cragg*

*Secretary, 30 November 1989*

*George Blunden*

*30<sup>th</sup> November 1989*

A COURT OF DIRECTORS AT THE BANK

THURSDAY 30 NOVEMBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
The Hon Sir John Francis Harcourt Baring, CVO  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
John Stanton Flemming, Esq  
Edward Alan John George, Esq  
Sir Martin Wakefield Jacomb  
Sir Hector Laing  
Brian Quinn, Esq  
David Alan Walker, Esq

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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.

Under the weekly executive report:

- 1 The Governor drew Members' attention to the letter he had written to the Chancellor of the Exchequer earlier that week on the subject of local authority swaps and the implications of the judgement in the Hammersmith and Fulham case. The Governor, having received the strongest representations from central bank colleagues in Basle and from the British Bankers' Association, had again urged the Government to review the situation as a matter of urgency and had submitted proposals which were designed to relieve the current situation and to provide a way forward for the future.

After some discussion the Governor said that he would continue to press for action and if necessary would seek an appointment with the Prime Minister to whom he had copied his letter.

- 2 In the light of the recent decline in the exchange rate, Mr Flemming explained the effect of a "devaluation" on inflation, etc and the policy implications, as projected by the Bank's economic model.

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

- 1 A Licence for Alterations, in duplicate, relating to the Ground and First Floors, Heathville House, Gloucester.
- 2 A Deed of Indemnity, in duplicate, transferring a contingent liability from Wallace Brothers (Holdings) Ltd, to the Standard Chartered Bank.

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

- 2 Mr Flemming introduced a paper entitled Companies' Financial Developments and Prospects which looked at recent patterns of company finance in the light of developments in the real economy during the current year.
- 3 Sir Brian Corby spoke about the CBI Conference he attended recently in Harrogate.

The Governor explained that the appointments to Court which would arise from the Deputy Governor's forthcoming retirement would be approved by HM The Queen on the advice of the Prime Minister but that an appointment to Associate Director, which he had in mind, would need to be approved by Court. He explained whom he would wish to promote in this way. Court agreed that the Governor should make this appointment without prior reference to Court if that should prove convenient.

*C. S. Cragg*  
Secretary

*George Blundell*  
14<sup>th</sup> December 1989



## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 7 DECEMBER 1989

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  
 Andrew Duncan Crockett, Esq  
 John Stanton Flemming, Esq  
 Edward Alan John George, Esq  
 Brian Quinn, 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.

Mr Quinn commented on the weekly figures and Mr George spoke about the foreign exchanges including the Official Reserves figures for November and the state of the domestic markets.

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

*E. A. Crockett*

*Secretary 14 December 1989*

*George Blunden*

*14 December 1989*

## A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 DECEMBER 1989

Present

The Rt Hon Robert Leigh Pemberton, Governor  
Sir George Blunden, Deputy Governor  
Dr David Valentine Atterton, CBE  
Sir George Adrian Hayhurst Cadbury  
Sir Frederick Brian Corby  
Andrew Duncan Crockett, Esq  
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  
Sir David Gerald Scholey, CBE

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Hugh Christopher Emlyn Harris, Esq  
Pendarell Hugh Kent, Esq

The Minutes of the Court of 30 November were confirmed and those of the previous week were approved.

The Governor introduced a letter dated 14 December from Sir George Blunden, which was laid before Court, giving notice of his resignation from Court in the Office of Deputy Governor on 28 February 1990.

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

The Governor then informed Court that it would be announced later that day that HM The Queen had approved the appointments of Mr George as Deputy Governor for a period of five years from 1 March 1990 and Mr Coleby as a Director for a period of four years from that date. The Court of Directors then agreed that Mr Coleby be appointed an Executive Director responsible for Home Finance, and, with reference to a Minute of 30 November, confirmed the appointment of Mr Ian Plenderleith as an Associate Director with effect from 1 March 1990.

The Governor then explained that Mr Coleby would succeed to the duties currently carried out by Mr George, except for responsibility at Director level for the affairs of the Registrar's Department which would remain with Mr George. Mr Plenderleith would work with Mr Coleby, taking particular responsibility for the Bank's operations in the money, gilt edged and foreign exchange markets. It was agreed that in that capacity it would be appropriate for him to attend Court on a weekly basis.

Court also noted that with effect from 1 March 1990 the Markets area, currently comprising four Divisions would be re cast into three Divisions, namely, the Gilt Edged and Money Markets Division; the Foreign Exchange Division; and the Wholesale Markets Supervision Division.

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 2 November, the Governor informed Court that the Chancellor of the Exchequer, at a recent meeting, had said in response to the Governor's letter of 6 November that he wished to take time to articulate the arguments about "core banks" more precisely: it was hoped this would not be so precise as to make it too difficult to administer policy.
- 2 With reference to a Minute of 30 November, the Governor informed Court that the Chancellor of the Exchequer had been unreceptive to the suggestions submitted by the

Governor in his letter of 28 November on the matter of local authority swaps. Although no action had been anticipated by Government before the appeal had been heard, the Chancellor of the Exchequer was disinclined to take any retrospective action the consequences of which might be passed on to community charge payers. He had also remained unconvinced that banks both in the UK and overseas would be reluctant to deal with building societies and other unincorporated institutions in future. The Governor said that the Chancellor's views had been endorsed in writing by the Prime Minister. Anecdotal evidence suggested that Government were underestimating the effect that this affair could have on London's standing as a financial centre, a view endorsed by other Members of Court.

