

A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 JANUARY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Sir George Blunden, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Sir Frederick Brian Corby
Sir Colin Ross Corness
Sir Robert Haslam
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

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

Mr Quinn commented on the weekly figures and Mr Coleby introduced the Overseas Trade Figures for November which had been published the previous Friday. Mr Coleby then spoke about the foreign exchanges including the Official Reserves figures for December and the state of the domestic markets.

Under the weekly executive report Mr Kent explained to Court that when Mr Calcutt became Chairman of the Take Over Panel the Bank agreed that he should be indemnified in respect of his duties as Chairman. It was then envisaged that the Panel would make the necessary arrangements and would bear the bulk of the cost. It had transpired subsequently that as the Take Over Panel's legal status was that of an unincorporated association of individuals, it would not be able to provide the indemnity itself. Commercial cover had therefore been sought and an indemnity of £5 mn covering most contingencies, and embracing all Panel members and the executive, had been identified at a premium in the region of £25,000.

The Bank had concluded therefore that the Take Over Panel should take out such commercial cover; that the Bank should replace the oral understanding with Mr Calcutt by a letter of comfort indemnifying him and perhaps by extension other Panel members for any amount not covered by the commercial policy; in the event of a claim the Bank would consider looking to the institutional members of the Take-Over Panel to share the costs. Although it was unlikely that the Panel would be exposed to such legal action it was nevertheless possible to envisage circumstances where such action might arise.

Court accepted that in the circumstances such cover should be provided to Mr Calcutt; it recognised that commercial cover of £5 mn could well be inadequate. However the Bank was thereby taking on a potentially open ended liability; public knowledge of the arrangement would increase the risk of suit. For that reason there should be no publicity; indeed on second thoughts it would be prudent not to inform the other Panel members or the institutional members of the Panel.

Sir Adrian Cadbury who had been appointed to the Take Over Panel earlier that week declared his personal interest in such an arrangement.

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

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

At the Governor's invitation Mr Quinn spoke about his recent visit to Russia which had been arranged at the invitation of the State Bank of the Soviet Union. In particular Mr Quinn outlined three main areas of immediate interest to the State Bank, namely, the development of a money market, the operation of a payment and settlement system, and banking supervision. He suggested, and Court agreed, that it would be appropriate for the Bank to offer advice and assistance in these areas.

In accordance with Section 10 of the Charter, the Governor, the Deputy Governor and Mr Quinn 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.

With reference to a Minute of 21 December 1989 Sir Adrian Cadbury spoke about the outcome of his meeting with Sir Peter Middleton on 28 December. In the discussion which followed Court reaffirmed their view that the revised remuneration structure, based on the rank of Executive Director as the benchmark, and incorporating performance related rewards, remained appropriate. However, in the light of Sir Peter Middleton's comments, and to avoid direct conflict with the Government, Court agreed that the Remuneration Committee should consider some modifications to their original proposals.

C. A. Crayston
Secretary

George Blunden
11th January 1990

A COURT OF DIRECTORS AT THE BANK

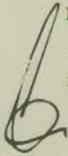
THURSDAY 11 JANUARY 1990

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, KCVO
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
Brian Quinn, Esq
David Alan Walker, Esq

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 Kent told Court that it had now been agreed that it would be inappropriate for knowledge of the indemnity cover provided for the Take Over Panel to spread beyond the Chairman and a narrow group within the executive. He also went on to explain that Freshfields' advice had been received on the proposed commercial indemnity cover: they had cautioned that the terms of the policy should be examined to ensure that they did not in any way restrict the activities of the Take Over Panel.

Members of Court returned to the question of the inadequacy of the commercial cover and the open ended nature of the Bank's potential liability. It was confirmed that in appointing Mr Calcutt as Chairman of the Take Over Panel, the Bank had already given an oral indemnity as one of the associated understandings. The Bank's position was therefore no worse than it would have been without the indemnity policy in place. It was suggested however that the cover now proposed was more comprehensive and unqualified than would have been provided if the Panel had full corporate status. Mr Kent said that on larger policy grounds the UK authorities were resisting pressure to make the Take Over Panel a statutory body and that this did not therefore offer an alternative. It was suggested that the best course might be to drop the commercial policy entirely and rest on the informal arrangement already in place. The Governor concluded that in the light of the discussion it would be appropriate for further thought to be given to this problem.

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

In accordance with Section 10 of the Charter, the Governor, the Deputy Governor, Mr George, Mr Quinn, Mr Flemming and Mr Crockett 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. Mr Harris was asked to remain in an advisory capacity.

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With reference to a Minute of the previous week, Sir Adrian Cadbury said that the Remuneration Committee had met earlier

that morning and in response to comments made the previous week had revised the remuneration structure for the Bank's Executive to achieve the original objectives over periods of two and three years. The proposal before Court provided for the increases, to be effective from 1 January 1990, to reflect an inflation factor covering the period from July 1988 when the Executives' salaries were last increased to date, and to provide an interim restructuring factor. The proposal also envisaged a further increase with effect from 1 January 1991 (which would achieve the full restructuring for the Executive and Associate Directors etc) and a final adjustment in January 1992 to fulfil the restructuring for the Governor and Deputy Governor. Court agreed the proposals and agreed with Sir Adrian Cadbury that the first stage be implemented as soon as possible.

Sir Adrian Cadbury proposed to ask the Governors for their recommendations for transition etc for submission to Court on 25 January and at the same time it was agreed that he should emphasise Court's intention that progress through the new structure should, as for other Bank staff, be performance based. Because of market relativities it was also appropriate to point out that Court would not expect all Directors etc necessarily to reach the top of their respective salary ranges. Sir Adrian Cadbury explained that, having spoken to the Governor, he proposed to seek a further meeting with Sir Peter Middleton to tell him what Court had agreed.

C. A. Crafts
Secretary.

George Blunden

18th January 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 JANUARY 1990

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
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
David Alan Walker, Esq
Sir Leslie Clarence Young, CBE

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 Harris informed Court that the Bank had agreed to let part of the refurbished area of the New Change building to Charterhouse Bank. The lease, which was for a period of 15 years with five year rent reviews, provided for phased occupation over a period of 18 months during which time the rent would rise by instalments to £55 per square foot.

- 2 Sir Adrian Cadbury drew attention to a letter he had received from a member of the public which had been copied to all Members of Court, amongst others. Mr Quinn said that the letter related to a commercial dispute between the writer and the National Westminster Bank and was fairly typical of the many letters received by the Bank. In this instance the Bank were satisfied that National Westminster Bank had behaved entirely properly.

At the Governor's invitation:

- 1 Sir Robert Haslam introduced the Annual Report of the Registrar's Department Liaison Committee which was laid before Court. The Report suggested that as the Committee performed only a role appropriate to Executive Directors, it should be wound up and executive arrangements for greater independence be made for the Registrar's Department in Gloucester.

 - 2 Dr Atterton presented a Report of the Charitable Appeals Committee. It was agreed that a donation of £3,500 a year for five years be made to the Royal Academy of Arts; and that with effect from 1 March 1990, and in line with the existing arrangements for the disbursement of charitable funds at the Branches and Agencies, the Registrar's Department be granted an annual budget of £2,500 of which up to £300 be available for disbursement by the Chief Registrar in his own name.
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3 The Deputy Governor informed Court that the recommendation contained in the Registrar's Department Liaison Committee's annual report that the Committee be wound up, and comments received from a number of Non-Executive Directors, had prompted a review of the number and role of the Standing Committees. It was clear that there was an important continuing role for Committee of Treasury and its new sub committee, the Remuneration Committee; the Audit Committee was essential. Some other Committees were less obviously necessary but their continuation seemed justified. These included the Staff Committee, Debden Committee, the Charitable Appeals Committee and the Committee to consider the Securities of Certain Funds, so long as the Pension Fund was managed in-house.

The Committee on Bank Premises had been useful in the past in monitoring major projects and had remained active with the refurbishment of both Head Office and New Change recently. However, when the New Change refurbishment and the Gloucester project were completed it could be made dormant until other major projects emerged. The Committee on Permanent Control of Expenditure had been established in the days before the Bank had a proper system of budgetary control and before the cash limits regime. Much of its role in relation to the Bank's accounts had now been taken over by the Audit Committee and its remaining function could be replaced by the Deputy Governor reporting twice a year on expenditure to Committee of Treasury. Finally, the City Committee need no longer have the status of a Standing Committee. It would be quite appropriate for the Governor to call the City Members of Court, both Non Executive and Executive whenever there was a topic that he wished to discuss with them on a ad hoc basis.

Court agreed that it would be appropriate for the Registrar's Department Liaison Committee, the Committee on Permanent Control of Expenditure and the City Committee to be wound up with effect from 28 February 1990; for the Committee on Bank Premises to become dormant once the New Change and Gloucester projects were completed; and for the other Committees to be retained.



- 4 The Governor introduced a letter dated 29 June from Sir Leslie Young, which was laid before Court, giving notice of his resignation from Court 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 Leslie Young from the Office of Director of the Bank pursuant to Clause 8(e) of the Charter of 1 March 1946.

The Governor spoke about the reaction to his speech "The Single Market and its Implications for Europe's Monetary Arrangements" which he had given to the West German Savings Banks and Giro Association in Bonn earlier that week.

C. A. Croft
Secretary.

Adrian Cadbury
25th Jan. 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 25 JANUARY 1990

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, KCVO
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
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq

Anthony Laurie Coleby, Esq

 In accordance with Section 10 of the Charter, the Governor convened Court in the presence of the Non Executive Directors.

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

At the Governor's invitation, Sir Adrian Cadbury introduced a recommendation of Committee of Treasury that on retirement the Deputy Governor be granted such pension as to ensure that his pension from all sources amounted to two thirds of final remuneration. Court agreed thereto.

The Governor, having drawn Court's attention to the Deputy Governor's personal interest in the ensuing item, the remuneration of the Bank's Executive, invited him to join Court.

The Governor then explained in terms he had used at Committee of Treasury earlier that day that he wished to confine his revised salary, effective from 1 January 1990 to a level that reflected only the increase in inflation since the last revision in July 1988. In agreeing to the Governor's wish Court nevertheless confirmed that the salary levels as established by Committee of Treasury and approved by Court should continue to be regarded as appropriate for the Governor.

At the Governor's invitation and with reference to a Minute of 11 January, Sir Adrian Cadbury reminded Court that the proposal to phase in the increases in salary for Members of the Executive took account of the Bank's position in the public sector and of the comments expressed by Sir Peter Middleton earlier. He went on to explain that there was further justification for the increases in salary levels as Mr Coleby's promotion to Executive Director would result in a reduction of one person at a senior level in the Markets area.

The Governor then introduced three recommendations of the Governors relating to individual salary transitions for the Deputy Governor and the other Members of the Bank's Executive, to be effective from 1 January 1990; guidelines for the award of performance based increases and proposals for the award of certain performance based increases in the period to 1 May 1990; and salaries on promotion for Mr George, Mr Coleby and Mr Plenderleith to be effective from 1 March 1990. The

recommendations which had been discussed at Committee of Treasury earlier that day were approved.

The Governor then invited the Executive and Associate Directors and Mr Coleby to join 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.

At the Governor's invitation:-

- 1 Mr Flemming presented the Economic Report for January.
- 2 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the latest figures showed that M0 and currency in circulation had grown in December to stand 6% higher than a year earlier. There had been exceptionally strong growth in the currency circulation in the second half of December. Since the turn of the year it had fallen back but the figure for January was likely to exceed 6% because of its high starting point. This suggested spending had remained strong but might now tail off.

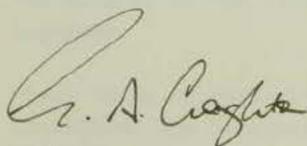
Figures for M4 and M4 lending had shown a marked increase after two fairly low months with both reaching near record monthly rates of growth. A number of factors contributed to the high level of M4 lending including the bringing forward of the timing of Corporation Tax payments and the debiting of bank interest charges (not fully eliminated by seasonal adjustment). In total however these only accounted for part of the large figure. Charts recording the monthly growth rate of M4 over the past two years showed how end quarter months regularly produced figures far higher than in other months. This suggested a deficiency in the seasonal corrections, probably attributable to the absence of reliable within quarter

data for the period before late 1986, when end month reporting had been adopted. We would try to construct better corrections on the basis of more recent information. Meanwhile it seemed best to study the data taking three months at a time. On that basis the recent picture for M4 and M4 lending was of modest decline.

The exchange rate had recovered from its low point at the end of 1989, helped by the better than expected trade figures for November and overall sterling had been encouragingly robust during a period of general exchange rate instability.

The immediate outlook for inflation remained discouraging and, given the extent of the exchange rate decline in the closing months of last year, the question whether policy was tight enough had still to be answered. But to tighten by raising interest rates was not attractive in view of the fragility of the real economy. There were reasonable grounds for believing that the exchange rate might continue spontaneously to recover more of its earlier loss. That would ease the dilemma for policy; but any renewal of downward pressure on the exchange rate, or possibly developing problems on the wages front, might lead to an increase in interest rates becoming necessary.

During the discussion which followed, attention focussed on the level of the current round of pay settlements and the need to encourage savings.


G. A. Cragg
Secretary, 10 February 1990.

George Blunden

1st February 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 FEBRUARY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Sir George Blunden, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
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

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 Crockett introduced the Overseas Trade figures for December which were published the previous Friday and Mr George spoke about the foreign exchanges and the state of the domestic markets.

Under the weekly executive report:

1



- 2 Mr Quinn explained that on the previous Friday the Bank had sent out an updated and revised version of the matrix, the Bank of England's prudential instrument to guide banks in their provisioning decisions in respect of claims on debtor countries. The original matrix had been in operation since 1987 and after discussions with other banks, and based on our own experience in applying the matrix during the intervening period, certain changes had been made in its construction. The Governor mentioned that press comment had focussed particularly on the tax implications of the revised matrix but this was entirely a matter for the Inland Revenue and not the Bank.

At the Governor's invitation:

- 1 The Deputy Governor introduced a Minute of Committee of Treasury which related to recommendations arising out of the Annual Review of Senior Officials. It was agreed that:

1 With effect from 1 March 1990

- (i)  be appointed a Senior Official Point E
- (ii)  be appointed a Senior Official Point D
- b*

(iii)



be appointed a
Senior Official
Point D

(iv) (a)



be promoted from
Point E to
Point D

(b)



be promoted from
Point E to
Point D

(c)



be promoted
from Point E to
Point D

(d)



be promoted from
Point E to
Point D

(v)



be granted £2,500
personal
pensionable
salary

2 With effect from 26 March 1990



be appointed a
Senior Official
(Point E), as a
Deputy Head,
Banking
Supervision
Division

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

L. A. Cragg

Secretary

8th Feb 1990

George Blunden

8th February 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 FEBRUARY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor

Sir George Blunden, Deputy Governor

Sir George Adrian Hayhurst Cadbury

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

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 January and the state of the domestic markets.

Under the weekly executive report:

- 1 With reference to a Minute of 11 January, the Governor explained to Court that having considered further the implications of providing an indemnity for Mr Calcutt in respect of his duties as Chairman of the Takeover Panel,

he had concluded that it would be best not to resort to commercial insurance for any part of the risk. The Governor had therefore written to Mr Calcutt confirming the oral undertaking given at the time of Mr Calcutt's appointment. Mr Calcutt had subsequently confirmed that he was content with that arrangement.

- 2 The Governor informed Court that it was expected that an announcement about the reappointments of Sir Adrian Cadbury, Sir David Scholey and Mr Laird as Directors of the Bank would be made within the course of the coming week, and that the appointment of a successor to Sir Leslie Young, who had resigned with effect from 28 February 1990 would be announced at the same time.
- 3 Mr Laird said that during his visit to the Manchester Branch the previous day he had learned from members of the staff of their wish to take on additional work at that Branch. He accepted that difficulties might arise if the Bank attracted business away from commercial banks but suggested that the possibilities be explored. Mr Quinn undertook to pursue the matter.

At the Governor's invitation, Mr Flemming spoke about 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.

The Governor mentioned that Lord Greene who was a Non Executive Director from 1970 until 1978 would be celebrating his 80th birthday on Monday 12 February and that he proposed to send a congratulatory teletmessage.

RA Hoffman
 Assistant Secretary
 15 February 1990

Adrian Cadbury
 15 Feb 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 FEBRUARY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
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
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

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 Coleby spoke about the foreign exchanges and the state of the domestic markets.

