

MEETING OF THE COURT OF DIRECTORS (by teleconference)

Friday, 11 December 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

Ms Glover

Mr Kalifa

Ms Noble

Ms O’Grady

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer

Apologies:

Baroness Harding

Secretary:

Mr Footman

1. Minutes and Matters Arising

The minutes of the meeting held on 23 October 2020 were approved.

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

FCA

The Chair advised Court that a Report on the FCA’s involvement with London Capital and Finance would be published during the following week. It was likely to contain criticisms of the FCA including during Andrew Bailey’s term as CEO. Court acknowledged

Andrew Bailey’s outstanding performance since taking over as Bank Governor at a moment of national crisis, and expressed full support for him in that role.

2. Update on Monetary Policy and Facilities

Andrew Bailey discussed developments in the Bank’s operations, facilities and balance sheet since the previous Court, including the decision by the MPC to purchase an additional £150bn

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of gilts starting in January. He noted that overall the Bank was following a course similar to that of the ECB and the Federal Reserve.

3. EU Withdrawal Update

(Phil Evans, Grellan McGrath and Danny Konopka)

While the negotiations continued on a possible trade agreement, Court discussed the Bank's contingency plans, prepared over the previous four years against all possible outcomes. The Governors confirmed that the Bank would be monitoring markets closely over coming weeks and would be ready to respond as necessary.

4. Report from ARCo including approval of Terms of Reference

Dorothy Thompson, as Chair of ARCo, said that the Committee had reviewed the Audit Plan for 2020/21, and discussed the impact of COVID-19 on the Bank's major projects.

Court approved an amendment to the Committee's terms of reference.

5. Report from RTGS Renewal Committee (RRC)

(Victoria Cleland)

Ron Kalifa and Victoria Cleland updated Court. The RRC had met in November and reviewed progress of on-boarding working with Accenture, the technology delivery partner. The Committee had reviewed the assurance framework for the delivery phase, and had stressed the importance of ensuring that Direct Participants in the system were fully engaged.

Dave Ramsden had written to their CEOs already.

6. ISO 20022 Internal Readiness Programme

Further to the discussion on RTGS Renewal, Court noted that introducing the ISO 20022 messaging standard into domestic CHAPS payments was a key part of the programme.

Within the Bank, the new standard would cover the Bank's customer banking business and its role as a CHAPS Direct Participant. Without adopting it the Bank would be unable to make payments in support of its own official operations, operate in foreign exchange markets, provide financial stability banking services or provide banking services to its UK Government

and central banks customers. A dedicated Programme had been established to prepare the Bank

Court approved the Bank's ISO 20022 Internal Readiness Programme.

7. Budget Preview

(Nat Benjamin, Kevin Moossa and Paul McArdle)

Nat Benjamin (acting CFO) outlined the likely budget framework for 2021/22. Following several years of operating within a flat nominal and later a flat real limit, the Bank faced major new cost pressures arising from EU withdrawal, the response to Covid and depreciation charges on investment, and ExCo had concluded that the flat real constraint required some modernisation to reflect scope changes more accurately. The revised budget was nevertheless tight, requiring some reprioritisation, and discussions continued with some individual business areas.

The final budget would be presented to Court for approval in February 2021.

8. One Bank Services Transformation Programme (OBST) Update

(Jonathan Curtiss, Rob Elsey, Nat Benjamin, Carole Grant-Garwood, Steve McGowan, Angela Durnin, Alistair Baker and Paul Rooney)

Jo Place said that the OBST programme, which aimed to replace legacy systems across HR, Finance and Procurement, fell into three parts – HR systems, operational finance and the general ledger including the accounting interface with the banking and markets operations. The HR system renewal was on track for delivery in March, about three months later than originally planned, and would be accompanied by a refresh (standardisation) of a number of HR policies. The main risk was if there was a further lockdown this would impact January's scheduled User Acceptance Testing.

9. PRC Update

Sam Woods discussed the PRA's current strategic review.

10. Diversity and Inclusion

(a) Review Update

Court noted an update from Diana Noble on the Review of Ethnic Diversity and Inclusion.

(b) Diversity Targets

(Jonathan Curtiss, Paul Wright, Cat Hines, Owen Lock, Kayleigh Guinan, Fenella Maitland-Smith and Hannah Schraer)

Court agreed that gender targets should be subject to further review in the light of the current work on Diversity and Inclusion.

11. Pension Fund Triennial Valuation and Investment Strategy

Anne Glover, as Chair of the Trustee of the Bank staff pension fund, briefed Court on the latest Triennial Valuation. She noted that a provision had been made for the potential impact of RPI reform on the Fund's inflation hedge. Following discussions with the Executive following the 2017 Valuation, the Trustees had considered ways of increasing the return on the Fund's investments – since 2007 held almost entirely in indexed gilts – and proposed to invest a proportion of the Fund in two externally managed portfolios of investment grade corporate bonds, and a portfolio of secure illiquid investments, also externally managed. The prospective returns would make it possible to reduce the Bank's annual contribution for new accrual, which it was proposed to fix for three years.

12. Press Conference Feed Incident – Review of Implementation of Recommendations (Stephen Brown, Josh Amis, Ed Moore, Julia Rangasamy, Ed Dew, Mike Peacock and Eugenia Planas)

Further to a discussion on 9 September Court noted an update on the implementation of the recommendations made following the Press Conference Feed Incident. Rapid progress had been made on all recommendations and most were completed. Further risk management training for senior managers would be rolled out by April 2021.

13. De-redaction of Court Minutes (John Footman)

Court may withhold (redact) from its published minutes information that in its view would be contrary to the public interest to publish. Such redactions are kept under periodic review, and

Court agreed to publish some material from its 2018 minutes that was no longer seen as sensitive.

14. Committee Appointments and Conflicts (John Footman)

Court noted that three new appointments to the PRC had been agreed and would be announced shortly.

15. IEO – QE Evaluation and Bank’s Response

Further to its discussion on 23 October, Court signed off the IEO evaluation and the Bank’s response, for publication in January.

16. Papers for Information

Court noted:

- Update on Bank Operations and Staffing
- FMI Report
- PRA Supervisory Cooperation MoUs with the EU/EEA

The meeting of Court was closed.