

MEETINGS OF THE COURT OF DIRECTORS

PUBLISHED MINUTES 2017

Since April 2013 Court has been required by Paragraph 12 of Schedule 1 of the Bank of England Act to publish minutes of its meetings. The Act also provides that Court may withhold information from publication where this would in its opinion be against the public interest. Material has been withheld from publication under this provision and, absent further action by the Court, would not enter the public domain until normal archive release after 20 years. However at its meeting in December 2015, Court adopted a process for keeping past redactions under review, starting with 2013. At its meeting in December 2019 Court decided that a number of items withheld in 2017 should no longer be withheld and these are reproduced below, with context where necessary. A further review, of items redacted in 2018, will be undertaken December 2020.

Text in *italics* has already been published.

26 April 2017

NAO Value for Money Study

(Rommel Pereira and Paula Lawless)

Court reviewed the draft NAO report on the Bank's 2014-2017 strategy for "One Mission One Bank". Mr Pereira said that the fact checking process was largely complete and the NAO were likely to sign off a final report on 26 May, though publication and any PAC hearing would fall after the election. Court was content with the progress and the changes made thus far, and thanked Mr Pereira and Ms Lawless for managing the process.

In relation to the NAO's comments on communication, the Governor said it was important to explain the importance to a central bank of using all communication channels available to it – both to broadcast and to listen. Future Forum was an example of that and Vision 2020 would provide more.

In relation to the Review's comments on Court members' monitoring of the cost of the plan, Mr Frost said that he had felt fully informed of the cost throughout.

HPVS

(Andrew Hauser, David Bailey and Matthew Hunt)

..... They had raised a number of helpful practical points about the need to manage transition risks and cost, and ensure effective channels for industry communication which would be built into the transition plan.

Baroness Harding asked about the means by which the Bank would take over responsibility. Mr Hauser said that the advice from PWC had been to acquire the CHAPS company, which had around 30 staff. It was hoped to retain certain key personnel; but business would be absorbed into the Bank. Directors commented that the Bank should not underestimate the difficulties of such transactions.

24 May 2017

Conflicts of Interest Committee (Lea Paterson and Stephen Brown)

Mr Fried said the committee aimed to present its report to Court in July with a view to publication shortly afterwards.

19 September 2017

Nominations Committee

Mr Habgood said that the Committee had met the previous evening to review likely Court vacancies for 2018. Mr Frost would have completed the normal two terms in May; Mr Habgood himself would retire in June. Baroness Harding, Mr Robert and Ms Thompson would complete their first terms in July. The latter three had tentatively expressed willingness to serve further terms and their reappointment would be recommended to the Treasury. An appointment process would therefore be required for the Chair and one further non-executive director. It was necessary that the new non-executive member should have recent and relevant financial experience.

A first step would be to agree timings with the Treasury and start the process of identifying a search consultant.

Our Code

It was agreed that the face-to-face attestations with senior staff would provide an opportunity to remind them about the reputational damage that could arise from independent transactions by spouses and other closely connected persons, and that the reference to that risk in the Code could be deleted.

7 November 2017

Brexit Contingency Planning

(Phil Evans and Lauren Anderson)

Mr Evans provided a further update on the Bank's preparations for Brexit. The main event of recent months had been the government's confirmation that it was seeking a transitional deal. The critical point for firms' location decisions would be early 2018. We were likely to need a major communication strategy around the turn of the year, covering the Bank's authorisation and supervisory approach to all firms including FMIs. Looking ahead to the end-state, the aim was to build a framework that we could manage ideally with deep market access and appropriate control over our rule book. The Bank had to be prepared for all possible outcomes. Mr Woods confirmed that the authorisation demands on the PRA would equivalent to around 70 people for a year. The Governor said that this presented more than just a budget and staffing problem – there were issues of senior management bandwidth. There would have to be reprioritisation: some things would have to stop, including potentially high-profile items.