Under the Weekly Executive Report, Mr George spoke about the problems arising from Drexel Burnham Lambert filing for bankruptcy protection. A subsidiary Drexel Burnham Lambert Trading Ltd are supervised by the Wholesale Markets Division. Whilst we believed the subsidiary to be solvent, it had a large amount of foreign exchange and bullion contracts outstanding. A difficulty had arisen as a result of the reluctance of counterparties to settle deals which involved paying funds to Drexel Burnham Lambert Trading Ltd, before receiving from them the counterpart currency. In order to facilitate these transactions the Bank was considering acting as intermediary, taking funds from counterparties and holding them as trustee until the counterparty had received the counterpart currency. There was a small risk to the Bank in that Drexel Burnham Lambert Trading Ltd could settle with funds received from other parts of the group which were subsequently found to have been insolvent, in which case the settlements might need to be unwound, with the Bank criticised for facilitating them. To reduce the impact on the marketplace of Drexel's difficulties, this was a risk the Bank should be prepared to take. However, the Bank was still exploring the legal implications and would not take any action until we were satisfied we have full details of the outstanding transactions and that Drexel Burnham Lambert Trading Ltd was fully matched.

At the Governor's invitation:

- 1 Sir David Scholey introduced a Report of the Audit Committee which incorporated the Audit Division's programme for the year beginning 1 March 1990.
- 2 Mr Crockett presented the International Economic Developments paper for January.

R. A. Crockett

R. A. V. George

Secretary

1st March 1990.

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 22 FEBRUARY 1990

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, KCVO
Sir George Adrian Hayhurst Cadbury
Andrew Duncan Crockett, Esq
Edward Alan John George, Esq
Gavin Harry Laird, Esq, CBE

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.

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

Under the weekly executive report:

- 1 The Governor, in response to a question raised previously by Sir John Baring, said that the wind vane in the Court Room had been set 90 degrees out of true when the room had been redecorated some two years ago.

- 2 The Governor informed Court that in connection with the Channel Tunnel project he had been approached the previous week by the lead bank, National Westminster, and asked if he would call a meeting between the Board of Eurotunnel and the five British contractors in order to sort out their differences. After consulting a number of senior colleagues, the Governor had agreed to do so. He had made it clear that in offering the Bank's good offices there should be no recourse either financially or through the media. The difficulty had arisen from the relationship of Transmanche Link with the management of Eurotunnel and the role of their Chief Executive. The contractors had been refusing to sign an amending agreement, which would allow Eurotunnel to draw down a further tranche of funds from its bankers, until the Chief Executive was withdrawn from day to day involvement. The announcement earlier in the week of the appointment of a project chief executive to act as a buffer between the Chief Executive of Eurotunnel and Transmanche Link had been expected to be an end to the matter but there had still been some last minute brinkmanship before the matter had finally been resolved. The Governor said that he had offered continued help if absolutely necessary but hoped this would not be needed.

The Governor paid tribute to the Deputy Governor on his last appearance at Court of which he had been a Member for fourteen years. He said that the reputation of the Deputy Governor in banking and financial matters had been second to none both in the United Kingdom and internationally and that the Bank would miss his presence very much indeed.

The Governor mentioned that Sir William Keswick who was a Non Executive Director of the Bank from 1955 to 1973 had died the previous Friday at the age of 86.

C. A. Craft
Secretary 1.3.90.

F. A. V. George

A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 MARCH 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Professor Mervyn Allister King
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

The Governor welcomed Mr George and Mr Coleby in their new roles of Deputy Governor and Executive Director respectively, and extended a welcome to Professor King and Mr Plenderleith who were attending Court for the first time following their appointment as Non Executive Director and Associate Director respectively.

The Minutes of the Court of 15 February were confirmed and those of 22 February were approved.

There were no comments on the weekly figures.

Under the weekly executive report:

- 1 The Deputy Governor explained that following a review of the Bank's strategic priorities a need had been identified to strengthen the Bank's capacity to respond to the changes in both East and West Europe. Accordingly, a new division would be created to cover EC legislation, Economic and Monetary Union topics and the economies of individual countries within the Community and elsewhere in Europe. The existing International Division (North America, Europe and Japan) would therefore be split in two with new Divisions covering Europe; and North America and Japan.

It was also proposed to announce in the course of the coming week the establishment of a Bank European Steering Committee under the Chairmanship of the Governor, which was designed to improve bank wide co ordination on European issues, and a City Steering Committee which would be chaired by Mr Kent, with a similar objective in that area.

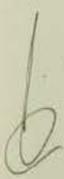
- 2 With reference to a Minute of 15 February, Mr Coleby reported that all the unsettled foreign exchange transactions with Drexel Burnham Lambert Trading Ltd to a total value of some \$150mn - had now been settled through the arrangement facilitated by the Bank the previous month. The Bank's operation had been greatly appreciated by all parties and although there remained a remote possibility of legal action the Bank had been advised that its position was secure. In the light of this experience the Bank would be considering the wider implications of this operation in case the need for any such similar action arose in the future.
- 3 With reference to a Minute of 14 December 1989 and earlier, Mr Coleby said that the judgement of the Appeal Court in the Hammersmith and Fulham Council swap case had substantially reversed the decision of the lower court. It had now been ruled that such transactions were legal if undertaken for purposes of the management of interest rate risk but not when used for trading. As a result the transactions undertaken by the Hammersmith and Fulham Council after July 1988 were legal, and those prior to that date were illegal.

Leave to Appeal had been granted the previous day to both the Hammersmith and Fulham Council and the Audit Commission but it was not clear on what grounds any appeal would be lodged. If the judgement of the Appeal Court was upheld it represented a substantial improvement on the original situation. However, the position was still unsatisfactory and there remained a need for counterparties to be able to establish, in advance, whether or not transactions were legal.

A recommendation of the Governors relating to the composition of the Standing Committees of Court for 1990/91 was submitted and approved. The Governor mentioned that it would be normal at the same time to seek Court's approval for a programme of Directors' visits to Offices and Branches. However, he and the Deputy Governor felt that they would like to lighten the burden that these visits imposed on Directors and would welcome any comments Directors would wish to make. Court agreed therefore that proposals be deferred to allow time for further consideration.

The Governor explained that it had been suggested that the monthly trade figures, the markets report, the monthly economic report and discussion of monetary policy should, in future, be presented consecutively and that to ensure the timeliness of the regular discussion a degree of flexibility be introduced in scheduling the discussions within the monthly agenda: the current agenda, therefore, reflected this change.

Accordingly, at the Governor's invitation:

- 1 Mr Flemming commented on the Overseas Trade Figures for January which had been published the previous day. In response to a request it was agreed that, when possible, copies of these figures should be circulated to Members in advance of the discussion.
 - 2 Mr Coleby spoke about the foreign exchanges and the state of the domestic markets.
 - 3 Mr Flemming presented the Economic Report for February.
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4 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that within the monetary data M0 concealed a divergence of behaviour, M0 having decreased year on-year from 6% to 5.8% while currency in circulation had grown year on year from 6% to 6.3%. The strong growth in currency in circulation cast doubt on the extent of the slow down in consumption. M4 and M4 lending had fallen back from the high rates of December, in line with the quarter month pattern he had then described. The year on year position for M4 remained unchanged with a recorded increase of 18.2% although the three months figure was higher at 19.5%. Lending on the other hand had fallen back from an increase of 21.2% to 20.4% during the past month. Lending to the corporate sector accounted for the whole of the decrease, suggesting perhaps that some funds had been drawn from abroad to meet the heavy tax payments during the month. The evidence from these figures suggested therefore that there was no real change with a continuing steady rate of growth in the aggregates and a steady decline in lending. Progress in achieving a reduction in inflation remained disappointingly slow but in the real economy there were signs of the slowdown continuing. Movements in the exchange rate recently had produced a tightening of monetary conditions as had the further increase in mortgage rates, now more in line with base rates. These factors having achieved a tightening of policy there had been no need to consider official action to raise interest rates further. However there must be some concern, after the January trade figures, that the foreign exchange market might become less robust in the face of adverse developments, such as higher interest rates in Germany. In that case, increasing interest rates here might have to come back into consideration.

L. A. Coombe

L. A. V. Coombe

Secretary

8th March 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 MARCH 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, 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 February and the state of the domestic markets.

Under the weekly executive report, the Governor said that there were two matters of concern to the Bank arising from the House of Fraser Report which had been published the previous day. The first concerned Harrods Bank Limited, the depositors of which were largely customers of Harrods Limited. The bank was well managed and depositors were not thought to be at risk. But a question arose about Mr Fayed's position as Chairman of Harrods Limited, the immediate controlling shareholder of Harrods Bank. The Bank would be reviewing his position in the light of the Report in the usual way. The Governor said he would report the matter to the Board of Banking Supervision later that day.

The second issue, arising from the Inspectors' criticism of the merchant bank and solicitors advising the Fayeds, was for the Bank to consider what was the appropriate standard of care in relation to the information which the advisors provided.

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

- 1 A Deed, in duplicate, varying restrictive covenants imposed by a Conveyance dated 14 July 1983 on the property known as,

[REDACTED]

- 2 Duplicate Transfer documents of original Transfers, sealed by the Bank on 26 October 1989 which related to the sale of the premises of the [REDACTED] [REDACTED] by the joint owners, the Bank and National Westminster Bank, to the

[REDACTED]

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

The Governor introduced two matters arising from the recent retirement of Sir George Blunden from the Bank:

- 1 It was RESOLVED that in pursuance of Clause 3 of the Trust Deed of the Houblon Norman Fund Mr E A J George, in his

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capacity as Deputy Governor, be appointed to succeed Sir George Blunden as a Trustee of the Fund with effect from 1 March 1990; and

- 2 Mr E A J George be appointed Chairman of Bank of England Nominees Limited in place of Sir George Blunden and Mr A L Coleby be appointed a Director in place of MR E A J George.

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, or failing him Mr A L Coleby, be authorised to act as the representative of the Governor and Company of the Bank of England at any meeting of Bank of England Nominees Limited.

At the Governor's invitation, Mr Taylor, in the absence of Mr Flemming, presented a paper 'The UK Motor Industry', the latest in a series of papers dealing with current developments in the economy. During the discussion which followed it was suggested that consideration be given to producing a further paper on the Components Industry.

L. A. Coghlin.

Secretary

Adrian Cadbury

15th March 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 MARCH 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
Sir David Gerald Scholey, CBE

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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.

At the Deputy Governor's invitation:

- 1 Dr Atterton introduced a Report of the Charitable Appeals Committee which was laid before Court.

- 2 Mr Green attended Court for the discussion of his paper "Japan an end to the old certainties" which described impressions he had gained during his visit to Japan the previous November. In introducing the paper, Mr Crockett endorsed Mr Green's comments and, following his visit to Japan to attend meetings of the OECD Working Party 3 the previous week, spoke about more recent developments. A discussion ensued.

- 3 Mr Crockett presented the International Economic Developments paper for February.

C. S. Craght

Secretary.

22 March 1990.

E. A. J. Green

22 March 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 MARCH 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

 Mr Coleby commented on the weekly figures before speaking 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 The Deputy Governor introduced the final Report of the Committee on Permanent Control of Expenditure which was approved.

- 2 Mr Flemming presented a paper summarising the main proposals contained within the Chancellor's Budget Statement the previous Tuesday and commented on the subsequent press reaction. Professor King introduced two charts identifying the return on a tax exempt special savings account (TESSA) over the five year period as proposed, and over an extended period of fifteen years. A brief discussion ensued.

L. A. Cragg
Secretary.

E. A. J. Gernoff
29 March 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 MARCH 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

Mr Quinn commented on the weekly figures.

Under the weekly executive report:

- 1 Mr Quinn reminded Members of Court that a Review Committee under the chairmanship of Professor Robert Jack had been commissioned in January 1987 by Government

jointly with the Bank, to undertake a review of the legal framework for banking services. He said that the Government would publish later that day its response in the form of a White Paper "Banking Services Law and Practice". In terms of legislation, the White Paper would give only limited support to the Jack Committee's recommendations: instead of the three major Acts proposed by the Committee, the White Paper would propose only limited amending legislation when Parliamentary time could be found unlikely to be before 1991/2 at the earliest.

The White Paper placed considerable emphasis on the voluntary Code of Practice which was being drawn up by the Banking and Building Societies Associations, the preparation of the Code being overseen by a Steering Committee chaired by Sir George Blunden. The Jack Report had recommended that the Bank should oversee the Code of Practice and the Ombudsman Scheme but neither of these proposals would be contained in the White Paper. One of the main outstanding issues therefore was to determine how and by whom compliance with the Code of Practice should be monitored and enforced.

- 2 Mr Harris informed Court that agreement had been reached in respect of the pay award for staff of the Registrar's Department recruited in Gloucester, to be effective from 1 March 1990. Settlement had been concluded on the basis of an 8% across the board increase plus a £200 non pensionable payment to all staff on books at 1 March, payable on 1 March or nine months after entry. It had also been agreed to discuss further with BIFU family care provisions and to undertake a joint review of housing benefits.
- 3 Mr Harris referred to press comment earlier in the year concerning a member of the Bank's staff who had been missing since mid December and informed Court that a body, thought to be that of Mr Murray Erskine, a member of the staff of the Banking Supervision Division, had been found in suspicious circumstances the previous day.

- 4 Mr Kent informed Court that the Stock Exchange was proposing a major restructuring to establish three Divisions each with a Management Board. He had been invited to join the Board of the Settlement Division of the Stock Exchange and with Court's consent would wish to do so.
- Court agreed thereto.

At the Governor's invitation:

- 1 The Deputy Governor spoke in terms he had used earlier that day at Committee of Treasury about the Bank's interim payment in lieu of dividend to HM Treasury. The proposal for a payment of £35.5 million to be made on 5 April, pursuant to Section 1(4) of the Bank of England Act 1946, was approved.
- 2 Mr Harris introduced a Minute of the Committee of Treasury, relating to the succession of Mr J G Drake, the Chief Registrar. It was agreed that with effect from 11 July 1990:

D A BRIDGER (52)	be appointed
A Senior Official and	Chief Registrar and
a Deputy Chief Registrar	Chief Accountant, and
	be promoted from
	Point C to Point B.

Before inviting Sir Adrian Cadbury to present the Report of the Trustees of the Court Pension Scheme, the Governor mentioned his actual and the Deputy Governor's and Messrs Walker, Quinn, Flemming, Crockett and Coleby's potential interest. The Report, and in particular the recommendation concerning an extension to Rule 12(e) relating to death in service benefit, was approved.

With reference to a Minute of 25 January, Sir Adrian Cadbury reminded Court that it had been agreed that Sir George Blunden should be granted such pension as to ensure that his pension from all sources amounted to two thirds of final remuneration. It had been hoped that the Inland Revenue would have permitted

Sir George's pension to be augmented from the Court Pension Scheme but this was not possible. Committee of Treasury had agreed earlier that day to recommend to Court that such additional sum that was necessary should be paid from Bank funds. Court were content.

At the Governor's further invitation:

- 1 The Deputy Governor told Court that the Bank had been approached by the Dean of St Paul's Cathedral asking if the Bank would consider making a donation towards the cost of the repair of the pocket windows in the dome of the Cathedral, the cost of which was likely to be of the order of £100,000 £150,000. Earlier in the day, Committee of Treasury had supported the proposal that the Bank should make a contribution of £5,000 per annum for five years towards the costs of this repair, in particular in the context of 1994 and the Service it was planned to hold in the Cathedral to commemorate the Bank's Tercentenary. This proposal had also been endorsed by the Charitable Appeals Committee. Court agreed that such a donation would be appropriate and that it should be paid from funds outside the charitable appeals budget.
- 2 Mr Flemming commented on the Overseas Trade Figures for February which had been published the previous Thursday.
- 3 Mr Plenderleith spoke about the foreign exchanges and the domestic markets.
- 4 Mr Flemming presented the Economic Report for March.
- 5 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the increase of 0.2% in MO in February was entirely the result of bankers' balances recovering from the abnormally low January level. Currency in circulation fell by 0.2%, but that was less than in February last year and the year on year increase rose to 6.5%. On the face of it,

the shorter period growth rates 4.9% annualised for six months, and 3.9% for three months suggested a declining rate of growth, but experience had taught us to be wary of putting too much faith in the precision of the seasonal adjustment. The figures for the current month would be about the same as in March 1989 plus 0.5% and we would not know until later in the year if a gentle decline in the rate of growth of M0 had become established.