- 3 The Governor explained to Court that although a company, owned by clearing and other banks, had been formed to administer the scheme for student loans which the Government were introducing, Lloyds Bank had chosen not to participate, probably on the grounds that participation would have an adverse effect upon their business. Subsequently other banks had indicated that they would withdraw unless Lloyds Bank were involved. The Permanent Secretary at the Department of Education and Science had asked the Governor to exert his influence on the banks to seek their full co operation with this scheme: in response the Governor had taken that opportunity to explain that the banks were disaffected towards Government following Government's response to the local authority swap issue. The Governor said that he felt that the anxieties expressed by the banks about the student loan scheme were justifiable and he did not feel inclined to exert the Bank's influence against the banks on this issue. Court were fully supportive of the Governor's stance.

6 A letter from Messrs Freshfields was submitted together with a document to be sealed, namely a Deed of Covenant with the Charities Aid Foundation.

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 Crockett presented the International Economic Developments paper for November.
- 2 Mr Flemming introduced the latest Bank Forecast on the Economic Outlook up to 1992, which, as requested, had been circulated to Members earlier that week.

*C. A. Crockett*  
Secretary.

*George Blunden*  
21<sup>st</sup> December 1989

A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 DECEMBER 1989

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 Frederick Brian Corby  
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  
Sir David Gerald Scholey, CBE  
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 George commented on the weekly figures and then went on to speak about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report, Mr George spoke about the recent difficulties that had arisen in the equity warrant market, a mainstay of the eurobond market, where the Japanese Ministry of Finance were proposing to introduce regulations that might have the effect of forcing the repatriation of this market to Tokyo. The Bank had received strong representation from British and International houses who had complained that they had not been properly consulted by the Ministry of Finance and were concerned that they might suffer a loss of business. These concerns had been passed on both in London and Tokyo and, as a result, we understood that more effective consultation would now take place. Sir John Baring declared his interest in this subject, Barings Securities being active in this market. He welcomed the Bank's intervention, as did Sir David Scholey and Sir Martin Jacomb.

At the Governor's invitation:

- 1 Mr Flemming presented the Economic Report for December.
- 2 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the latest figures showed that both M0 and currency in circulation had grown by 0.6% in November, making year on year increases of 5.7% and 5.8% respectively. These figures confirmed the view that the decline in the rate of growth of narrow money, which had taken place during the first half of the year, had come to an end. However this was, to some extent, at odds with the recent evidence from the real economy where retail sales were recorded as having been distinctly soft. Figures for M4 showed a reasonably modest growth of 1.1% on the month with the year on year growth at 17.5%, little changed for the past four months. The encouraging news from the statistics was that M4 lending on a seasonally adjusted basis was up only 1% at £4.9 bn, recording for the second month in succession the lowest percentage increase for the year. It was too soon to draw firm conclusions of a major change, but it was a promising pointer. The composition of lending showed some falling back in corporate borrowing with personal borrowing at much the same level as in recent months. Among the corporate borrowers there had been a slowing down in lending to property

companies and some substantial repayments from the manufacturing sector.

In the financial markets there had been a marked reduction of tension in the past month, and the exchange rate had recovered somewhat, albeit modestly in comparison with the losses of recent months. The problems for policy remained the reconciling of the twin objectives of achieving a reduction in inflation and at the same time trying to avoid an actual recession; there was a real risk of achieving neither. The Bank Forecast, discussed the previous week, had been optimistic on the recession front but pessimistic about inflation. To achieve a reduction in inflation a further recovery of the exchange rate was necessary but tightening monetary policy to bring it about might drive the economy into recession. The immediate need was for patience while waiting to see if the spontaneous recovery in the exchange rate could proceed rather further. Failing that, if the objective of reducing inflation was to be upheld, it might be necessary to adopt a tighter monetary policy. If, on the other hand, the exchange rate did recover it would be important not to relax monetary policy too soon.

In accordance with Section 10 of the Charter, the Governor, the Deputy Governor, Mr George and Mr Flemming then withdrew together with Mr Harris, Mr Kent and Mr Coleby and, in accordance with Section 6 (2) of the Charter, Sir Adrian Cadbury, the Chairman of the Remuneration Committee, then took the chair.

Sir Adrian Cadbury reminded Members of the discussion which had taken place at Court on 12 October on the subject of the remuneration of the Bank's Executive and drew attention to his exchange of letters with Sir Peter Middleton. Court agreed that in the light of Sir Peter's letter it would be inappropriate to consider the precise levels of remuneration for the Governors and Directors at the present time, but they reaffirmed their full support for the proposals and agreed that Sir Adrian Cadbury should speak with Sir Peter Middleton as soon as possible.

*A. A. Coates*  
Secretary.

*George Blundell*  
4<sup>th</sup> January 1990



## A MEETING OF DIRECTORS AT THE BANK

THURSDAY 28 DECEMBER 1989

Present

Sir George Blunden, Deputy Governor

Sir George Adrian Hayhurst Cadbury

Andrew Duncan Crockett, Esq

Edward Alan John George, Esq

Brian Quinn, Esq

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Hugh Christopher Emlyn Harris, Esq

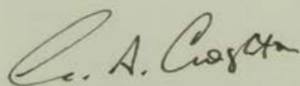
Pendarell Hugh Kent, Esq

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

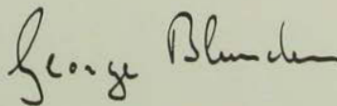
The Minutes of the last Court, having been circulated, were approved.

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.



Secretary.

4<sup>th</sup> January 1990

