

MEETING OF THE COURT OF DIRECTORS

Thursday, 4 July 2019

Present:

Mr Fried, Chair

The Governor (items 1-6 and 11-17)

Mr Broadbent, Deputy Governor – Monetary Policy

Sir Jon Cunliffe, Deputy Governor – Financial Stability

Sir Dave Ramsden, Deputy Governor – Markets & Banking (items 1-6 and 11-17)

Mr Woods, Deputy Governor – Prudential Regulation

Ms Glover

Baroness Harding

Ms Noble

Ms Smits

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer

Apologies:

Mr Kalifa

Ms O'Grady

Secretary:

Mr Footman

1. Minutes and Matters Arising

The Chair welcomed Ms Smits to Court and noted that the two other new members had been unable to rearrange their programmes in the short period since the appointments had been announced.

The minutes of the meeting held on 21 May 2019 were approved.

There were no conflicts declared in relation to the present agenda.

On a proposal from Sir Jon Cunliffe, and following an internal and external recruitment process, Court approved the appointment of Christina Segal-Knowles as Executive Director for Financial Market Infrastructure. Sir Jon noted that the quality of applicants, both internal and external, had been very high.

2. ARCo Update

Ms Thompson said that ARCo had discussed with KPMG issues arising from this year's audit, including the Bank's spreadsheet policy and controls. None were material and all were being addressed.

3. Update on PAC and NAO work (Stephen Brown and Laurie Roberts)

Ms Place said that the Bank's response to the PAC report had been sent, and Committee members had been invited into the Bank for briefings.

The Chair said that he had met the new Comptroller and Auditor General, and had suggested a series of introductory meetings in the Bank, which had been welcomed. Ms Place and Mr Broadbent suggested that it would be good to focus the NAO on some of the operational functions of the Bank that were critical to the economy.

4. Future of Finance (Huw van Steenis and Tom Mutton)

Court noted the Future of Finance Review and the Bank's response. Mr van Steenis summarised the main themes – the need for finance to serve the rapidly evolving digital economy, as well as transitions shaping the real economy, while maintaining its resilience and openness to competition. These had been reflected in the Bank's response and in the Governor's Mansion House speech. The Bank had committed to support a more resilient, innovative and competitive payments system, to support open platform access to finance for small business and choice for households; to support an orderly transition to a carbon neutral economy; to deliver a world-class reg-tech and data strategy; and to support greater resilience through adoption of cloud and other technologies.

Mr van Steenis said that the report had followed wide consultations with diverse interests and groups, which had surfaced many questions and issues for further work. Payment mechanisms were the biggest area of concern. The trend away from cash had been very clear, and sufficiently rapid to risk excluding significant numbers of people. But there were widespread potential benefits, including in the area of cross border payments. The new players were largely cloud-based, which raised a concentration issue given the small number of major cloud

service providers. And the proliferation of players raised potential supervisory, legal and data regulation issues. The coincidental announcement of Facebook's Libra initiative had highlighted the point. For the Bank as a regulator, technology offered opportunities to automate routine tasks and to collect and analyse data more efficiently with savings for itself and possibly significant savings for regulated firms.

There had already been some follow-up to the report. In addition to the Bank's own response the Government had announced a review of payments and mandatory disclosures on carbon emissions and exposure to climate change risk. Sir Jon Cunliffe noted that a new G7 working group on Libra had been formed with considerable Bank input. Ms Glover said that the regulators would need to move as fast as the industry changed. Mr Woods agreed that the implications for the PRA were substantial – there would need to be a dedicated team working on reg-tech and some outside support as well.

Baroness Harding thought that the Report was good and the Bank's response needed to be substantial and bold, not just at a technical level but in setting and maintaining standards – concepts that might be unfamiliar to some new entrants. The Governor agreed: central banks had the capacity to set rules and terms of engagement, but needed at the same time not to use their powers to stifle innovation.

The Chair thanked Mr van Steenis and the team for an excellent and ground-breaking report.

5. Brexit Update (Laura Wallis and Grellan McGrath)

Laura Wallis said that the FPC's view remained that the financial system was prepared for and resilient to a worst case disorderly Brexit. Preparations in the real economy had also improved and but there remained material risks of disruption. She also noted the impact of the EU failure to extend its equivalence decision for Swiss share trading venues.