M4's increase of just under 1% left the twelve month growth rate much as it had been for the last year, at a little under 18%. Lending at £7.4 bn took the annual growth rate a little higher than it was at end January, but was consistent with the well established trend of general decline. Within the February figure lending to persons had fallen back from the somewhat higher levels of the past two months. The level of company borrowing remained quite strong, and was consistent with the financial position of the corporate sector described by Mr Flemming which was leading to a significant slowing down in expenditure.

This supported the conclusion that the adjustment in the real economy was continuing, with the recent trade figures providing further evidence that domestic demand was slowing by more than domestic output. However the adjustment had not yet gone far enough to produce a downturn in underlying inflation, and the RPI measure would rise in the next few months because of special factors. Monetary policy therefore had to remain tight, with no prospect of early reduction in interest rates. The possibility that rates might need to be increased further, in order to counter pressure in the exchange market, could not be ruled out.

A discussion, focusing in particular on the problems of increasing inflation and in the context of the Governor's forthcoming Durham lecture, followed.

B. A. J. Crease
Assistant Secretary
5th April 1990

B. A. J. Crease
5 April 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 5 APRIL 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
Professor Mervyn Allister King
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

Under the weekly executive report:

- 1 Mr Kent mentioned that just over a year ago Court had been informed of plans for the re equipment of the Printing Works. These had included a final development phase and production trial of the SNOW machine. The results had been disappointing and the Debden Committee had recommended that there should be no further expenditure. Accordingly, it had been decided to scrap the existing SNOW project and cancel the order for a two note wide machine from Molins PLC. This marked the end of major machinery design and development by the Printing Works.

- 2 With reference to a Minute of 1 March, the Deputy Governor spoke about the new arrangements that had been agreed for Directors' visits to Branches and offices. These had been considered in light of the undue imposition the existing ones placed on the Non Executive Directors. Whilst Non Executive Directors would still be welcome, and indeed encouraged to continue, to undertake visits when they were able to do so, these would be supplemented by visits by Executive, Associate and Assistant Directors as well as by Senior Officials. This would mean that it would be possible for an increased number of visits to be undertaken each year. These arrangements should enable members of the staff to get to know senior staff from other parts of the Bank as well as fostering the concept of a single Bank.

- 3 The Governor spoke about the pre ECOFIN meeting he had attended the previous weekend at Ashford Castle in Ireland.

At the Governor's invitation Mr Taylor introduced a paper on the medium term prospects for invisible earnings.

R.A. J. George

Assistant Secretary

12th April 1990

R.A. J. George

12 April 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 APRIL 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq

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

Mr Quinn commented on the weekly figures and Mr Coleby 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 Harris introduced a Recommendation by the Governors that with effect from 14 May 1990:-

[REDACTED] be appointed a Senior Official Point F, and Auditor.

The Recommendation was agreed.

- 2 Mr Crockett presented the International Economic Developments paper for March. In doing so he undertook to produce a paper for Court on German economic and monetary union which would also incorporate a number of points made by members of Court in the subsequent discussion.
- 3 Mr Harper, Chairman of Minorities Finance Ltd, was invited to attend Court in order to comment on the Report and Financial Statements as at 31 December 1989, of Minorities Finance Ltd. The Governor thanked Mr Harper and his team for the vigour with which they had pursued their task.
- 4 Mr Crockett introduced a paper entitled "Output and investment cycles a cross country comparison".

B.A. Higgins
Assistant Secretary
19th April 1990

C. A. J. George
19 April 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 APRIL 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

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

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

Under the weekly executive report the Deputy Governor spoke about the situation concerning British and Commonwealth Holdings who had called in administrators at Atlantic Computers, their computer leasing subsidiary. There was a risk the problem could affect the Group as a whole including their world wide foreign exchange, government securities and moneybroking operations as well as their three authorised institutions under the Banking Act. Our immediate concern was the potential disturbance to the functioning of the markets if confidence in the broking operations should fail. However, the major creditor banks saw it in their own interests to leave their credit lines in place and to continue to support the company thus providing an essential element of confidence. The Bank had attended the meetings of the creditor banks, that had taken place the previous weekend, as an observer. Our direct involvement had been limited to a public statement saying that as far as we were aware (for we were one of many regulators) British and Commonwealth's trading companies were trading normally and in accordance with regulatory requirements. Our role had essentially been a limited one. The companies concerned were continuing to trade normally. Mr Walker commented that, although the structure of banking and security supervision was regarded by some as complex, the British and Commonwealth college of supervisors had been called together by the Bank and had worked together effectively and well.

Hector Lam G.

S. A. Caghta.

Sunday. 26th April 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 APRIL 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir Hector Laing
Dr David Valentine Atterton, CBE
Anthony Laurie Coleby, Esq
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Brian Quinn, Esq
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

Mr Quinn commented on the weekly figures.

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

At the Deputy Governor's invitation:

- 1 Mr Quinn introduced the Report and Accounts of the Deposit Protection Board for the year ended 28 February 1990, which were laid before Court.

- 2 Mr Flemming spoke about the Overseas Trade Figures for March which had been published the previous day.
- 3 Mr Plenderleith spoke about the foreign exchanges and the domestic markets.
- 4 Mr Flemming presented the Economic Report for April.
- 5 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that M0 had increased by 0.2% during the month and currency in circulation by 0.3%, taking the seasonally adjusted annualised rates for six and three months both substantially below the year on year figures. However one should not draw too much comfort from this because of the known uncertainties of seasonal adjustment. The figures for the current month, April, would show an increase in the order of 1% or more for both M0 and currency in circulation, taking the latter's increase year on-year to around 7%. The timing of Easter, later this year than last, might have been inadequately reflected in the seasonal adjustment.

So far as broad money and credit was concerned, the figures for March, an end quarter month, showed less of a spike than in recent quarter months thus reducing the growth rates over 3, 6 and 12 months. It was difficult to judge what growth rates of broad money and credit were consistent with fulfilling the objectives of policy. Recent research in the Bank had identified a relationship between broad money and personal wealth. During the past year personal wealth had ceased to grow as evidenced by a flattening off of house prices so some decline in broad money holdings should be looked for. However, the rate of decline remained uncertain. The lending figures for the first quarter of the year showed that industrial and commercial companies, recently heavy net borrowers, had in practice built up their bank deposits and were scarcely net borrowers at all. The most noticeable feature of the lending components was the strength of mortgage lending, more so for building societies than for banks. All in all the money figures suggested that progress was being made in the right direction.

As Mr Flemming had said, the Bank's assessment was that the adjustment in the real economy was continuing satisfactorily, with the March retail sales figure having allayed concern about a revival in consumption. The unsatisfactory feature, however, was the lack of a favourable feed through to inflation. A firm exchange rate was the most necessary ingredient for containing inflation: it was currently too low, but probably could not be improved by a change in interest rates. Nevertheless further decline could bring it to a point where a response would be needed.

During the discussion which followed, attention focused mainly on the level of inflation; the lack of impact so far of the obvious cutback in demand; and the inevitable effect that rising inflation would have on wage demands. The question of the components constituting the UK retail prices index, in comparison with those of other European countries, was considered and the political problems of making any change in this area were acknowledged.

C. A. Cragg

Secretary, 3rd May 1990

Adrian Cobby

3rd May 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 3 MAY 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, KCVO
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, 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 time deposits in the Banking Department's liabilities. This included the receipt of a deposit from British and Commonwealth taken because of the difficulty the company had experienced in finding an alternative banker not involved with the company as a creditor. There was a potential risk to the Bank as a constructive trustee if the funds should be misapplied by the company and we were taking such steps as we could to minimise that risk.

Mr Quinn also commented on the substantial increase in the Banking Department's market advances which was accounted for by an advance of some £290 mn to Sheppards Moneybrokers following the theft of Treasury Bills and Certificates of Deposit from them the previous day. Without the advance Sheppards would have been unable to continue trading and there could have been serious repercussions for their parent, the Discount House Cater Allen, and for the London markets. There was a risk to the Bank that the stolen instruments might be presented in circumstances in which they would have to be paid. However, steps had been taken to minimise that risk with all banks in London being circularised with details of the stolen instruments within half an hour of the theft and overseas central banks subsequently also advised. Duplicate instruments would almost certainly be issued against an indemnity from Sheppards Moneybrokers in which the Bank, as their bankers, would be joined. Thereafter the Bank's loan would be repaid but a contingent risk would remain until all the instruments expire: some were already out of date and others were payable in the near future, thus reducing the risk.

In conclusion Mr Quinn said that this incident had underlined the need for a more modern computerised system for money market instruments to reduce the risk of this sort of problem. The Central Moneymarkets Office, which it is planned should start in the autumn, was intended to do just that.

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

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

A letter from Messrs Freshfields was submitted, together with a document to be sealed, namely a Deed of Change of Trustees appointing Sir Brian Corby a Trustee of the Court Pension Scheme.

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

At the Deputy Governor's invitation:

- 1 Sir John Baring presented a Report of the Committee to consider the Securities of Certain Funds, which was approved.
- 2 Sir Brian Corby introduced the Head of Personnel Division's Annual Report on Salary Policy and Benefits. After Mr Harris had commented on the Report in greater detail, it was laid before Court.
- 3 Mr Crockett presented a paper entitled Financial Developments in Eastern Europe. The paper, which had been prepared by the Bank and submitted to the Treasury and Civil Service Committee, investigated the International Monetary arrangements with regard to Eastern Europe. During the discussion which followed attention focussed on the lack of enthusiasm on the part of UK investors to pursue the potential in Eastern Europe and it was suggested that the Bank might take the initiative in drawing this to the attention of the financial services sector.
- 4 Mr Flemming presented the Economic Commentary section from the May edition of the Quarterly Bulletin.

BA Hoffman
Assistant Secretary
10th May 1990

Adrian Cadbury
10th May 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 10 MAY 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
Sir Colin Ross Corness
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

In response to a question arising from the weekly figures, and with reference to a Minute of the previous week, Mr Quinn said that the unsecured advance to Sheppards Moneybrokers, following the theft of Treasury Bills and Certificates of Deposit, had

been reduced from £290mn to £265mn. Some replacement Certificates of Deposit had been issued by other paying agents against indemnities from Sheppards. The question of indemnities, and counter indemnities, in respect of the remaining instruments was still being pursued. Sheppards needed the Bank to join in, or reinforce, their indemnity to these issuers; the Bank had required Sheppards and/or their parent, Cater Allen Holdings, to take out insurance to cover any loss arising from presentation of the original Treasury Bills/CDs and for Sheppards/Caters to counter indemnify the Bank for joining in, or backing, their indemnity. Negotiations were continuing.

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

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

With reference to a Minute of 5 April, the Deputy Governor then introduced a Recommendation relating to the programme of Directors' visits to the Branches, Agencies and Offices during the year 1990/91 which was submitted and approved.

The Deputy Governor informed Court that the Audit Committee had discussed the Accounts of the Bank for the year ended 28 February with the external auditors earlier in the week. Before inviting Sir David Scholey, the Chairman of the Committee, to speak on the Accounts the Deputy Governor mentioned, among a number of other points, that the Bank's pre tax profit for the year stood at £165.4mn. A dividend had been agreed with HM Treasury of £72.8mn leaving a retention for the year, after a tax charge of £17.2mn, of £75.4mn.

Sir David Scholey reported that the Committee had accepted the Accounts making the following comments:

- 1 They were content to be associated with the Statement in Note 13 to the Accounts, that in the opinion of the Directors, it would be misleading to consolidate the accounts of Minorities Finance with those of the Bank.

- 2 The Committee noted that Statement Accounting Practice 24 applied for the first time to the Accounts, the effect of which was to reduce the pension cost for the year by £7mn. This reduction was on the surplus in the Fund as at 1 March 1989 and conservatively estimated at £100mn. A full actuarial valuation as at 28 February 1990 was in progress at the moment. The assumptions shown in the published Accounts would be the differentials rather than the actual rates.
- 3 The Committee had noted that certain equipment associated with the Snow Project at the Printing Works had been written off. They had not been happy with the use of the term "redundant machinery" in this connection, which they felt could be misinterpreted, and had substituted "machinery not required for production".
- 4 The Committee also suggested two other amendments. In Note 15 the first sentence of the second paragraph be amended to read "There were no other transactions that would be required to be shown under the provisions of the Companies Act 1985". And on page 31 of the Report and Accounts the Committee had suggested the heading "Current Cost Accounts" be inserted although these were no longer audited.
- 5 The Committee suggested that some mention be made in the Directors' Report of the loss on gilts' transactions, which was larger than in recent memory.
- 6 Consideration had been given as to whether or not mention should be made of the theft of money market instruments from Sheppards Moneybrokers Limited. They had concluded that the likelihood of the Bank's contingent liability crystallising was so remote as not to require mention. Furthermore such a liability was not normally reported as a post balance sheet event.

 The Deputy Governor then obtained the agreement of Court to the valuation of unlisted investments in Note 12 of the Accounts and, as stated in Note 13, that the accounts of Minorities Finance Ltd should not be consolidated into the Bank's Accounts.

Court also approved the sending of a letter of representation to the Bank's Auditors stating that the Directors confirmed the Accounts gave a true and fair view.

The Deputy Governor went on to say that a year ago it had been agreed that the Accounts, having been examined on Court's behalf by the Audit Committee, should be placed before Court for approval only. However having discussed this with Committee of Treasury earlier in the day it had been agreed they should be left on the table until next week when formal approval would be sought.

At the Deputy Governor's invitation:

- 1 Mr Quinn spoke about the Banking Act Report for 1989/90 which was due for publication on 23 May, the same day as the Annual Report and Accounts of the Bank. With reference to a Minute of 13 July 1989, Mr Quinn then reported to Court the names of those to whom the Bank's powers to prosecute under the Banking Act 1987 were delegated and the occasions on which these powers had been exercised.
- 2 Mr Flemming spoke about 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.

C. S. Coughlin.
Secretary 17 May 1990

R. A. J. Crean Jr.
17 May 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 17 MAY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

There being no comments on the weekly figures, Mr Plenderleith 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 Deputy Governor said that there had been further developments on two fronts following the theft of Treasury Bills and Certificates of

Deposit from Sheppards Moneybrokers. First, there had been attempts to negotiate some of the stolen instruments which the Police were pursuing: in particular one Certificate of Deposit had been presented for payment in Scotland and we understood that the person concerned, who was not thought to be the original thief, had been arrested. As a result of these incidents, the Bank had renewed the warnings given previously and proposed to publish the numbers of the stolen instruments in the press.

Second, although the indemnity was still not in place and the unsecured loan remained outstanding, the insurance arranged by Sheppards was now thought to be operative. However, our lawyers were concerned that in the event of Sheppards ceasing to trade, funds paid under indemnity and the proceeds from the insurance policy might be caught in the general pool against which claims from all creditors would be made. The lawyers were now considering an alternative structure whereby payments under the indemnity would be made direct to the claimant and the insurance would be taken out directly by the Bank thereby overcoming this potential problem.

2 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 on 23 April.

3 The Governor then spoke about a number of meetings he had attended and discussions he had during the previous two weeks during his visits to the USA and Canada, at a Conference in Salzburg organised by Salomon Bros, and most recently in Basle.

With reference to a Minute of the previous week, the Governor spoke about the Bank's Annual Report and Accounts and introduced a Recommendation that the Accounts for the year ended 28 February 1990 be approved and signed; and that the Annual Report and Accounts of the Bank for the year ended 28 February 1990 be printed and issued. Court agreed thereto.

The Governor then reported that a further payment in lieu of dividend of £37.3 million would fall due for payment to HM Treasury on 5 October in accordance with the established formula. Court were content.

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, Mr Crockett presented the International Economic Developments paper for April before going on to speak about the World Economic Forecast for Spring 1990. A discussion followed.

C. A. Crockett
Secretary. 24 May 1990

F. A. J. Gens
24 May 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 24 MAY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
Anthony Laurie Coleby, Esq
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Professor Mervyn Allister King
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

In commenting on the weekly figures and with reference to a Minute of the previous week, Mr Quinn said that the unsecured loan to Sheppards Moneybrokers still remained outstanding. The Bank was continuing to try to put in place arrangements with Sheppards to get duplicate instruments issued while at the same time protecting the Bank from any risk of loss. The negotiations were complex and not yet complete but should be finalised shortly.



