

MEETING OF THE COURT OF DIRECTORS

Tuesday, 20 May 2014

Present:

Sir David Lees, Chairman
The Governor
Mr Bailey, Deputy Governor – Prudential Regulation
Mr Bean, Deputy Governor – Monetary Policy
Mr Cunliffe, Deputy Governor – Financial Stability
Sir Roger Carr
Mr Cohrs
Mr Fried
Mr Frost
Lady Rice

In attendance:

Ms Hogg, Chief Operating Officer

Apologies:

Mr Prentis
Mr Stewart

Secretary:

Mr Footman

1. **Minutes**

The minutes of the meeting held on 16 April were approved.

2. **Matters Arising**

The Governor confirmed that decisions on the Director level appointments were likely to be taken and announced within the next few days.

3. **Chairman's business**

On a recommendation from Nomination Committee, Court appointed John Stewart Chairman of Remuneration Committee and Bradley Fried Chairman of Audit and Risk Committee, both with effect from 1 June 2014. The Chairman thanked Sir Roger Carr and Lady Rice for their service on those Committees.

The Chairman reported that the Oversight Committee had received a further update from Lord Grabiner on the progress of his Investigation. There would be a further meeting with the Oversight Committee in June and a full report on progress, budget and likely timing of a Report would be provided to court at its meeting in July.

4. **Executive Report**

The Governor noted the extensive public commentary on housing market risks. The position had been set out in Sir Jon Cunliffe's speech earlier in the month, and in interviews the Governor had sought to define the Bank's role: the Bank could not address the supply problem; and would not target house prices; but from a financial stability perspective the Bank was concerned about the potential vulnerability of borrowers and the resilience of the banks. The Mortgage Market Review addressed vulnerability, with closer examination of incomes and affordability; the Bank's forthcoming stress tests were designed around a steep decline in house prices coupled with a combination of recession and (exchange rate induced) rising interest rates, paralleling the early 1990s rather than the 2007-09 events.

The Governor reported on the announcement of the criminal conviction in the US of Credit Suisse. Mr Bailey added that thus far there had been little adverse market reaction to the guilty plea.

Ms Hogg said that the Bank had been invacuated (to the vault levels) the previous Thursday because of a suspect vehicle outside. There would be a review of the incident to see what lessons could be learned.

5. **FS Strategy**

Court approved the Bank's draft Financial Stability Strategy, which reflected advice from the FPC. The Chairman would now formally consult the Treasury, and the Strategy would be published in the Annual Report.

6. **Bank's Annual Report and Accounts**

(Messrs Footman, Coates and Ms Coll in attendance, with Messrs Todd and Iyer from KPMG also in attendance)

Court agreed that the Annual Report and Accounts would be presented for final approval to the Report and Accounts Committee on 4 June. The PRA Board had also established a Report and Accounts Committee that would meet at the same time. Subject to that:

- The Annual Report text was approved with minor amendments, and subject to a further discussion in Audit and Risk Committee of the presentation of the Bank's combined expenditure budget in the Financial Review.
- The draft letter of Representation to the Auditors was approved.
- Lady Rice confirmed that ARCO had reviewed the accounts and was content to recommend that Court approve them.
- Sir Roger Carr confirmed that he was content to sign the Remuneration Report.
- Mr Todd, as Auditor, confirmed that KPMG's audit work was substantially complete and that there were no remaining issues.
- Court approved a full-year dividend of £80mn. The increase since the estimate approved in March reflected a favourable change in the onerous lease provision.

7. **Turnbull Review**

(Mr Coates in attendance)

Court reviewed the Report from the Governors, which had previously been discussed in Audit and Risk Committee, and approved the statement for the Annual Report on risk management and control systems in the Bank and its subsidiaries.

8. **BEAFF Ltd Annual Report and Accounts**

(Mr Coates and Ms Coll in attendance)

Court noted the Report.

9. PRA Annual Report and Accounts
(Mr Coates and Ms Coll in attendance)

Court reviewed the PRA Report and Accounts, covering the period since 1 April 2013, when the PRA began operating. The Accounts were subject to final review and sign off by the NAO. Mr Bailey said that the PRA Directors were content to sign the letter of representation. Mr Coates said that earlier issues with the NAO around income recognition had been settled. It was suggested that the report might in future show more detail on the breakdown of expenditure between functions.

10. ARCo Annual Report

Lady Rice said that in addition to regular reviews of risk, controls, the Audit programme and the Accounts, ARCO had continued its focus on the ISTD Information Assurance Programme. On this, progress had been made and new arrangements for monitoring cyber risk and the Bank's defences were in place. PRA Directors were invited to attend ARCo and contributed to the assessment of Bankwide risks and controls. The NAO as statutory auditor of the PRA had also attended where relevant.

11. Court Reviews Updates including Annual Report on ELA
(Mr Dale, McKeown, Fisher, Hauser, Salmon and Hunt in attendance)

Court agreed that the implementation phase of the three reviews (Plenderleith on ELA, Winters on Sterling Market Operations and Stockton on Forecast capabilities) could be signed off, with remaining actions to be taken forward as part of normal business. Among those, the question of non-bank access to market facilities and ELA would be decided by the Governors later in the year; as would be a replacement for the current weekly Bank Return. Discussion of the correct level of capital to support the Bank's activities would continue in Court.

12. Inflation Report and MPC Report to Court
(Mr Dale in attendance)

Mr Dale summarised the key messages from the Inflation Report and the recent commentary on risks from the housing market, which would be the focus of the coming FPC round. A joint meeting of the MPC, the FPC and the PRA Board would be held ahead of the FPC meeting.

13. Remuneration and Grade Structure

(Mr Curtiss in attendance)

Court APPROVED the proposals for a new unified grading and remuneration structure as a basis for consultation with the staff.

14. Records Management Review

(Mr Footman in attendance)

Court noted progress on implementing the review, which would be completed in January 2015 with the inauguration of an email retention facility.

The meeting of Court was closed.