Review of the supervision of Co-op Bank

(Miles Bake) (Mr Woods withdrew)

Mr Bake advised Court that the review of the supervision of Co-op Bank between 2008 and 2013, announced by the former Chancellor in 2013 but suspended while enforcement cases continued, was now likely to proceed. The investigation would be guided by a joint Treasury/Bank/FCA Standing Committee. Court agreed that Mr Thorburn should represent the Bank and the Chairman said that there would be a formal delegation from the PRC.

Quarterly Financial Review and Budget 2018/19

(Rommel Pereira, Rob Thompson)

.. Staff numbers however were likely to end the year slightly above budget, setting a challenge for the following year. The Governors had confirmed their intention of maintaining flat nominal spending in 2018/19, excluding only pension contributions (owing to volatility in gilt yields) and banknote printing. Within this budget the Bank would need to fund a pay award, additional work relating to Brexit (including authorisations of branches), the Co-op Review and RTGS renewal. This could be achieved only by making significant savings in other areas. Sir David Ramsden said that this represented a significant change of course for the Bank and would require a change in culture and communications. Sir Jon Cunliffe added all areas would need to

deliver significant savings. *A preview of the 2018/19 budget reflecting the Governors' intentions would be brought to Court in December.*

Committee Indemnities

(Karim Nath and Jonathan Grant)

Court noted that four non-statutory committees recently created or being formed in the Bank would be taking decisions and giving advice that could in some circumstances expose members – including external members - to legal action either during or after their service with the Bank. The Bank did not provide Directors' and Officers' liability insurance, relying instead on an indemnity policy for staff and specific indemnities for the members of Court and the statutory policy committees. Court resolved that all members of the FMI Board, RTGS/CHAPS Board, Enforcement Decision Making Committee and the SONIA Oversight Committee be indemnified by the Bank against all costs, charges, losses, expenses and liabilities incurred by him or her in carrying out or purporting to carry out any of his or her functions, or otherwise in connection with or in relation to such functions, provided that he or she has acted honestly and in good faith and has not acted recklessly. Court noted that these indemnities would be subject to the governance arrangements for indemnities set out in the 'Matters Reserved to Court' document.

19 December 2017

CRD Review Update

(Rommel Pereira, Andrew Hauser, Liam Waters and Katie South)

FMI Board had agreed to levy the industry for the Bank's supervision of FMI CSD's and CCP's, but it was likely that legislation to support a levy for Payment Systems would be delayed owing to the difficulty in finding Parliamentary time for the necessary statutory instrument. If so, this cost would need to be added to that funded by CRDs.

...Following a ministerial statement, informal consultations with CRD payers had started and a formal consultation was likely to be launched in early February.

Court was content with progress.

Mr Pereira noted that the timetable for the Parliamentary process was tight and if the changes were not made by 1 June the banks would continue to place CRDs on the present basis for at

least six months, so that the Bank would rely on the (declining) income from the FLS to cover its costs.

Joint Bank/HMT Financial Framework Memorandum of Understanding (MoU)
(Rommel Pereira, Andrew Hauser, Liam Waters and Katie South)

Mr Hauser said that the capital proposal involved defining a range around a target level. If capital fell below the target the Bank would retain all post-tax profits in order to replenish capital. If capital fell as far as the floor the Treasury would recapitalise the Bank. If capital reached the ceiling the Bank would start paying 100% of post-tax profits to the Treasury. Agreement had been reached over the appropriate degree of Treasury oversight of the Bank's income, costs, profit and dividends.

Co-op Review
(Miles Bake and Clare Hargreaves)

Mr Bake said that the Treasury was likely to announce the investigation and the reviewer in February once the FCA enforcement action had been concluded. The Treasury direction was likely to focus on the PRA only, and to be narrowly focussed on questions raised by the Treasury Committee: it would require completion in 12 months. Mr Thorburn would be representing the PRA in guiding the Review. He would be liaising with the Treasury Committee ahead of the announcement.

In response to questions Mr Bake confirmed that the review covered mainly the period before legal cutover to the PRA, and that FSA records were available, having moved across on the transition.