Further information received since last week suggested that certain instruments in the stolen package have found their way into the hands of professional criminals. The police were pursuing these leads actively.

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

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

The Governor then invited Mr Harris, the Chairman of the Trustees of the Staff Pension Fund, to present 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 1990. In doing so he mentioned to Court that Sir Martin Jacomb, in supporting the recommendation in Staff Committee, had nevertheless questioned the wisdom of the indexation of the benefits of the Staff Pension Fund. The recommendations contained in the Report were approved.

The Governor having declared his and Mr Walker's actual interest in the Court Pension Scheme, and the potential interest of the Deputy Governor and Messrs Quinn, Flemming, Crockett and Coleby, invited Dr Atterton, in the absence of Sir Adrian Cadbury, the Chairman of the Trustees of the Court Pension Scheme, to introduce a Minute of the Committee of Treasury recommending increases in the pensions and allowances in payment to former Governors and Executive Directors and to the widows of a former Governor and five former Executive Directors, with effect from 1 July 1990. The Minute was approved.

At the Governor's invitation:

- 1 Dr Atterton introduced a Report of the Charitable Appeals Committee and drew attention to the continuing increase in the number of appeals received by the Bank. A recommendation contained in the Report that the contribution to the National Council for Voluntary Organisations should remain at £6,000 for the year 1990/91 was approved.

Mr Harris then referred to Appendix II of the Charitable Appeals Committee Report containing a table summarising the Bank's overall charitable giving. This indicated that the Bank's contribution to community activities had amounted to 0.89% of pre tax profit before dividend for the year ended 28 February 1990. In response to a question about the donations of a "non charitable" nature, Mr Harris explained that although these were mostly to recognised charitable institutions, they related to particular Bank activities, unlike those administered by the Charitable Appeals Committee which were outright gifts. In view of the sum involved in donations of a "non charitable" nature it was agreed that a detailed list be prepared for Members of Court in due course.

- 2 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.

The Governor mentioned that Sir Geoffrey Eley, who was a Non Executive Director of the Bank from 1949-1966, had died the previous Thursday, at the age of 85.

S. A. Craggs

Secretary.

31 May 1990.

E. A. V. Cresswell
31 May 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 31 MAY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
John Stanton Flemming, Esq
Sir Robert Haslam
Professor Mervyn Allister King
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

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

In commenting on the weekly figures and with reference to a Minute of the previous week, Mr Quinn said that the figures for the Banking Department's market advances reflected the reduction from £265 mn to £55 mn in the unsecured loan made to Sheppards Moneybrokers: this figure would fall further over the next few days now that duplicate instruments were being issued, the necessary insurance policies and indemnities having been put in

place. Mr Quinn also confirmed press reports that three people who were in possession of stolen certificates of deposits had been arrested and charged.

Mr Quinn went on to say that the theft of these instruments had caused concern among the institutions in the market and a working party had been set up to consider interim arrangements to reduce such risks in anticipation of the Central Moneymarkets Office becoming operative in the autumn. In the light of recent events, the Bank too was looking at its present arrangements and in the meantime had increased its insurance cover.

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

Under the weekly executive report:

- 1 The Governor told Court that following the signing of the Charter for the European Bank for Reconstruction and Development he had offered [redacted] secretarial assistance and accommodation within the Bank until more permanent arrangements could be made.
- 2 The Deputy Governor said that the Bank were currently involved with British and Commonwealth and in particular with its merchant bank subsidiary.

At the Governor's invitation:

- 1 Sir David Scholey introduced a Report of the Audit Committee which was laid before Court.
It was noted that the Committee had challenged the external auditors, Coopers and Lybrand Deloitte, about the level of their fee but after scrutiny the proposed fee had been accepted. It was suggested that Audit Committee should be made aware of other fees for consultancy work and tax advice paid to Coopers and Lybrand Deloitte, and consider whether they were significant enough to influence the conduct of the audit.

2 Mr Flemming commented on the Overseas Trade Figures for April which had been published on Wednesday 23 May and went on to speak about the Economic Report for May. During the discussion which followed it was agreed that it would be helpful for Court to consider the appropriate economic conditions under which sterling should join the Exchange Rate Mechanism, in anticipation of the Bank's advice being sought by Government.

3 Introducing the regular monthly discussion on monetary policy, Mr Coleby said that the monetary data for April gave contradictory signals. M0 had increased by 1.7% on the month and 7.3% year on year, well above the target range of 1.5%. Currency in circulation had a similar twelve month growth rate. In both cases, this was about 1% higher than at the end of the previous month. It was difficult to interpret this strong growth of narrow money, which seemed to be at variance with other data, but it was clearly a warning signal.

Broad money and sterling lending on the other hand gave a more comforting message. M4's growth on the month of 0.6% was the lowest figure for some while. It took the year on year increase to 17.4%, back to the position of the previous autumn, with the shorter period growth rates implying a further decline. This impression was supported by the M4 lending figures of under £4 bn on the month, easily the lowest for some considerable time. The likeliest explanation, which he endorsed, was that cash flow pressures were causing the corporate sector to cut back, indicating that our policy was biting. An alternative explanation offered by some commentators was that there was no real cash flow pressure in the corporate sector but evidence from the real economy did not support that view. Borrowing by persons, particularly from building societies had been uncomfortably strong this year but could be expected to fall back following a decline in the rate of building society commitments. Nevertheless, the strength of consumer demand remained a source of potential concern,



as evidenced by the consumer goods component of April's imports.

During the past month the exchange rate had been helpful in tightening monetary pressures where they were most needed and without our having to do anything to bring it about. Some further exchange rate appreciation would be welcome, though no case could presently be made for additional squeezing of domestic demand through interest rates. It was certainly premature to contemplate any easing of interest rates and we would be concerned if any significant softening of the exchange rate were to take place.

The Governor reminded Court that the Series E £5 note would be issued the following week. An exhibition, "Fiver: the five pound note 1793 1990" would be staged in the Museum and would remain open to the public until 19 October.

A. A. Taylor

Secretary 7 June 1990

Adrian Cadbury

7/6/90.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 7 JUNE 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Colin Ross Corness
John Stanton Flemming, Esq
Sir Robert Haslam
Professor Mervyn Allister King
Brian Quinn, Esq
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

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

In commenting on the weekly figures, Mr Quinn pointed out that the Banking Department deposits included some £100 mn in respect of British and Commonwealth, being the proceeds of the sale of a subsidiary, and deposits of £48 mn and \$35 mn in respect of British and Commonwealth Merchant Bank. In both cases the funds were under the control of the Administrators and there were therefore now no concerns about the potential risk to the Bank being in the position of constructive trustee, should the funds be misapplied.



Mr Plenderleith spoke about the foreign exchanges including the Official Reserves figures for May, and the state of the domestic markets.

Under the weekly executive report:

- 1 With reference to a Minute of 19 April the Deputy Governor brought Court up to date in the matter of British and Commonwealth. Following the failure of the major creditor banks of the British and Commonwealth Group to provide a liquidity support facility for British and Commonwealth Merchant Bank (BCMB), the top company in the group, British and Commonwealth plc, and its finance and capital subsidiaries had been placed in the hands of Administrators the previous weekend, together with BCMB.

The Bank had a number of separate interests in British and Commonwealth, which had become an extremely complicated financial group. The principal interest was in the broking companies, which had a major presence in many important financial markets throughout the world. We were particularly concerned so far as possible to avoid market disturbance; and this was the main reason why we made a supportive statement when the problems of the British and Commonwealth Group and Atlantic Computers emerged over the Easter weekend. In practice the trading companies had continued to operate normally in the intervening period and had been kept out of the administration process. Our hope was that they could pass reasonably quickly into the hands of new owners and continue to trade successfully.

We also had an interest in the banking entities within the British & Commonwealth Group, in particular BCMB. As supervisors we were entirely satisfied as to the capital and liquidity position of this Bank. But it would have needed to be almost totally liquid to withstand the massive loss of confidence arising from the cross infection from the British and Commonwealth Group more generally. There had not been nor should there be

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any criticism of the supervisors over the bank. They had done a thoroughly professional job. In our central banking judgement, the difficulties created for BCMB did not have any systemic implications. Moreover, if, as we believed and still believe, the bank is solvent, the depositors will eventually be repaid in full. Thus the benefit of any liquidity support provided for this bank would have flowed through to its shareholders and the creditors of the Group. We had sought to persuade major bank creditors of the Group of the case for providing liquidity support for BCMB, but ultimately this was a commercial judgement for them: some had concluded that they could not be sufficiently sure about the solvency of BCMB and felt in any case that little more than the net asset value of the bank could be achieved from selling it as a going concern. When it became clear that the liquidity support facility would not be forthcoming for BCMB we had informed the College of Supervisors, with whom we had maintained close contact throughout, and the notice issued by the Securities and Investments Board was the inevitable and proper consequence of this.

Mr Quinn endorsed the Deputy Governor's comments and said that BCMB had been well capitalised and had been looking for additional lines of liquidity to support its already liquid position. However, in cases of such loss of confidence it made little difference how well capitalised the bank was; unless a bank were completely liquid it would inevitably encounter difficulties. The Bank would be analysing the affair to draw any lessons for our supervision of banks that were part of a wider financial services group.

In commenting on the position of the broking companies, who were supervised by the Bank, Mr Coleby said that since the appointment of Administrators to certain companies within the Group but not the broking companies they had continued to trade normally. However, some trading counterparties of the Stock Exchange money broker within the Group had taken steps to limit the extent of their exposure.

Mr Walker said that under the Rules of the Securities and Investments Board, clients' money should be held in a client monies account with an authorised bank. There had been a suggestion that regulatory action might have been confined to private advice to the brokers concerned to withdraw their funds from BCMB. However, that would have amounted to fraudulent preference, and the alternative action had been taken of publicly removing BCMB from the list of banks with which FSA regulated firms could place their client monies.

Finally, Mr Walker said that there were a number of lessons to be drawn from British and Commonwealth and there was a salutary message for shareholders in conglomerates that have financial companies within them. Specifically, in situations of difficulty, the regulators (whether of a bank, a securities firm or a life assurance company) would always be obliged in the end to put the interests of the clients of the financial service business ahead of those of shareholders in the conglomerate.

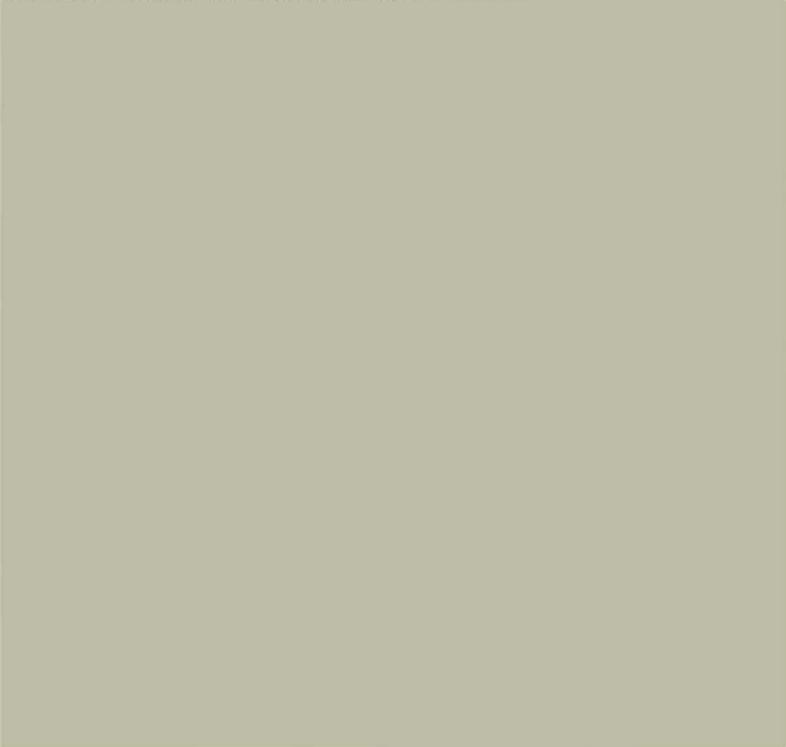
In comparing the case of British and Commonwealth with that of Equiticorp the previous year, Mr Quinn said that there were certain similarities in that the bank was part of a wider group that had become overextended, primarily by an aggressive acquisition policy. However, in the case of Guinness Mahon, the Bank had been able to insulate the bank from the problems of the rest of the group and find a buyer. This might still be possible for BCMB. But even if it proved impossible to find a new owner the bank was probably still solvent and depositors should in this case suffer no loss; although there would be some delay in repaying them.

In response to a suggestion that the media had, to some extent, misunderstood the principles under which the Bank had acted in the case of British and Commonwealth, the Deputy Governor said that considerable effort had been made by the Press Office to inform the media but, in order to retain a degree of flexibility, it was not always appropriate to divulge full details. The Deputy Governor

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agreed that a further discussion on the regulation of financial conglomerates would be appropriate in due course.

- 2 With reference to a Minute of 5 April the Deputy Governor reminded Court of the decision to scrap the SNOW project and to cancel the order for a 2 note wide machine from Molins plc. Following this decision the Bank had entered into negotiations with Molins to determine the settlement of their claim for compensation.



 Court gave their approval to Sir Brian Corby joining the Board of the South Bank (Arts Complex).

It was agreed to defer discussion of the paper "The Monetary Debate" to a later date when a wider audience, in particular those Members of Court with a banking interest, might be present. In the meantime it was suggested that an additional paper might be prepared setting out the instruments of monetary control in other member countries of the ERM.

C. A. Coghlin.

Secretary 14 June 1990

L. A. J. Geary

14 June 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 14 JUNE 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

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

In commenting on the weekly figures and with reference to a Minute of 31 May, Mr Quinn said that the unsecured loan to Sheppards Moneybrokers had now been repaid in full. Mr Coleby 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 Governor's invitation:

- 1 The Deputy Governor spoke to Court about his paper "The Bank of England: Purposes, Responsibilities and Philosophy", which had been considered by Committee of Treasury on 31 May. He explained that this paper, a "mission statement", had been drawn up as a management aid in response to an identified need for an authoritative statement of the Bank's purposes, responsibilities and philosophy to which senior members of the staff could relate. Because of possible sensitivities, particularly in relation to the current debate on the "independence issue" he had discussed the paper informally with Sir Peter Middleton who had endorsed its content and purpose. The proposal was that in the first instance the paper be discussed with Senior Officials. If it was then thought appropriate that a simpler statement be prepared for circulation, that paper would be brought back to Court. After some discussion it was agreed that a statement of this nature would be helpful and that, subject to some drafting amendments, the substance of the paper be discussed only with Senior Officials at this stage, and on a confidential basis.

- 2 Mr Harris reminded Members of the details of the pay claim that had been received from the Bank of England Section of BIFU and, in terms he had used earlier that day at Committee of Treasury, outlined the Bank's proposals for the 1990 pay award, drawing attention to the main factors affecting this year's negotiation.
Court agreed that Mr Harris should enter into negotiation with the Union on the basis of the proposals he had discussed; that the Governors be granted a degree of discretion to approve a modest enhancement of those proposals if necessary; and that, in the event of disagreement, the matter be referred back to Court before any disagreement was taken to conciliation.

- 3 Mr Crockett presented the International Economic Developments paper for May.

C. A. Crockett

Seaway, 21st June 1990

Adrian Cadbury

21st June 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 21 JUNE 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Professor Mervyn Allister King
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

On behalf of Members of Court, the Governor congratulated Sir Robert Haslam on his elevation to the peerage which had been announced in the Queen's Birthday Honours the previous weekend.

The Governor also mentioned that Mr Deryk Vander Weyer, who had been a Non Executive Director from 1986 until 1988 when he resigned from Court because of his ill health, and a Member of the Board of Banking Supervision during that time, had died the previous Saturday at the age of 65.

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

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

Under the weekly executive report:

- 1 The Governor said that, when Court considered the Report of the Charitable Appeals Committee on 24 May, a detailed list of donations of a "non charitable" nature had been requested. The list had now been made available: it was agreed that some of the donations contained therein were incorrectly described as being of a "non charitable" nature and that more appropriate terminology should be used in future reports.
- 2 The Governor reported that a Magistrate in Pisa had ordered a freeze on the correspondent banks of Lloyds Bank in Italy, effectively paralysing Lloyds Bank's activities in that country. This action had been taken in retaliation for the arrest of two Italians following their request for trade finance which had been suspicious. The men concerned had been released subsequently on a technicality. The Bank had contacted the Banca d'Italia to seek some resolution of this problem.
- 3 The Governor spoke about the initiative launched by the Chancellor of the Exchequer the previous evening in proposing that the European Community should have a new international currency, the hard ECU, backed by a European Monetary Fund as a way of progressing beyond Stage 1 of the recommendations of the Delors Committee. One of the main attributes of the scheme was that it would be market driven rather than institutionally imposed. The Bank believed that this initiative made a valid contribution to the debate on EMU and filled the perceived deficiency in the UK's approach to EMU.

