

Transparency and accountability at the Bank of England

Governor's Opening Remarks

The Bank now has immense responsibilities for monetary stability, financial stability and microprudential regulation. And with these responsibilities comes the need for effective transparency, genuine accountability and robust governance.

The Strategic Plan we launched in March therefore established 'openness and accountability' as a core pillar of our mission to promote the good of the people of the United Kingdom.

Today, we are pleased to announce a series of changes that will enhance our transparency, reinforce our accountability and improve our governance.

First, we are introducing the most significant set of changes to how we present and explain our interest rate decisions since the Monetary Policy Committee was formed in 1997.

And second, alongside those measures, we are also proposing a number of additional changes to the way the Bank is governed.

The combination will mark a step change in how this institution is run. They will enhance our transparency. And they will make us more accountable to the British people.

Monetary policy transparency

I want to thank Governor Warsh for his review of monetary policy transparency over the past six months. The Bank is accepting all of his recommendations.

I asked Governor Warsh to undertake this review after a single question from the Chair of the Treasury Committee six months ago: what do we do with the recordings of our MPC meetings? It was a small question, but an important one.

Important because the decisions we make on the MPC affect the lives of everyone in the country. That puts an enormous responsibility on MPC members to account for those decisions and to make them in the most transparent way possible.

Today we are proposing a number of changes to enhance that process.

First, as recommended by Governor Warsh, the MPC will publish full written transcripts of the meetings at which monetary policy is decided, after a period of eight years.

This is consistent with the Warsh Review, and we believe that it strikes the right balance between the need to give members space to deliberate and our intention to enhance accountability and transparency. These new arrangements will take effect in March next year.

Second, the Warsh Review recommends the MPC publish a detailed policy statement as soon as is practicable following each policy meeting. The MPC agrees that this would improve its communications and accountability.

But we believe there is scope to go further.

We are announcing today our intention to publish both the minutes of our policy discussions and, in the relevant months, the *Inflation Report*, at the same time as our policy decision.

By removing the present drip feed of news – the policy decision, *Inflation Report*, minutes and vote – in favour of a single monetary policy announcement, we believe these arrangements will enhance the effectiveness of our monetary policy communications, making the policy signals we send as clear as possible.

We intend to move to this new framework in the summer of next year with the August *Inflation Report*.

Third, we are also minded to move to eight policy meetings a year, rather than the present twelve. That pattern is already adopted in other major central banks, and was recommended by every review of the process including the Treasury Committee's 2007 report, *The MPC Ten Years On*. It will require a change in the Bank of England Act, as will some of the other proposals we are making today.

Finally, we will hold four scheduled joint meetings between the Monetary and Financial Policy Committees in 2016 as well as some ad hoc meetings next year. This will help to ensure that policy making is joined-up across these two major policy committees of the Bank.

Our broad range of responsibilities creates the potential to exploit the complementarities and synergies between them. The effectiveness of each function influences that of the others.

Joint analysis and meetings will help us to maximise our impact by working together to meet the shared challenges we face in maintaining monetary and financial stability.

Transparency of Court

The two other major changes we are announcing today concern the transparency of Court itself.

The first is that we will bring the publication of historical Court minutes within our new archive policy, under which minutes will be released after a period of 20 years.

That aligns the Bank's archive approach with best practice in Whitehall, and it means that during 2015 the Bank will publish the minutes of the Court meetings held between 1914 and 1987.

Second, in January 2015, the Bank also intends to make a special release, in appropriately redacted form, of the minutes of Court and related meetings during the crisis period of 2007-09, as requested by the Treasury Committee. In combination with the recent Plenderleith, Winters and Stockton reviews, this provides a complete record of the Bank's activities during the crisis.

Governance

Our final proposals concern the governance structure of the Bank.

We need a simpler structure for the Bank's governing bodies and a clearer commitment to accountability. That is what we have tried to achieve in these proposals, which are made with the benefit of having operated the new institutional structure of the Bank for 18 months. They seek to reinforce the intent of existing legislation and to make the Bank as effective as possible in delivering the responsibilities given to it by Parliament.

Simplifying the Bank's governance and making it more effective is easily addressed by a simple guiding principle, which makes a clear distinction between, on the one hand, the Bank as a *corporation*, governed by the Court of Directors overseeing strategy, finance, risk, staffing and budgets; and on the other hand the Bank's three *policy authorities* - the MPC, the FPC and the PRA Board, each acting under a separate statutory mandate.

From this principle, two sets of changes flow.

First, we should align the status of the FPC, the PRA Board with the tried and tested model of the MPC. Governance of the corporation should be reserved for the Court.

Second, Court should be an unambiguously unitary board, with executives and non-executives working together. That means absorbing the non-executive Oversight Committee into Court. These changes are closely in line with proposals made by the Treasury Committee in its 2011 Report, *The Accountability of the Bank of England*.

Conclusion

Taken together, these changes to our monetary policy process and our governance and transparency arrangements are intended to put the Bank at the forefront of international best practice.

They will strengthen the ability of Parliament and the public to hold us to account for our actions.

Most fundamentally, they enhance our ability to promote the good of the people of the United Kingdom by maintaining monetary and financial stability.