

## **ADDENDUM TO APRIL PUBLISHED MINUTES**

Court decided to omit the following section from its minutes for 28 April 2016, published on 9 June 2016. As provided in paragraph 12A (3) of Schedule 1 of the Bank of England Act, the Court may withhold information from publication within the statutory timetable (in this case, two weeks after the date of the next following meeting) where this would in the opinion of Court be against the public interest.

Text in *italics* has already been published.

### **Thursday 28 April 2016**

#### **EU Referendum**

*Court discussed the EU referendum and the work underway across the Bank's policy committees in relation to this event. In line with its remit, the Bank is considering the effects on monetary and financial stability, as well as considering contingency planning as appropriate.*

Sir Jon Cunliffe said that the Bank's focus was on the "period of heightened uncertainty" around the referendum on EU membership - in the event of a vote to leave this could be an extended period.

The FPC's view was that the uncertainty around the referendum was the biggest near-term domestic risk to financial stability.

The main identified risks to financial stability included funding market access for UK banks, availability of FX swap and cross-currency basis markets to banks and corporates and the resilience of financial market infrastructure. The Bank had reviewed data requirements and was putting in place contingency arrangements to provide sterling and FX liquidity if needed.

A joint MPC/FPC meeting had been held on 6 April to consider the risk channels. The MPC had considered the likely implications for monetary policy of a vote to leave, as its treatment of the referendum would be an important issue in presenting the May Inflation Report.

The Governor said that there were risks to demand and supply in the UK as well as the potential for some spill-over to the euro area and wider global economy.

Mr Fried asked how the Forecast published in May would take account of Referendum risk already embedded in market prices. Mr Broadbent said that the Forecast would look through the uncertainty effect by taking as a conditioning assumption an estimate of the exchange rate excluding the Referendum risk impact. This would be explained in the presentation.

Sir Jon Cunliffe said that communications purdah would start on 27 May. This would have implications for some externally facing business as usual activity, but guidance had been provided to staff, and the Bank would not be precluded from responding to market events.

## **Report on Communications**

*The Bank had circulated guidance to the Committee members and staff concerning communication ahead of the Referendum on EU membership. The guidance followed closely that issued by the Cabinet Office to the civil service.*

With reference to the earlier discussion, Directors asked for further guidance on how far they could make clear their own positions. Ms Scott said that it would be unfair for the Bank to expect its non-executives to observe total silence, but it was important that if they, or the companies they were associated with, supported a particular view they should make clear that they were not speaking for the Bank, and so far as possible avoid being provocative and participating in panel discussions.

Several directors noted that the Bank was seen as the most trusted institution and there was a considerable public appetite to hear its views on economic issues surrounding the referendum. Ms Scott said that in part the Bank was trusted because it was neutral and did not stray from its objectives. Any suggestion that the Bank supported one side or the other would compromise the Bank's neutrality and diminish public trust. Court agreed with the Governor that to say absolutely nothing would itself be political. The Governor noted that everything that had been put into the public domain derived from the monetary and financial stability objectives and had been in response to specific questions, typically from Parliamentary Committees. Agreed texts reflected the Bank's collective view and had been rigorously adhered to. The Bank was known to believe that a vote to leave would lead to a long period of uncertainty with implications for financial stability: there would be more to say from the monetary stability perspective around the May Inflation Report and before the formal start of purdah.