The Governor said that he had made reference to this scheme when appearing before the House of Lords Select Committee on Europe the previous day and would be holding press conferences later that day to explain the scheme more fully to the British and foreign press.

At the Governor's invitation:

- 1 Sir Hector Laing spoke about the Report and Accounts of BE Services Ltd for the year ended 28 February 1990 and in particular drew attention to the Dragon Award which the Company had received from the Lord Mayor of London in recognition of their work in schools and colleges and in the formation of a sponsorship scheme for school-leavers wishing to enter industrial catering. The Report and Accounts were laid before Court.
- 2 Mr Flemming introduced the latest Bank Forecast on the Economic Outlook to 1992 and a further Bank Forecast which addressed the possible implications of the UK's entry of the ERM, copies of which had been circulated to Members.

L. A. George

F. A. J. George
28 June 1990

Securay. 28 June 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 28 JUNE 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Brian Quinn, Esq
Sir David Gerald Scholey, CBE

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

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

There being no comments on the weekly figures, Mr Plenderleith 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 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 1990, which were laid before Court. The practice of depositing the Report and Accounts with the National Association of Pension Funds, where they were available for general examination by the public, was challenged and the need to disclose such full detail was questioned. It was agreed that this practice be examined.

It having been noted that Mr D A Bridger had been appointed a Trustee of the Pension Fund in place of Mr J G Drake, a letter from Messrs Freshfields was submitted, together with a document to be sealed, namely, a Deed of Change of Trustee of the Bank of England Pension Fund appointing Mr Bridger in place of Mr Drake. Court approved thereof and ORDERED that the document in question be sealed with the Common Seal of the Bank.

The Governor introduced a Recommendation to Court that, consequent upon the forthcoming retirement of Mr J G Drake, Mr D A Bridger be appointed a Director of Securities Management Trust Limited, a wholly owned subsidiary of the Bank, with effect from 11 July 1990. Court approved thereto.

At the Governor's invitation:

- 1 Mr Flemming spoke about the Overseas Trade Figures for May, which had been published the previous Friday, before commenting on the Economic Report for June.
- 2 In introducing the monthly discussion of monetary policy, Mr Coleby said that the spurt in the growth in M0 and currency in circulation evident in April was now abating. In May the year on year growth for both fell back to around 7%, from 7.3% the previous month, and a further decline towards 6 1/2% looked likely for June. It was hard to find a satisfactory explanation for the strong growth in the Spring of this year, which seemed to have been accompanied by high consumption spending; but it was comforting that it was now falling back.

The growth in broad money too, continued to decline with the year on year figure for M4 down to 17%, the lowest for some time, and the six and three month figures recording 15.7% and 13.3% respectively. M4 lending in May was down to 19% year on year with the lower growth in demand from the corporate sector showing a continuing gentle, rather than sharp, decline.

One of the main features during the month had been the performance of the exchange rate which had shown continuing appreciation and was now back at the level of the previous October. As had been mentioned earlier, this was attributable, in part, to speculation about the UK joining the ERM. Clearly, monetary policy had to remain tight for some time to come and the contribution of the exchange rate had been very welcome in that respect.

A discussion ensued.

L. S. Cragg
Secretary 12 July 1990

E. A. J. G. G. G.
12 July 1990

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 5 JULY 1990

Present

Sir Hector Laing

David Alan Walker, Esq

The Hon Sir John Francis Harcourt Baring, KCVO

Anthony Laurie Coleby, Esq

John Stanton Flemming, Esq

Pendarell Hugh Kent, Esq

Ian Plenderleith, Esq

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

The number of Directors assembled being insufficient to form a 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 Coleby commented on the weekly figures before speaking about the foreign exchanges, including the Official Reserves figures for June, and the state of the domestic markets.

Under the weekly executive report, Mr Kent said that earlier that week the Stock Exchange Council and the Board of the London International Financial Futures Exchange had adopted recommendations leading to the merger of LIFFE and the London

Traded Options Market. Formal unification was expected at around the end of the year under the name of The London Derivatives Exchange: the two markets would then move a year later to a joint location at Cannon Bridge, over the British Rail Cannon Street Station. The recommendations had been made by an Action Group set up last April and chaired, at the request of the Chairman of the International Stock Exchange and LIFFE, by Mr Kent.

The practical effect of this decision was that the London Traded Options Market would become independent of the International Stock Exchange and merge instead with LIFFE in a new market. Furthermore, London FOX and the International Petroleum Exchange had both indicated a desire to join in later. Rationalisation of the rather fragmented Derivatives Market of the City was probably a necessary step to make them thoroughly competitive on the international scale, and to that end, the outcome was welcomed not only by the Bank but also by HM Government.

L. A. Cragg

Secretary 12 July 1990.

F. A. V. George

12 July 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 12 JULY 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

The Minutes of the Court of 28 June were confirmed and those of the previous week's Meeting were approved.

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

Under the weekly executive report and with reference to a Minute of 14 June, Mr Harris informed Court that, initially, he had sought to achieve a pay settlement with BIFU on the basis of an

overall 8.5% pay package as agreed by Court. Subsequently, with the agreement of the Governors an improved pay package of 8.75% had been offered but rejected by the Union following a ballot of members: 80% of the membership had participated and of those 95% had rejected the Bank's offer. The Bank had been arguing on grounds of recruitment and retention, and of the central bank's current anti inflationary stance: BIFU had been arguing on grounds of the level of the Retail Prices Index, the level of current pay increases (not least in the public sector) and the Bank's ability to pay.

Following further discussion with the Governors, Mr Harris proposed that the Bank should make no further offer and that the Recognition and Procedure Agreement should be followed by seeking conciliation at ACAS. In the likely situation of no agreed settlement emerging, the Union would then want to take the issue to arbitration, to which the Bank would decline: the package costing 8.75% would then be imposed.

Court agreed that this was the appropriate action to take but it was noted that the announcement of the Retail Prices Index for June the following day, and details of BIFU's claims for an increase in the London Allowance paid by other banks, would be likely to aggravate further the feelings of the staff who saw the Bank's final offer as leading to a reduction in their living standards.

At the Governor's invitation:

- 1 Mr Charkham presented his paper "US Developments in Corporate Governance" which he had prepared following his visit to the United States of America in April this year. It was thought appropriate to keep abreast of these developments in the USA and to extend this interest to Europe and Japan. Court agreed that this paper should be made available to the Department of Trade and Industry, to HM Treasury, and might also be given wider publicity.
 - 2 Mr Crockett spoke about the Chancellor of the Exchequer's initiative proposing that the European Community should have a new international currency, the "hard" ECU.
- 

The Governor spoke about the reception which the proposals for a "hard" ECU had received at the Central Bank Governors' meeting in Basle the previous weekend and subsequently when he spoke to the European Parliament in Strasbourg the previous day. As time allowed for only a brief discussion it was agreed that an opportunity be found for further discussion in due course.

John Schwarz

G. A. Cragg.

Secretary 19th July 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 19 JULY 1990

Present

Sir Hector Laing
Sir David Gerald Scholey, CBE
Dr David Valentine Atterton, CBE
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
John Stanton Flemming, Esq
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
David Alan Walker, Esq

Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

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.

Under the weekly executive report:

- 1 Mr Quinn informed Court that since the Kentfield Report on the Banking Department in 1984, there had been several changes which impacted upon the banking business of the Bank. Competition among commercial banks had intensified and moves by the Bank to provide services to commercial customers had not been welcomed; privatisation and cash limit pressures had led many former customers to submit their banking business to tender and we were not necessarily equipped to compete on an equal footing; our computer and related services were in need of modernisation and re organisation; and we were beginning to get a clearer picture of our costs which suggested that some of our operations, particularly at the branches, were unprofitable.

For these reasons a fairly major review of the Bank's customers and the banking services we provided had been undertaken with the objective of establishing a reliable banking strategy for the medium and longer term. The Review had identified four classes of customer to whom the Bank could provide banking services; core customers Government, Central banks and other banks; "public good" customers self regulatory bodies etc; traditional customers City Corporation, Livery Companies etc; and other customers staff and pensioners, the Magistrates Courts, Building Societies etc; and had suggested that it would be appropriate to price our services both to attract certain business, eg that which would enhance the City as a financial centre, and discourage others.

The second part of the Review relating to Note distribution and storage had not yet been completed. This would have implications for the work of the Branches over a period of time and Mr Quinn undertook to revert to Court once the Review had been completed. In the meantime the staff of the Banking Department and the Union had been kept informed of developments.

- 2 Mr Quinn also informed Court of the death of Mr Andrew Caldecott, a distinguished Member of the Board of Banking Supervision, the previous weekend.

Two letters from Messrs Freshfields were submitted together with two documents to be sealed, namely the granting of a lease of Bank Chambers, Bristol to the Greater Bristol Trust, and a Supplementary Deed to the Central Gilts Office Assured Payment Agreement which was drawn up in October 1986.

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

At the Chairman's invitation:

- 1 Mr Kent introduced a Report of the Debden Committee on the Annual Report and audited Accounts of the Printing Works for the year ended 28 February 1990 which incorporated a commentary and summary of the audited Accounts of both Debden Security Printing Limited and Thrissell Limited for the year ended 31 December 1989.
- 2 In the absence of Mr Crockett, Mr Latter presented the International Economic Developments paper for June.

C. A. Crockett

Secretary. 26 July 1990.

Adrian Cadbury

26th July 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 26 JULY 1990

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, KCVO
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq

Ian Plenderleith, Esq

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

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

Under the weekly executive report and with reference to a Minute of 12 July, the Governor reported that the pay negotiations had now reached a critical stage. Following the rejection in Negotiating Council of the Bank's offer which had

been endorsed by Court and which would have increased the pay bill by 8.84%, a further offer costing 8.94% overall had been made at ACAS the previous Friday. This too had been rejected as had a later revised offer within the same overall pay constraint.

The Governor had subsequently authorised a new offer with a headline figure of 8.75% but costing 9.11% overall: this was conditional upon acceptance by the Union and available only if the Union agreed in principle to a change in the bargaining units to reflect the Bank's current staff structures. The Union had indicated acceptance of the latter condition and agreed to put the offer to Section Council the following Friday. However, the indications were that Council would reject the offer and institute a ballot for industrial action which would probably take the form of selected overtime bans and working to rule.

In the event of the Union rejecting the offer the Governor said the Bank could impose a settlement, either the earlier unconditional offer, which we were entitled to do, or on moral grounds, the latest offer which had been conditional upon acceptance. After some discussion, it was agreed that the Bank should stand by the best deal that it felt it could support irrespective of whether conditions had been attached to it in earlier negotiations. However if the Bank felt inclined to revert to an earlier position, an amended offer within a pay bill increase of 9% might be appropriate. There was also agreement that the Bank should take no further action until the result of the ballot was known.

Court fully supported the stance the Governor had adopted in resisting an award which was inconsistent with the Bank's responsibility for counter inflationary policy.

At the Governor's invitation:

- 1 Mr Coleby, in the absence of Mr Flemming, spoke about the Overseas Trade Figures for June, which had been published the previous Monday, before commenting on the Economic Report for July.

- 2 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the strong growth of M0 and notes and coins experienced in the Spring was now slowing down rapidly, with the year on year growth of M0 falling from 7.3% in April and 6.9% in May to 6 1/2% in June; in July we expected the growth rate to decline further to around 5 3/4%. The growth of M4 and M4 lending also continued to decelerate. Growth in M4 in June had fallen to 16.8% year on year, the lowest for two years with the single exception of the month of the flotation of Abbey National plc, and this was consistent with the decline in personal wealth resulting from weaker house prices. M4 lending in June was down to 18 3/4% year on year with the downward trend reflecting a decline in corporate borrowing.

The strength of the exchange rate continued to be a significant factor in progress against inflation. However there was no justification for a fall in interest rates at present. The conclusion, therefore, must be that policy was broadly on course.

BA Hoffman
 Assistant Secretary
 2nd August 1990

R. A. J. George
 2 August 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 2 AUGUST 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Professor Mervyn Allister King
Sir Hector Laing
David Alan Walker, Esq

Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

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

Under the weekly executive report:

- 1 Mr Crockett, on return from a meeting at the Foreign and Commonwealth Office which he had had to leave before the finish advised Court of developments arising from the

Iraq/Kuwait conflict. An emergency meeting of the United Nations Security Council had condemned the Iraqi invasion on a vote of 14 0 with one abstention, the Yemen. The President of the United States had frozen the assets of Iraq and Kuwait in the United States and had imposed economic sanctions on Iraq. The United States had asked other countries to undertake similar action. A military intervention was considered unlikely.

So far as the United Kingdom was concerned consideration was being given as to the most effective way of showing disapproval of the action by Iraq in particular a freeze on Iraqi controlled assets. There were still doubts about the legal implications of such a move and, indeed, whether or not a legal basis existed. The most important issue, however, was one of policy. On the one hand a freeze had the potential to undermine the reputation of the host country as an investment location. On the other hand, the current circumstances were rather unique, and the former Kuwait authorities had asked countries to participate in the freeze in order that they might be protected.

The Foreign Office had wondered if the Bank could drop hints to private financial institutions to freeze informally assets belonging to countries involved. The Bank had said commercial banks would need a legal basis for such action. Institutions could not be asked to behave in this way without a government order.

Whilst some parallels could be drawn with the freezing of Libyan and Argentinian assets, these parallels were not precise. Moreover, the scale of Kuwait's assets was of a different order. Much turned on the status of individual assets and there would be difficulties unless the United Kingdom government ordered a freeze which was not ruled out and might well be the eventual decision.

Looking further ahead, the Foreign Office felt there was relatively little likelihood of dislodging the Iraqis. This meant that, in due course, the probability was that other countries would recognise the new regime in Kuwait, and that relations would eventually be normalised.

2 With reference to Minutes of 12 and 26 July concerning pay negotiations, the Deputy Governor reported to Court that the conciliation procedures through ACAS had been exhausted. The Union were not willing to hold further discussions unless the Bank put extra money on the table. The question, therefore, was whether or not the Bank should impose its final offer of 9.11%. There were a number of factors to take into account. A ballot had not taken place on industrial action and it was now felt industrial action was less, rather than more, likely. Nevertheless, it had become evident that should settlement be imposed there would be a great sense of disgruntlement, particularly amongst Bank Officers, which would intensify the existing resentment over the Scheme of Classification and the divide it imposed between Officials and Officers and which lay at the root of the difficulty of the pay negotiation this year. In light of representations that had been made, and after consulting with the Governor, the Deputy Governor had decided to recommend to Court that a further offer should be made of 8.75% plus £100 to all bargaining units thus removing any distinction between Officers and Officials. This would produce a settlement with the cost being 9.34% compared to the previous offer of 9.11%. The Deputy Governor went on to say that the Bank needed to address the question of the resentment that existed amongst those whose prospects had disappeared as a result of the latest Scheme of Classification. This, however, needed to be addressed away from the pay round. After some discussion Court agreed to the Deputy Governor's recommendation. Comment was made that a settlement by agreement was better than one by imposition. There was also general agreement that it was important the benefits of the Scheme of Classification should not be diluted and that next year a quicker settlement should be reached without so many changes in the Bank's position.

A letter from Messrs Freshfields was submitted together with a document to be sealed, namely the granting of an indemnity in favour of the Corporation of Foreign Bondholders. 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 31 May, Mr Crockett presented a paper entitled "The Exchange Rate Mechanism of the European Monetary System". The paper outlined the historical background to the ERM, its economic benefits and costs and the three key decisions that needed to be taken prior to the United Kingdom's entry to the ERM. A discussion ensued.

Ben Hoffman
Assistant Secretary
9th August 1990

Adrian Cadbury
9th August 1990.