6. PRC Update

Mr Woods updated Court on the development of a post Brexit regulatory framework, and the implications for judgment based supervision if, in pursuit of equivalence, significant amounts of rule-making were baked into legislation on the EU model.

7. Quarterly Financials
(Rob Thompson and Chloe Iles)

Mr Thompson said that the Bank's income in the March to May quarter had been lower than budget and costs slightly higher so that pre-tax profit was £6mn short of expectations. However spending subject to the "flat nominal" cap was £1mn below budget, and staffing levels 113 below the 4,231 cap.

8. Update on Central Service Transformation (OBST)
(Jonathan Curtiss)

Further to a discussion in February, Ms Place and Mr Curtiss summarised changes to the governance of the OBST programme and the outcome of the procurement exercise. An Executive Oversight Group had been created to ensure that the changes were well understood and widely accepted; the Programme Board had been slimmed down and the Design Authority stood up. Preparations for changeover had started with a review of HR policies and mobilisation of technology and communications support.

Mr Curtiss said that he was working with an external communications firm and was ready to push back on customisation. That was the main purpose of the Executive Oversight Group. At a practical level he would take groups of senior managers through the changes and to see the system in operation. Some of the current offerings would certainly have to go or be slimmed down.

The Chair said that Court was clearly behind the changes and encouraged Mr Curtiss to report back regularly and ask for support when needed. Non-executive directors offered to engage directly with Ms Place.

9. RTGS/CHAPS
(Victoria Cleland)

Ms Cleland outlined the progress of the RTGS/CHAPS Board in overseeing the CHAPS and RTGS live services: CHAPS had been brought fully into the Bank in November 2017 and the Board, chaired by Sir Dave Ramsden, was established at the same time. The service itself, which settled £330bn transactions on average each day, had exceeded its 99.95% availability

target. The Board monitored risks closely, reporting to the FPC. Sir Dave Ramsden noted that the Board and the CHAPS service were monitored by the Bank's FMI supervision Directorate: that engagement had been constructive.

Court noted a draft of the RTGS/CHAPS first Annual Report.

10. Diversity and Inclusion

(Lea Paterson, Victoria Cleland, Sarah Breeden, Paul Wright, Jem Davis, Charles Joly and Nick Strange)

(a) LGBT and Disability Networks

As part of its continuing review of the Bank's diversity and inclusion, Court welcomed members of the LGBT+ and Allies Network, set up in 2006 and with 350 members and supporters; and the DisAbility Network, set up in 2008 with over 140 members. Nick Strange, a co-chair of the LGBT+ Allies network, commented that the support of executives had contributed to a significant improvement in the Bank's place in the Stonewall index but there was still room for improvement.

Mr Joly, a co-chair of the DisAbility Network, said that 3% of colleagues had a declared disability or long-term health condition. The Bank had made many changes to improve workplace support and was discussing signing up to the Valuable500 charter.

Court members expressed their strong support for these initiatives.

(b) Inclusive Behaviours

Ms Paterson introduced a proposed update to the Bank's anti-bullying and harassment policy. The reported numbers were small (and had been declared in response to recent FoI requests), but the tolerance was zero. The policy also gave examples of unacceptable behaviour, framing the policy in the context of the Bank's values.

Court was content with the revised policy; and non-executive members related the Bank's approach to their own experiences and thought it in line with best practice.

11. IEO Update on QE Project
(Melissa Davey)

Melissa Davey, the Independent Evaluation Director, set out a proposal to evaluate the analysis of effectiveness of the Bank's Asset Purchase Programme (QE).

The Court was content.

12. Bank of England Asset Purchase Facility Fund Ltd (BEAPFF); Bank of England Alternative Liquidity Facility (BEALF)
(John Footman)

Court APPROVED the appointment of Afua Kyei, the Bank's new Chief Finance Officer, as a director of BEAPFF and of BEALF from 22 July 2019.

13. Committee Conflicts
(John Footman)

Court noted amendments to the current conflicts registers.

14. Papers for Information

Court noted:

- Amendments to the Bank's (internal) statement of Senior Manager Responsibilities
- A report from Mr Haldane on the MPC's activities
- The Bank's updated Code of Conduct for staff
- Amendments to the MoU between PRA and FCA

The meeting of Court was closed.