

## MEETING OF THE COURT OF DIRECTORS

**Friday, 23 October 2020**

Present:

Mr Fried, Chair

The Governor

Mr Broadbent, Deputy Governor – Monetary Policy\*

Sir Jon Cunliffe, Deputy Governor – Financial Stability

Sir Dave Ramsden, Deputy Governor – Markets & Banking\*

Mr Woods, Deputy Governor – Prudential Regulation\* (until item 9)

Ms Glover

Mr Kalifa

Ms Noble\*

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer\*

Apologies:

Baroness Harding

Ms O’Grady

Secretary:

Ms McCarthy

\* These members and all presenters joined by phone

### **1. Minutes and Matters Arising**

The minutes of the meeting held on 9 September were approved.

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

### **2. Update on Monetary Policy and Facilities**

Andrew Bailey noted the quite rapid but uneven recovery in the economy over the summer, and that its pace had slowed before more recent news on Covid. For the MPC, there were downside risks and uncertainties over the future path of Covid and restrictions, and on structural changes in the economy and their impact on unemployment. The outcome of EU trade negotiations would also have an impact. Short-term economic activity was expected to be weaker in Q4/Q1.

There had been a mixture of demand and supply impacts on inflation, which was expected to rise slightly as earlier weakness in energy prices came out of the data.

Work continued to assess operational readiness for negative interest rates. External work was focused on engagement with firms and the market to understand their preparedness.

### **3. EU Withdrawal Update**

(Phil Evans, Grellan McGrath and Daniel Konopka)

Phil Evans updated Court on work done during 2020 to ensure the Bank remained as ready as possible for EU withdrawal. This had included working through the FPC checklist and firm preparedness, nationalising the Acquis, and considering the macroeconomic impact. There had been regular contact with Government departments and trade bodies. Looking ahead to year end, this approach would continue. The Bank, with other authorities, had put extensive contingency plans in place to support institutional resilience and market functioning. The legal arrangements for the UK's future regulatory framework beyond 2020 were being finalised and most would be taken forward via primary legislation.

Sam Woods said there would be material budget and resource implications for the PRA from taking on regulatory responsibility for around 400 European firms and an expanded rulemaking role. Sir Jon Cunliffe noted that the Bank's Financial Market Infrastructure Directorate would take on regulatory oversight for around 100 firms. It was responsible for areas where the regulatory framework might need to develop over time, and where the Bank's work could expand over the next few years. The Chair asked Sir Jon Cunliffe and Phil Evans to bring an update on the latter point to February Court.

Andrew Bailey noted the successful outcome of the Bank's work on central counterparties and equivalence, and congratulated Sir Jon Cunliffe and Christina Segal-Knowles and her team.

### **4. Update on Bank Operations and Staffing**

(Jonathan Curtiss, Lea Paterson, Dominic Whittle, Lorna Pringle, Sarah Sodeau and Josh Simons)

Court noted the Bank's updated advice to staff that it would remain in Phase 1 of its recovery plan until at least January 2021, with the majority of staff working from home. Jo Place said

that access to onsite working would be maintained for individuals who chose to come in, while this was permitted within Government guidance. Guidance had been issued on best practice for managing ‘hybrid’ meetings to ensure that they were inclusive and worked for all staff, wherever they were located.

Dorothy Thompson requested that future updates to Court included a forward look at the risks and opportunities arising from home working. The Chair asked the team to bring this back to December Court, and also to address any issues arising from prolonged home working, including demographic factors, capacity and sustainability.

## **5. Report from ARCO**

Dorothy Thompson reported that ARCo at its October meeting had formally appointed Richard Faulkner as new lead KPMG audit partner to replace Michelle Hinchliffe, who rotated off at the end of the financial year. It had received updates from Finance and from the internal and external auditors, and agreed KPMG’s audit strategy for the 20/21 audit.

The Committee had also discussed the Bank’s risk framework and taxonomy, and risk metrics.

## **6. PRC Update**

Sam Woods briefed Court on current issues in the banking sector.

The PRA was continuing to operate via remote working. While priorities had changed compared to a year ago as a result of Covid, regular supervisory work continued largely as normal.

## **7. RTGS – Full Business Case, Budget and Value for Money** (Victoria Cleland, Nick Lodge, Rob Elsey and Fabian Fernandez)

Victoria Cleland outlined the main developments in the RTGS Renewal Programme since its inception, covering the initial programme, updated scope, and current position. She noted the importance of the Programme to the Bank given that RTGS settled around £688bn a day and was at the centre of the financial system for individual payments and monetary policy transmission. The current system, introduced in 1996, worked well, but was being updated to

enhance resilience, promote innovation and competition, and support the Bank's fintech strategy. The Bank was working closely with the NCSC and industry participants, and the Programme was being taken forward via four transition states to minimise risks. The foundation stage was nearly completed.

Following the decision by SWIFT and the ECB to delay their ISO 20022 migrations, Victoria Cleland said that a full business case review had been undertaken. It reflected increased business certainty having signed a contract with Accenture as Delivery Partner, the Programme team's experience of running the Programme, and a greater understanding of what needed to be delivered and how. With four years still to run, the team recommended including a provision to cover identified cost risks relating to resourcing and Bank dependencies, should they materialise.

Court approved the revised RTGS renewal business case.

#### **8. IEO: QE Evaluation, Themes and Recommendations**

(Melissa Davey, Jon Bridges, James Howat, Aakash Mankodi, Asja Karanusic, Andrew Hauser, Jamie Bell, Bonnie Howard, Rhys Phillips and Mike Joyce)

Jon Bridges outlined the main themes and recommendations arising from the IEO's review of QE, ahead of a report being drafted for publication.

Court welcomed the report, which would now go into a final phase of editing ahead of publication.

#### **9. Update on the Court Review of Ethnic Diversity and Inclusion at the Bank of England**

(Lea Paterson, Amar Radia, Ragveer Brar and Jacqueline Koay)

Court approved the appointment of Tom Shropshire, a Partner at Linklaters, as an external member of the Review Steering Group; and approved the Terms of Reference for the Review.

Amar Radia, leader of the working group, said that the aim was to report conclusions and recommendations to Court in the first half of 2021. The Chair and Governor reiterated the importance of the review to the Bank's strategy, and Court members noted the encouraging start made, and agreed that the timeline seemed sensible.

Court agreed that the key findings and recommendations would be published on the conclusion of the Review.

**10. Q2 Quarterly Finance Report and Budget Update**  
(Afua Kyei, Nat Benjamin, Paul McArdle and Kevin Moossa)

Afua Kyei presented Finance Directorate's Q2 Finance Report and Budget Update.

Court noted the Report.

**11. Risk Report**  
(Stephen Brown)

The Risk Report was deferred to December Court.

**12. Committee Appointments and Conflicts**

The item was deferred to December Court.

**13. Papers for Information**

Court noted:

- MPC Update
- PRC Terms of Reference

**The meeting of Court was closed.**