3.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 9 AUGUST 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, KCVO
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
Sir Martin Wakefield Jacomb
Professor Mervyn Allister King
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
David Alan Walker, Esq

Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

Mr Plenderleith commented on the weekly figures before speaking 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 Deputy Governor spoke about the freeze on Kuwait's and Iraq's assets. He said that he recognised that the timing of the announcement in the middle of a business day was unfortunate and liable to cause disruption. The Bank had addressed the dislocation rapidly by giving

permission for all outstanding pre zero transactions to be completed. On the Friday a further relaxation was introduced enabling Kuwaitis in the UK to draw cash. An emergency unit worked over the weekend in the Bank to produce regulations. These were issued on the Tuesday but guidance had been available from the unit the previous day. The regulations require specific permission for any assets to be moved from Iraqi or Kuwaiti accounts; a general permission has been granted for these accounts to be credited.

The Deputy Governor said there was some criticism suggesting we could have produced the guidelines more quickly. However, the situation with regard to Kuwait was unprecedented in that we were seeking to ensure that Kuwaiti assets were preserved for their legitimate owners, not to penalise those owners. Our aim therefore was to allow Kuwaiti assets/businesses to continue to be managed provided the assets remained within the UK. The only difficulties that had emerged stemmed from the interaction between our regulations and those of other authorities. In this context representatives of the United States' regulators were due to visit the Bank later in the day and we had proposed to the Chairman of the Committee of European Community Central Bank Governors a wider meeting to coordinate the operation of the freeze internationally.

The Deputy Governor went on to pay tribute to the many Bank staff involved in the operation which had shown the Bank at its best. He was consequently all the more disappointed to receive a hostile letter from the British Bankers' Association, addressed to the Governor, criticising the timing of the announcement of the freeze and the lack of contingency planning. Unless the letter was withdrawn he intended responding in robust terms.

With reference to a Minute of the previous week, the Deputy Governor reported that an agreement had been reached between the Bank and BIFU for an 8 3/4% increase in salaries for those staff within the bargaining units plus £100, to be effective from 1 July. He went on to introduce a Governors' Recommendation concerning Senior Officials' salaries. It was agreed by Court

that the salaries of Senior Officials be revised with effect from 1 July 1990 as follows:-

Point A be increased from £73,650 to £80,100
Point B be increased from £68,000 to £73,950
Point C be increased from £62,350 to £67,800
Point D be increased from £59,350 to £64,550
Point E be increased from £56,350 to £61,300
Point F be increased from £53,350 to £58,050

At the Deputy Governor's invitation:

- 1 Mr Kent introduced a paper on the role of the Stock Exchange and the future of the Equity Market.
- 2 In the absence of Mr Flemming, Mr Taylor presented the Economic Commentary section from the August edition of the Quarterly Bulletin.

R.A. Hoffmann

Assistant Secretary

16th August 1990

D.J. Walker

16th Aug

A COURT OF DIRECTORS AT THE BANK

THURSDAY 16 AUGUST 1990

Present

Edward Alan John George, Esq, Deputy Governor

David Alan Walker, Esq

Dr David Valentine Atterton, CBE

Anthony Laurie Coleby, Esq

Sir Colin Ross Corness

Andrew Duncan Crockett, Esq

Sir Martin Wakefield Jacomb

Professor Mervyn Allister King

Gavin Harry Laird, Esq, CBE

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 Coleby 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 Deputy Governor said the main problem with regard to the freeze placed on Iraqi and Kuwaiti assets lay in the inconsistencies and incompatibilities between the international regimes administering the restrictions. The Bank had had a very useful meeting the previous Friday with the

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various United States regulators. There was a common perception that in the present situation the aim was to place a cordon sanitaire round Kuwait's assets. The Americans had made some helpful amendments to their rules especially with regard to foreign exchange transactions and those affecting Kuwaiti banks. However, there were still inconsistencies in relation to G10 countries especially Japan and Germany. As a result Messrs Green and Gill were that day attending a meeting of these countries in Basle.

Referring to the letter, which he mentioned the previous week had been sent by the British Bankers' Association to the Governor, the Deputy Governor said that it appeared that the problems had been largely international in origin rather than the result of the UK action and the offending letter had been withdrawn.

Once arrangements had been finalised to enable the Kuwait Investment Office and Kuwait Petroleum Company to operate as normally as possible in this country the administration of the regulations should settle down. A current preoccupation was the treatment of performance bonds. The interruption of contracts with Iraq had made some of them callable. The Bank were looking at ways of protecting British companies and, again, were endeavouring to coordinate an international response. The Deputy Governor reported the emergency unit continued to work well attracting a number of favourable comments. It was taking some time to respond to the initial flood of enquiries but managing to hold its own. He also mentioned his concern over a secondee from the Bank who had been stranded in Kuwait.

At the Deputy Governor's invitation:

- 1 With reference to Minutes of 25 April 1985 and 25 February 1988, Mr Harris, the Chairman of the Trustees of the Staff Pension Fund, presented a Report of the Staff Committee concerning amendments to the definitive Rules of the Staff Pension Fund, bringing them into line with changes agreed by Members following the third and fourth reports of the Standing Committee on Pensions. The recommendations contained in the Report were approved.

With reference to a Minute of 28 June a paper, responding to the question of depositing copies of the Report and Accounts of the Pension Fund with the National Association of Pension Funds, was circulated.

- 2 Mr Crockett introduced a paper on the implications of German Economic and Monetary Union. It was agreed that consideration be given to the wider distribution of the paper to such as the Confederation of British Industry.
- 3 Mr Crockett then presented the International Economic Developments paper for July.
- 4 In the absence of Mr Flemming, Mr Taylor spoke about 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.

L. S. Cragg
Secretary 6 November 1990.

E. A. J. George
6 September 1990

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 23 AUGUST 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, KCVO
Anthony Laurie Coleby, Esq
Brian Quinn, Esq

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.

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

Under the weekly executive report, and with reference to a Minute of the previous week, the Deputy Governor said that the Bank was still very much occupied with the application of the freeze on Iraqi and Kuwaiti assets. The recent emphasis had been on trying to resolve the market problems arising from the interaction of different national regulations where the Bank was making much of the running. Additional staff resources have been made available for the Bank's emergency unit.



The position of the Bank's secondee to Kuwait remained unchanged: he was reported to be safe and well. The Bank's secondee to Bahrain had returned to the UK the previous day on the expiry of his secondment. The Bank was under some pressure to replace him as soon as possible but were currently asking the Foreign Office to grant his replacement diplomatic status before allowing him to travel.

F.A.V. George

6 September 1990

C. A. Wright.

Securay. 6 September 1990.

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 30 AUGUST 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Anthony Laurie Coleby, Esq
Sir Martin Wakefield Jacomb
Brian Quinn, Esq
Sir David Gerald Scholey, CBE

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 Meeting, 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 Deputy Governor said that the Bank continued to make progress in resolving the problems arising from the inter action of different national regulations relating to the freeze on Iraqi and Kuwaiti assets. One particular policy issue

which had now been resolved concerned performance bonds attaching to contracts between British and Iraqi or Kuwaiti companies. As a result of the sanctions imposed against Iraq, British companies would be unable to fulfill their contracts and the Iraqis might be in a position to claim under the performance bonds attaching to such contracts. The British contractor would therefore have to settle the claim, the monies being placed on a frozen Iraqi account. After discussions with Government the Bank had amended its instructions to provide for the suspension of such payments. This instruction had been reinforced subsequently by an Order in Council. The Deputy Governor said that all major policy issues had now been addressed and there should be nothing further to bring to Court. The Governor paid tribute to the Deputy Governor and the staff of the Emergency Unit for the excellent work they had done and the fine example that they had set in responding to this crisis.

- 2 Mr Kent, referring to recent press reports about the financing difficulties of Eurotunnel, confirmed that only £1.2 bn of the required £2 bn syndication had so far been achieved; there was therefore a shortfall of £800 mn. Some of the shortfall attributable to Middle East and East European banks was now unlikely to be fulfilled and the initial response of Japanese banks had also been disappointing. The Japanese had raised three conditions which they wished to see fulfilled before their participation: they expected the French and UK banks to meet their quotas in full; the European Investment Bank to make a significant contribution; and finally, they looked to the French and British Governments to show their support for the project. An approach to Government on the final point, had prompted the Prime Minister subsequently to write to the Japanese Prime Minister, and the Deputy Governor had followed this up with a letter to the Governor of the Bank of Japan. The Japanese banks had since responded with 56% of their quota, which is nearly a quarter of the total amount of the syndication. Nevertheless, there remained a shortfall of some £700 mn.
- 

There was now considerable pressure on the timetable. The syndication needed to be in place by 14 September to enable the rights issue to go ahead as planned in mid October. Nevertheless, there was a fall back position for a delay in the rights issue in the event of adverse market conditions, and the underwriting arrangements would remain in place until the end of January the following year.

Mr Kent said that there had been some criticism of the Agent Banks and to resolve the present difficulties it may be necessary to introduce additional Agent Banks and to restructure the syndicate.

Apart from the problems of financing this project, the Governor said he was concerned about the Bank's wider role, a concern which the Chancellor of the Exchequer was known to share. The Bank had been drawn in initially as a conciliator and was acting now as a facilitator to keep the syndication on course, both roles having been assumed largely because of a lack of obvious Government support.

At the Governor's invitation:

- 1 Mr Harris introduced the Head of Personnel Division's Report on Staffing Policy for Banking Staff for the year ended 30 June 1990 which was laid before Court. During the discussion which followed, the Governor raised the question of the proportion of graduate recruits who should be economically literate, and suggested that it might be appropriate for the Bank to revise its policy on secondments to ensure that we were able to release more staff to meet requests for assistance abroad.
- 2 In the absence of Mr Flemming, Mr Taylor spoke about the Overseas Trade Figures for July, which had been published the previous week, before presenting the Economic Report for August.
- 3 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the monetary data for July showed clear signs of a slowing down. The currency circulation and M0 both fell on the month, the latter by

0.5% to give a year on year increase of 5.5%. It was likely in August to come down to just below 5%, helped by low bankers' balances; currency growth would probably be about 5 1/4%. Mr Coleby said that some of the decline in year on year growth rates through the summer reflected the disappearance from the comparison of months of strong growth last year. That comes to an end after August, and it would be wrong to expect a continuing decline of narrow money, or even as yet to its coming decisively within the target range of 1 5%.

The growth in M4 and M4 lending also continued to decline. M4 had been flat month on month with the year on year increase down by 1/2% to 16 1/4%: the lending figures recorded a year on year increase of 17 1/2%, both the lowest for some while. M4 lending during the month had been subdued to all sectors but personal mortgage borrowing, particularly from Building Societies who had increased their market share, was holding up and showing no real sign of a decline.

The exchange rate had strengthened by some 2 1/2% since the end of July. While this persists there will be no need to consider any tightening of policy. On the other hand, it would be premature to reduce interest rates, and not merely because of the damaging signal that would give at this stage of the inflation cycle. The present state of the economy remained one of strong activity levels, with only the beginnings of the needed squeeze on profit margins generally. A reduction in interest rates would risk causing a relapse in the exchange rate, whose recent firmness had contributed greatly to the effectiveness of policy.

E. A. J. Gearty

6 September 1990

E. A. Gearty

Secretary

6 September 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 6 SEPTEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Lord Haslam of Bolton
Professor Mervyn Allister King
Brian Quinn, Esq
Sir David Gerald Scholey, CBE

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

The Minutes of the Court of 16 August and of the Meeting of 23 August were confirmed, and those of last week's Meeting, 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 August, and the state of the domestic markets.

Under the weekly executive report and with reference to a Minute of 2 August, Mr Crockett said that following the liquidation of the Corporation of Foreign Bondholders, the Bank had received the sum of £1.2 mn from Touche Ross and had repaid various subventions made to the Council of Foreign Bondholders in the past by various City institutions. It had been agreed that the



remaining funds should be used to establish a Trust Fund, to be administered by the Bank, to finance the training of individuals from developing countries and from Eastern Europe. The Bank would now establish the necessary procedures for awarding scholarships.

Court gave their approval to Dr Atterton joining the Board of Minworth Group plc and Sir Brian Corby joining the Board of the Foundation for Business Education Partnerships Limited.

The Governor, having declared his actual interest in the Court Pension Scheme and the potential interests of the Deputy Governor together with Messrs Quinn, Flemming, Crockett and Coleby, invited Sir Adrian Cadbury to present the Report of the Trustees of the Court Pension Scheme, together with the Annual Report and Accounts for the year ended 28 February 1990. In commenting on the Actuaries' report, Sir Adrian Cadbury said that this year's contribution to the Scheme had been paid in advance on 1 March 1990 at the rate of 38% of pensionable remuneration. It was proposed that no further contributions be paid until the result of the valuation as at 1 March 1991 had been reviewed by the Trustees.

In responding to a question relating to the publication of the assumptions used by the Actuaries in preparing the valuation, which had also been raised previously in connection with the Report of the Staff Pension Fund, Mr Harris said that in future the Staff Fund would publish the main financial assumptions in 'real' terms rather than the actual figures; it was agreed that a similar practice be adopted for the Court Pension Scheme.

There being no comments on the Accounts of the Houblon Norman Fund for the year ended 30 June 1990, Mr Flemming, 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 [redacted]

A. A. Crockett
Secretary, 13 September 1990

E. A. J. Goss Jr
13 September 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 SEPTEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Lord Haslam of Bolton
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

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

Under the weekly executive report:

- 1 With reference to recent comment in the press Mr Kent explained that the Bank had been engaged in discussions with banking institutions since May of this year to establish

common understandings on how banks might co operate in the provision of financial support for companies with liquidity problems. A paper setting out these understandings was now being shared with all the London banks through their associations.

During the brief discussion which followed it was acknowledged that there was a need to remind banks of their role in this respect, but the need for companies to adopt a responsible relationship with their banks was also emphasised.

- 2 The Governor spoke about the recent meetings of the European Finance Ministers held recently in Rome, and the meeting of the EC Governors in Basle which he had attended earlier that week.

At the Governor's invitation:

- 1 Sir David Scholey having declared his interest S G Warburg being advisors to 3i Mr Kent reminded Court that in November 1989 they had agreed that, in the long term, the Bank should dispose of its shareholding in 3i in such a way as to assist an orderly reconstruction of the ownership of 3i. Discussions between the shareholding banks had since been protracted but the latest proposals now provided for the private placing of the shares of those banks wishing to dispose of their holding. This proposal will go ahead on the understanding that, whether or not it succeeds, it will be followed by a flotation of 3i's shares when market conditions permit. The Bank's shares would be offered for sale as part of that flotation process.
Mr Kent also informed Court that he had learned that the Inland Revenue would not now appeal against the decision of the Special Commissioners that 3i should be granted the tax status of an investment company rather than a trading company.

- 2 Mr Crockett presented the International Economic Developments paper for August.

The Executive and Associate Directors having withdrawn, the Governor reminded Members of the provisions for performance related increases in the salary for Members of the Bank's Executive on the anniversary of their appointment which had been introduced with the revised salary structure at the beginning of the year. The anniversary of Mr J S Flemming's appointment as an Executive Director was 1 October and accordingly the Governors, having considered his contribution to the Bank over the past year, proposed that his salary be increased by £5,000 from that date.

Before seeking Court's agreement thereto, the Governor explained that Mr Flemming had indicated his wish to resign from the Bank at the end of February next year in order to take up an appointment with the European Bank for Reconstruction and Development. Court agreed that as the increase in salary related specifically to performance during the past year, it should be granted.

G. A. Cragg

Secretary 20th September 1990

F. A. J. George

20th September 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 SEPTEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

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

The Governor introduced a letter dated 20 September from Mr Flemming, which was laid before Court giving notice of his resignation from Court in the Office of Director on 28 February 1991.

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



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

Under the weekly executive report, Mr Quinn spoke about the role of the Deposit Protection Fund in relation to British and Commonwealth Merchant Bank and explained that the delay in making compensation payments had arisen because of the complicated legal position. Compensation to direct depositors was now being paid but the question of clients' money deposited by intermediaries had been the subject of protracted legal debate. However, progress was being made and the Board were now seeking details of intermediaries' clients' deposits which should help in making an early payment.

The Deputy Governor said that the arrangements in respect of clients' money, whereby no definitive assessment of an indirect depositor's claim could be made until all such claims had been identified and verified, was very unsatisfactory; changes in these arrangements may well be necessary and would be explored once the immediate situation was resolved.

At the Governor's invitation, Mr Harris introduced a Report of the Trustees of the Bank of England Pension Fund, including a valuation by the Actuary of the assets and liabilities of the Fund as at 28 February 1990. It was agreed that:

- (i) the Actuary should prepare a Final Report using the financial assumptions of Basis C in the Trustees Report, amended to show dividend growth of 5 1/2%, for submission to the Inland Revenue; and
- (ii) the contribution rate paid to the Fund should continue at the rate of 15% of pensionable remuneration until the next valuation of the Fund in 1993.

G. A. Croft
Secretary.

E. A. J. George
27 September 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 27 SEPTEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
John Stanton Flemming, Esq
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq, CBE
David Alan Walker, Esq

Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

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

Under the weekly executive report:

- 1 The Deputy Governor reminded Court that the Central Moneymarkets Office would go live on 1 October, beginning with new issues of Treasury Bills. There would be 46 direct members and a large number of other firms participating

indirectly through the agency of a direct member. The project had been developed in a little under two years at a cost of some £1.5 million under the budget figure of £12.2 million. The services provided by the CMO and by the CGO would be organised into a single unit to be known as the Central Gilts and Moneymarkets Office.

- 2 The Deputy Governor informed Court that the Banking Ombudsman would be announcing on 1 October that the Bank of England was joining the Banking Ombudsman Scheme. The Scheme had been set up in 1986 but until recently had excluded staff accounts. Such accounts were now included and it was appropriate therefore for the Bank to join to demonstrate its support.
- 3 The Governor spoke about the Annual Meetings of the IMF and IBRD which he had attended recently in Washington.

At the Governor's invitation:

- 1 Mr Flemming spoke about the Overseas Trade Figures for August, which had been published earlier in the week, before presenting the Economic Report for September.
- 2 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that although in August there had been a strong growth of 1% in M0 and M4 and 0.5% in currency circulation, there had nevertheless been a decline in the year on year rates of growth. Currency circulation was down to 5.3% and M0 to 4.9%, bringing the latter within the target range of 1% to 5% for the first time since early 1988. Provisional figures for September indicated that the decline would continue, with the month on month growth of M0 down towards 4 1/2% and currency circulation under 5%. Although this pace of decline had not been expected in that particular month, the underlying trend accorded with our projections based on backward looking indicators. M4 and M4 lending continued their recent downward trend with year on year growth down by between 3/4% and 1%. The figures for August were up on those for the previous month,

including an increase in personal borrowing, with the purchase of new cars probably being a contributory factor. The trends continued to be consistent with our expectations. A further development during the month had been the falling back of the exchange rate to the levels of July.

Overall the data provided increasing evidence of a slow down in the economy. It was becoming much clearer that the desired adjustments were taking place, so that (barring a sharp decline in the exchange rate) we could expect the next move in interest rates to be downward. However, policy needed to be maintained at its present intensity for some time longer, if it were to have the desired impact on inflation.

A discussion ensued.

C. A. Caspary.
Seaway.

R. A. J. Grew
4 October 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 4 OCTOBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Lord Haslam of Bolton
Sir Hector Laing
Brian Quinn, Esq
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, 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 September, and the state of the domestic markets.

Under the weekly executive report, the Deputy Governor explained that during the past year the Bank had received many requests for assistance with training on Central Banking issues. These requests from Eastern European countries and elsewhere had been met thus far on an ad hoc basis, but it was now proposed to structure this training as well as our own domestic training on central banking on a more permanent and professional basis. To achieve this, Mr M E Hewitt would be appointed Director of Central Banking Studies: he would have full time assistance from [redacted] on financial markets and monetary policy operations, and further full or part time assistance on other such topics as supervision, payment and settlement arrangements and financial statistics.

This development would involve a significant increase in resources which Court agreed was fully justified: it would enhance the standing of the Bank and the position of London as an international financial centre.

At the Governor's invitation, Mr Crockett introduced the World Payments Report which reviewed international balance of payments and exchange rate developments over the previous year.

A discussion ensued.

BA [signature]

Assistant Secretary

11th October 1990

Adrian Cadbury

11th Oct. 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 11 OCTOBER 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Anthony Laurie Coleby, Esq
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Lord Haslam of Bolton
Sir Martin Wakefield Jacomb
Gavin Harry Laird, Esq, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

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

Under the weekly executive report, and with reference to a Minute of 2 August, the Deputy Governor spoke about sterling's

entry into the ERM. The decision to join had been taken some time previously, given that the European political dimension meant there was an advantage in doing so prior to the Inter Governmental Conference and the European Summit on 27 October. The dangers inherent in keeping the market in suspended animation also suggested it was better to take the step sooner rather than later.

But the timing had also to be consistent with domestic monetary objectives; the relevant Madrid condition had been framed in terms of the relative inflation rate, but it was perhaps better seen as relating to the state of demand in the economy relative to the rest of Europe, necessary to generate the conditions that would lead to an improvement in relative inflation. The Chancellor had been moving towards that formulation in Washington. The domestic economy had indeed slowed recently so that we were moving in the right direction, though we had not yet reached the point where an interest rate reduction in isolation was conclusively signalled. In thinking about the ERM decision it was clear that sterling was likely to rise strongly on 15% interest rates which would not have been helpful. We would then have had to respond by bringing interest rates down, in which case it could be argued it would be better to bring interest rates down at the same time. It was a finely balanced argument. We were inclined to take the ERM step first, as this gave a stronger signal and appeared a safer way to manage the situation. Others, however, thought such an approach would produce more market disturbance. In fact the decision to take the two steps simultaneously had worked out very well.

The choice of last weekend to make the announcement was essentially a question of logistics who was where and when. It was recognised that the timing would evoke comments that there was a political motive but this would have been the same if entry had been the coming weekend or the one after. Given our perception that conditions were appropriate we thought it better to enter sooner than later and before anyone changed their minds.

The timing of the announcement on the day was governed by technical factors. We did not want to disturb European trading but it would be helpful to obtain an initial sight of market reactions before finally settling the terms of entry. From a domestic policy standpoint these terms were more important than

the timing. We had to be able to continue to maintain a firm counter inflationary policy until we were totally confident the objective had been secured. We felt that, with a central rate of DM 2.95 and wide margins leaving scope for appreciation, this could be achieved.

So far as procedure was concerned it was a matter of us informing Central Bank Governors. The Deputy Governor said he spoke to President Pohl and Lagayette, the Deputy Governor of the Bank of France the Governor being absent. Both greatly welcomed the news with the Germans relaxed about the terms though preferring a modestly lower rate and the French showing concern about the procedure regarding our announcement and our central rate, which it was felt could be higher. The latter concern stemmed from worries that they could be forced into bottom position within the EMS by our joining, which could affect their own interest rate.

The final step entailed informing all the EEC Central Bank Governors. In doing so the Deputy Governor said he spoke very much on behalf of the Governor who had wanted to make that call for a very long time but, sadly, was unable to do so because of his longstanding international commitment. Again all had welcomed the news.

Mr Crockett had had to defend our actions to the Monetary Committee the following day. Mr Crockett outlined the procedures for joining. These required a country to inform other countries and to observe secrecy until discussions in the Monetary Committee had been completed a requirement we had not observed. The Monetary Committee, although regretting that we had not followed the established procedures, had warmly welcomed the United Kingdom's decision.

Concerning the substance of the terms we had proposed, some Committee members felt that the proposed exchange rate was on the high side in view of the competitive position of the United Kingdom. Others, however, noting the sharp rise in sterling in the immediate aftermath of the Chancellor's announcement, had wondered whether a higher rate could not be justified. In the end, the Committee had been content to endorse the rate we had ourselves proposed, although there was a suggestion by the Italian Chairman that the Committee should protect its dignity by choosing a different rate. On the

question of the width of the band there was unanimous agreement among Committee members coming from member countries. Despite the proposal of members representing the Commission that a 2 1/4% fluctuation margin should be chosen, everyone else supported the United Kingdom's proposal of a 6% band initially, with the prospect of this being reduced in the future. Following the agreement on the terms of sterling's participation in the ERM, the Committee discussed the preparation of the Communique which, reflecting concern about the continued high rate of inflation in the United Kingdom, stressed the need for an anti inflation and policy mix. After the text of the Communique had been finalised, the Chairman once again invoked the issue of dignity, this time of the Ministers and Governors in whose name the Communique was to be issued. He suggested that a "decent interval" be allowed to elapse before publication, so that time would be available for Monetary Committee members to consult their principals in national capitals. The Communique was finally released at 4pm.

In the discussion that ensued, in which it was evident that the decision was most welcome, some members expressed the concern that the central rate might prove too high, and the question was raised as to whether or not the Bank were concerned about the suggestion that there had been a leak. The Deputy Governor said that the Bank was looking at the dealings undertaken by the institution whose name had been mentioned in this connection.

At the request of a number of Directors, Mr Plenderleith undertook to arrange a teach in, around a future meeting of Court, into the workings of the ERM.

Bob Haggan
 Assistant Secretary
 18th October 1990

R.A.J. Geary
 18 October 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 18 OCTOBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
John Stanton Flemming, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

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



Under the weekly executive report:

- 1 With reference to a Minute of 30 August, Mr Kent brought Court up to date with regard to the position of the financing of Eurotunnel. The syndicate leaders had issued a press release on 9 October saying they had achieved the £2bn required. Thanks to pressure from the Prime Minister and the Deputy Governor there had been a positive response from Japanese banks. This had brought contributions up to £1.55 bn. The Agent Banks made an heroic effort to bridge the gap and put in an additional £250mn themselves which in due course they hope will at least in part be bought out by late contributors. The balance has been made up out of the European Investment Bank's £300 mn giving a total of £2.1bn. This outcome just met the conditions laid down for the equity underwriting. The Board of Eurotunnel has agreed to go ahead with the flotation process which would be completed by 5 November, the last feasible date before the privatisation of electricity comes into play. As a result of the announcement Eurotunnel's share price had risen which was important for the flotation price.
- 2 With reference to a Minute of 20 September, the Governor informed Court that Professor King had accepted an invitation to be appointed as Chief Economist and an Executive Director with effect from 1 March 1991, the day following the effective date of Mr Flemming's resignation.
- 3 The Governor spoke about impressions he had gained on his recent trip to Japan, Hong Kong, Taiwan and India.

The Governor, having declared his actual interest in the Court Pension Scheme and the potential interest of the Deputy Governor together with Messrs Walker, Quinn, Flemming and Coleby, invited Sir Adrian Cadbury to present a Report of the Trustees of the Court Pension Scheme. The Report was laid before Court.

At the Governor's invitation:

- 1 Dr Atterton introduced a Report of the Charitable Appeals Committee which covered appeals considered in the latest review period.
A Recommendation contained in the Report concerning the distribution of the Bank's matching contribution under the Give As You Earn Scheme, was approved.
- 2 With reference to a Minute of 8 March, Mr Flemming presented a paper entitled 'The UK Automotive Components Industry' the latest in a series of papers dealing with current developments in the economy.
- 3 In the absence of Mr Crockett, Mr Latter presented the International Economic Developments paper for September.

C. A. Crafts.

Secretary 1st November 1990

Adrian Cadbury

1st Nov 1990.

A MEETING OF DIRECTORS AT THE BANK
THURSDAY 25 OCTOBER 1990

Present

Sir George Adrian Hayhurst Cadbury
David Alan Walker, Esq
Anthony Laurie Coleby, Esq
Andrew Duncan Crockett, Esq
Brian Quinn, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

The number of Directors assembled being insufficient to form a
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.

In response to a question about the possibility of an ecu bond
issue in London, which had been mentioned by the Chancellor of
the Exchequer in his recent speech, Mr Coleby said that the main

reason for favouring such an issue was that it would enhance further London's position as a financial centre for such issues. Any contribution it might make to public policy objectives was entirely secondary. It would not be a substitute for funding through the sale of sterling debt, but might provide a useful means of adding to official currency reserves.

Mr Plenderleith endorsed this view adding that such an issue might attract domestic investment interest into ecu and could also provide the basis for LIFFE to inaugurate an ecu bond contract, the MATIF in Paris having recently started a similar contract in French Government ecu bonds.

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

C. A. Clegg.

Secretary March 1990

Adrian Cadbury

18th Nov 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 1 NOVEMBER 1990

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, KCVO
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Lord Haslam of Bolton
Sir Martin Wakefield Jacomb
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

The Minutes of the Court of 18 October were confirmed and those of the previous week's Meeting were approved.

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

Under the weekly executive report and with reference to a Minute of 19 July, Mr Quinn said that the Banking Department's review of the current arrangements for note distribution and storage had now been completed. A number of options had been considered but the main conclusions were that the current arrangements should continue for the time being. However, the current note sorting agreement with the other banks was due for review the following year when the opportunity would arise to discuss with those banks the terms on which we sort notes. This could bring changes to our current practice and this in turn might affect the role of the Branches in this area. It had also been concluded that it would be appropriate for the banking business of the Branches to conform to the same criteria that applied at Head Office, as he had explained to Court earlier that year. Finally, Mr Quinn said that further consideration would be given, where appropriate, to transferring work from Head Office to the Branches.

At the Governor's invitation:

- 1 Sir David Scholey introduced a Report of the Audit Committee which was laid before Court.
- 2 Mr Flemming spoke about the Overseas Trade Figures for September, which had been published on 22 October, before commenting on the Economic Report for October.
- 3 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the September data provided evidence of continuing decline in the rate of growth of all monetary measures. This was most conspicuously true of M0 and the currency circulation, both of which had fallen in the month, taking their year on year growth rates down to 4.6% and 4.8% respectively. October seemed likely to show only modest growth, with the 12 month rate for currency circulation coming down to about 4 1/4%. M4 and M4 lending, by contrast, grew quite strongly in September, by about 1 1/2%, but if allowance were made for the usual spikes in the quarter months, the growth was more modest. The year on year rate continued to decline.

The monetary data confirm but do not add to the picture of generally declining growth in demand and activity drawn from the real data. In addition to that historic information are two important other factors. First, the Gulf crisis with its implications for oil prices and the uncertainty that it has generated, and secondly the UK's entry to the ERM.

If the concern of policy was solely for the level of activity in the economy in the coming period, then grounds for a further reduction in interest rates now would be strong. But policy also has the objective of asserting control over inflation and because that is seen as necessary for healthy growth in economic activity over the medium and longer term, it has to be given priority. The Government has adopted ERM membership as a means of achieving this. The message, already delivered in Governor's speeches and elsewhere, is that control of costs is the necessary condition for the maintenance of economic activity, and of the jobs and company profits that go with it. It is vital that that message should not become blurred by the reduction of interest rates before better underlying inflation performance has been demonstrated.

During the discussion which followed, the Government's commitment to eliminating inflation was questioned, with particular reference to the use of indexation formulae in many aspects of public sector activity. There was general endorsement of the central importance of credibility in enabling policy to be successful, and regret that the credibility earned at considerable cost in the early 1980's appeared to have been almost totally lost.

R. H. Hoggan
 Assistant Secretary
 8th November 1990

Adrian Cadbury

8th Nov. 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 8 NOVEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Sir George Adrian Hayhurst Cadbury
The Hon Sir John Francis Harcourt Baring, KCVO
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Hector Laing
Brian Quinn, Esq
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, 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 October, and the state of the domestic markets.

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

At the Governor's invitation:

- 1 Sir John Baring presented a Report of the Committee to consider the Securities of Certain Funds.

- 2 Mr Flemming presented the international environment and the domestic economy sections from the November edition of the Quarterly Bulletin. In a discussion that ensued Mr Walker asked if Court could be provided with an assessment on whether or not the recent agreement on agricultural subsidies in the Community was sufficient to hold back the protectionist drive evident in the United States' Congress.
- 3 Mr Flemming then presented the latest paper on Recent Wage Settlements and Other Labour Market Developments which concentrated on the factors that had affected the labour market in the previous six months.
- 4 Sir Brian Corby spoke about the recent CBI conference.

Ra Hoffman

Assistant Secretary

15 November 1990

F. A. J. George

15 November 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 15 NOVEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
Anthony Laurie Coleby, Esq
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Lord Haslam of Bolton
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Sir David Gerald Scholey, CBE

Hugh Christopher Emlyn Harris, Esq
Ian Plenderleith, Esq

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

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

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

A letter, from Messrs Freshfields was submitted, together with a document to be sealed, namely a Deed of Release and

Substitution arising from a staff member purchasing a new extended lease from her freeholder and surrendering the existing lease.

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

Court gave their approval to Sir Colin Corness joining the Board of the Nationwide Anglia Building Society.

At the Governor's invitation:

- 1 Mr Flemming spoke about 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 presented the International Economic Developments paper for October. In the course of the ensuing discussion, Mr Laird enquired if the additional expenditures in eastern Germany would qualify for support from structural and regional funds from the European Community. Mr Crockett said that his understanding was that the costs would be met from within Germany. However, as Mr Laird had been informed to the contrary, he would check the position and let him know the following week.

Ron Hodgson
 Assistant Secretary
 22 November 1990

Adrian Cadbury
 22nd Nov. 1990.

A COURT OF DIRECTORS AT THE BANK

THURSDAY 22 NOVEMBER 1990

Present

Edward Alan John George, Esq, Deputy Governor
Sir George Adrian Hayhurst Cadbury
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
David Alan Walker, Esq

Ian Plenderleith, Esq

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

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

Under the weekly executive report:

- 1 And with reference to a Minute of 23 August, the Deputy Governor said he was very pleased to be able to report that [redacted] who had been caught in Kuwait, had arrived home last weekend. It had taken some time to organise through the International

Monetary Fund and in turn the United Nations, but this we had judged to be the safest way.

- 2 Mr Plenderleith informed Court that at the request of the Government the Bank had agreed to take on a role in connection with the privatisation of the electricity transmission industry which had been launched the previous day. It was a normal feature of underwriting agreements for provision to be made for an issue to be pulled if unforeseen events which fell outside normal underwriting risk resulted in a significant fall in markets. In the electricity sale, the decision in such circumstances rested with the Government, but the underwriters had felt a need for protection in their underwriting agreement through a special provision in the event of war in the Gulf. It had therefore been agreed the issue would be pulled if all of four events occurred:

- (i) War in the Gulf broke out within the three weeks from the launching of the sale to first dealings in the new shares;
- (ii) The FTSE index fell;
- (iii) The underwriters certified that the fall in the index was likely to result in the shares initially trading at a significant discount;
- (iv) The fall in the index was predominantly attributable to the outbreak of war.

If the Government and underwriters failed to agree on the fourth condition, the Bank would be asked to give an expert opinion. This was essentially a technical role and narrower than the one the Bank had assumed at the time of the BP sale in 1987. It was a role which it was felt the Bank could perform effectively and therefore it seemed right to agree to the Government's request. The Bank had clarified that their opinion would be conclusive and had obtained the normal indemnity from the Government.



- 3 Mr Plenderleith went on to speak about a problem that had arisen in relation to stock lending. The problem was a narrow one of legal technicalities. Two areas of market activity were affected: firstly, the process by which investment institutions lent stock through intermediaries to market makers; and secondly, the discount market, which borrowed secured money. In both instances the problem related to the use of money market instruments as collateral. What was the legal nature of the security? And when collateral passed through an intermediary, did this dilute the degree of the lender's security? Doubts had arisen because legal agreements had come under scrutiny as a result of the implementation of the 1989 Companies Act. The narrow legal questions had led some lenders of stock to react in an alarmist way by withdrawing from stock lending.

Mr Plenderleith said that, in response to this situation, the Bank had set up a working party the previous week to find a remedy. In the meantime, to hold the position, a meeting of stock borrowers and lenders had been called and a statement issued. Subsequently, good progress had been made and the working party had come up with two possible solutions, either of which should allow the activity to go on unchanged. Once the preferred solution had been agreed by the Stock Lending and Borrowing Committee of the Stock Exchange it was hoped it could be introduced very quickly. The episode had been an unfortunate hiccup and it was felt the Bank should take the role it had in responding to the emerging problems. That the problem had arisen at all stemmed to some extent from sensitivities remaining from the difficulties over local authority swaps.

- 4 With reference to a Minute of the previous week, Mr Crockett responded to Mr Laird's enquiry if additional expenditures in eastern Germany would qualify for support from structural and regional funds from the European Community. He said the entry of eastern Germany into the Community would mean some normal revenues and expenditures would be augmented but there would be no special contribution to the costs. Additional revenues would take the shape of Valued Added Tax

and custom receipts while additional expenditures would be mainly agricultural support costs and expenditure from structural funds. It was expected that in total, these revenues and costs would balance themselves out in 1990. In 1991 and 1992, however, there was likely to be an excess of spending over revenues of about 1bn ECU in each year, in respect of the territories of the former GDR.

- 5 With reference to a Minute of 8 November, Mr Crockett also responded to Mr Walker's request that Court be provided with an assessment of whether or not the recent agreement on agricultural subsidies in the Community was sufficient to hold back the protectionist drive evident in the United States' Congress. He said he did not know if the Community's proposal would be sufficient to produce an agreement in the current GATT round. If it was not, it was difficult to say whether the European Community would move and if so how far. If the GATT round were to fail to reach agreement, then there was a likelihood that protectionist pressures in the United States would revive strongly.

Court gave their approval to Mr G H Laird joining the Board of GEC Scotland Ltd.

G. A. Crockett

E. A. J. George
29 November 1990

Secretary, 29 November 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 29 NOVEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Lord Haslam of Bolton
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird, Esq, CBE
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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

Mr Quinn commented on the weekly figures and Mr Plenderleith 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 In the absence of Mr Flemming, Mr Price spoke about the Overseas Trade Figures for October, which had been

published the previous week, before presenting the Economic and Financial Report for November.

- 2 In introducing the regular monthly discussion of monetary policy, Mr Coleby said that the monetary data, particularly that relating to narrow money, confirmed slowing activity. Currency in circulation had remained virtually unchanged in October and was likely to remain so in November too. The year on year increase was of the order of 3 1/2% compared with 7 1/2% in April. So far as M4 and its counterparts were concerned, the flatness of the aggregates in October was attributable to negative contributions of unusual size from the public sector and external counterparts. The lending counterpart remained steady at the lower levels which had been apparent since Spring of this year. Consumption lending by the clearing banks had fallen back after two untypically strong months, but there were signs that mortgage lending might be reviving a little, as evidenced by statistics for Building Society commitments. The exchange rate had remained remarkably steady during the recent period of political uncertainty. It was difficult to determine whether this was as a result of ERM membership or in response to opinion polls which suggested an improvement in the Government's prospects of re election. Sterling nevertheless remained below its ERM parity, though not far from those currencies at the bottom of the narrow band. The excess demand that had provoked the current inflation had now been squeezed out. The need remained to counter cost push inflation and, to that end, to build up the credibility of policy based on our membership of the ERM. It would be damaging if any doubt were to arise about the maintenance of sterling's ERM parity. So while a fall in interest rates could now come into contemplation, care and judgement would be needed in order to avoid disturbing the markets. Important indicators would be the path of underlying inflation, and the movement of the exchange rate within its band.

C. A. Coagha
Secretary.

E. A. V. George
13th December 1990

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 6 DECEMBER 1990

Present

The Rt Hon Robert Leigh Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Anthony Laurie Coleby, Esq
Brian Quinn, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, 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 including the Official Reserves figures for November, and the state of the domestic markets.

C. A. Craythorn

Secretary. 13 December 1990.

E.A.J. George
15th December 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 13 DECEMBER 1990

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Andrew Duncan Crockett, Esq
John Stanton Flemming, 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

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

The Minutes of the Court of 29 November were confirmed and those of last week's Meeting, 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.

Under the weekly executive report:-

- 1 In speaking about the Money Laundering Guidance Notes which had been published that week, Mr Quinn said the

Bank had earlier been criticised for not taking a sufficiently active role in preventing the banking system being used for money laundering. The Bank had not accepted all the criticism as valid but nevertheless had set up a Working Group with representatives of the banks, building societies, and law enforcement agencies to work out a set of Guidance Notes. The Guidance Notes which covered mainstream banking and deposit-taking activities and offered practical and detailed ways of preventing and detecting drug money laundering, had been well received in the press. Work was now in hand to produce an extended version to cover insurance and investment services activities.

- 2 With reference to a Minute of 22 November, Mr Plenderleith said that a solution had now been found which would remove the legal doubts arising from the practice of stock lending. This entailed amending the relevant legal agreements to give the receiver of collateral absolute title. The tax and regulatory implications of the change had been examined and the solution had been agreed by the Stock Lending and Borrowing Committee of the Stock Exchange which he chaired in his capacity as Government Broker.

At the Governor's invitation, Mr Crockett presented the International Economic Developments paper for November and the World Economic Forecast for Autumn 1990.

The Governor mentioned that Lord Robens, who was a Non-Executive Director from 1966 to 1981, would be celebrating his 80th birthday on Tuesday 18 December and that he proposed to send a message of congratulation.

L. A. Craghton
 Secretary.
 20th December 1990.

E. A. J. George
 20th December 1990

A COURT OF DIRECTORS AT THE BANK

THURSDAY 20 DECEMBER 1990

Present

The Rt Hon Robert Leigh-Pemberton, Governor
Edward Alan John George, Esq, Deputy Governor
Dr David Valentine Atterton, CBE
The Hon Sir John Francis Harcourt Baring, KCVO
Sir George Adrian Hayhurst Cadbury
Anthony Laurie Coleby, Esq
Sir Frederick Brian Corby
Sir Colin Ross Corness
Andrew Duncan Crockett, Esq
John Stanton Flemming, Esq
Sir Martin Wakefield Jacomb
Sir Hector Laing
Brian Quinn, Esq
Sir David Gerald Scholey, CBE
David Alan Walker, Esq

Hugh Christopher Emlyn Harris, Esq
Pendarell Hugh Kent, Esq
Ian Plenderleith, Esq

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.

Under the weekly executive report:-

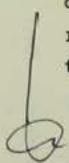
- 1 The Governor explained that he was under pressure to appear before the Trade and Industry Select Committee to

answer questions about the Bank's handling of the case of Harrods Bank. He assured Court that the Bank had had the matter in hand since the publication of the House of Fraser Report in 1989. So far he had resisted pressure to disclose the Bank's supervisory actions as the Banking Act prohibited such disclosure. As a consequence of this action, however, it was possible that he would be summoned to appear before the Committee to disclose information: in this event he would seek to appear in camera.

2 Mr Kent spoke about changes that were likely to be implemented in connection with the Agricultural Mortgage Corporation. The Corporation had been established by Statute in 1928 and, like 3is, had as its shareholders the Clearing Banks and the Bank of England. The Statute imposed certain constraints on both the assets and liabilities of the Corporation: on the one hand the Corporation was looking for greater asset freedom and on the other, the Clearing Banks were seeking de-regulation on liabilities. There was Government support for these changes which were incorporated in the Agricultural and Forestry (Financial Provisions) Bill currently before Parliament.

In the wake of these proposals, the Clearing Banks were anxious to divest their shareholdings and the Bank of England, similarly, no longer felt it appropriate to maintain its shareholding once the Corporation became commercially freestanding after a suitable period of market adjustment. Early in the new year it was expected that in the course of the second reading of the Bill the intentions of shareholders to divest would become known.

A letter from Messrs Freshfields was submitted together with a document to be sealed, namely the renewal of the lease in respect of the London Electricity Board transformer chamber at the Bank of England Club, King's Arms Yard.



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

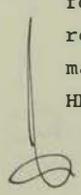
The Governor reminded Members that in agreeing to disband the Committee on Permanent Control of Expenditure earlier in the year, Court had also agreed that it would be appropriate for the Deputy Governor to report regularly, in the first instance to Committee of Treasury, on the Bank's financial position: this he had done the previous week.

At the Governor's invitation, the Deputy Governor then drew Court's attention to the Banking Department Profit and Loss Account. The total income for the year to February 1991 was forecast at £284.9 mn, an increase of 22% over the year. This had prompted the Bank to write to HM Treasury indicating our intention to reduce the cash ratio deposit from 0.45% to 0.40% early in the new year: the indications were that their reaction would be favourable.

Expenditure, after recoveries from HMG, was expected to increase by 4% (nominal) over the year to £127.3 mn, to provide an operating profit before tax of £176.2 mn, an increase of 7% on the previous year.

Forecast current expenditure was nevertheless running over budget: Personnel costs accounted for the major element reflecting a larger pay award than budgeted. Premises and Equipment costs were on budget but Other costs, reflecting increases in telephone charges and professional fees etc, were expected to exceed budget.

The costs of three of the Bank's functions were cash limited and despite progressively unrealistic allowances for inflation, which continued with increases of only 2.5% per annum for the next four years, the Bank had consistently managed these functions within the cash limit ceilings set by HM Treasury. However, the relocation of the Registrar's Department to Gloucester had produced savings in excess of those originally forecast, thus providing an opportunity for the Bank to re-appraise notional rents. These were now closer to current market rates and had been negotiated and agreed with HM Treasury.



The outturn on capital expenditure this year was forecast at £35.4 mn, an underspend of only some £0.6 mn against the original forecast, and reflecting that the two main building projects, Gloucester and the New Change modernisation programme, were proceeding on target.

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

Sir Adrian Cadbury informed Court that the Remuneration Committee had reviewed the salary structure for the Governor, the Deputy Governor, the Executive and Associate Directors, and Advisers to the Governor in the light of the decision taken by Court on 11 January 1990 and the Report received from Towers Perrin dated November 1990. The Committee endorsed the introduction, with effect from 1 January 1991, of the second instalment of the January 1990 award, and in addition recommended a further increase to take account of the data contained in the Towers Perrin report. The Committee, having noted the Governor's views, recommended that the increase in ranges which would otherwise be introduced in full from 1 January 1991 should be made in two stages on 1 January 1991 and 1 January 1992, with the latter stage being subject to any further enhancement that might be appropriate following a market survey to be undertaken in October 1991. The Committee also sought from Court a commitment to implement the second tranche, to achieve parity with market salaries, with effect from 1 January 1992.

The Committee also recommended that the procedure for reviewing the position of individuals within the salary ranges be amended to provide for simultaneous review with increases, if any, effective from 1 January, rather than reviews taking place separately on the anniversary of individual's appointment.

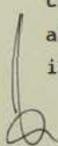


The proposed salaries and salary ranges contained in the Report of the Remuneration Committee were approved. Court noted that the Governors saw no cause to undertake further personal performance assessments at the present time and that current enhancements above the minimum of the salary ranges would in each case be carried through to the new salary ranges.

The Governor, the Deputy Governor, the Executive and Associate Directors then rejoined Court.

At the Governor's invitation, the Deputy Governor introduced a series of papers 'The Bank's Administrative Framework', a structured approach to the administration of the Bank over the period ahead. The first paper represented a revised text of the statement of "Purposes, Responsibilities and Philosophy" which had been discussed at Court on 14 June that year. The Deputy Governor said that in the context of this statement, which would be reviewed regularly, the Governors and Directors would seek to identify necessary changes in activity or emphasis for the period ahead. These decisions would feed into the annual exercise of setting individual responsibilities and objectives for Bank officials and also into the budgetary process. He saw this process as introducing a disciplined framework within which the decision making process would take place. In turn this would help staff generally to identify their individual role within the Bank's operations, and understand the Bank-wide context, eg for budgetary constraint. Subject to Court's agreement, the Deputy Governor proposed that the shorter statement would provide a valuable focus for training purposes and would be appropriate in due course for wide circulation among staff.

There was support for the introduction of an administrative framework which was seen as important for the Bank's future development. However some concern was expressed about the expression "public service" in the statement and the limitations that it might impose, particularly in respect of the Bank's ability to respond to and be responsible for the wider needs of industry and the general management of the economy. The Deputy



Governor argued that the idea that the Bank could pretend to be managing the economy in any wider sense, or serve as a surrogate DTI, had created tensions and misapprehensions; they were precisely the sort of thing the statement was intended to clarify. The Bank's role was necessarily more precisely focused than this. It needed to concentrate on promoting the health of the wider economy in the three main areas identified in the statement which was where the Bank's locus lay. The subsequent discussion focused on the role of Court within the administrative framework and on other consequences of its adoption.

It was agreed that a further opportunity be made for Court to discuss the issue again on an informal basis but in the meantime the framework could be adopted as a guideline for further discussions, but not yet general publication.

L. A. Cragher.

Secretary.

Adrian Cadbury

3/1/91.

A MEETING OF DIRECTORS AT THE BANK

THURSDAY 27 DECEMBER 1990

Present

Edward Alan John George, Esq, Deputy Governor

Anthony Laurie Coleby, 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.

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.

L. S. Coyle

Secretary. 3 Jan 1991

Adrian Cadbury

31/1/91.

