



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

26 February 2015

Reforms to the Bank of England's Market Intelligence programme

The Bank of England today announced the outcome of a root-and-branch review of its Market Intelligence (MI) programme. In a speech at Warwick University, Minouche Shafik said the resulting changes – alongside progressive steps to make the Bank's liquidity insurance framework more transparent – show clearly that the Bank is not just "open for business" but also "open about our business."

MI is the ongoing process of discussion with financial market participants to identify insights relevant to policymaking. The Bank's Governors and Court of Directors endorsed all 11 recommendations stemming from the MI Review, which will make the gathering and use of MI more transparent, robust and effective.

The recommendations include:

- A MI Charter which explains clearly the terms of the Bank's engagement with financial market participants, and its rationale for gathering MI;
- A strengthened set of policies that govern MI gathering, supported by expanded training for staff; and
- A new executive-level committee to oversee the MI programme, to ensure it retains the necessary flexibility, focus and relevance to the policy challenges of today and tomorrow.

The Bank of England also today published its formal response to the recommendations of Lord Grabiner, following the publication of his *Foreign Exchange Market Investigation Report* in November 2014. At the time, the Bank endorsed the recommendations – which covered documentation, education, and the need for greater clarity over the Bank's market intelligence role – and committed to implementing them in full and as quickly as possible.

In today's response, the Bank outlined the actions that have been, or are being, taken to fulfil the recommendations. They will result in stronger systems and controls around the Bank's engagement with market participants.

In a speech on Thursday – *Goodbye ambiguity, hello clarity* – Bank of England Deputy Governor Minouche Shafik explains why this greater clarity around the Bank of England's interactions with financial markets is essential.

Central banks, including the Bank of England, have moved away from an era of 'constructive ambiguity' to greater openness and transparency. For example, the Bank now has a well-defined set of facilities for the provision of liquidity to the financial system that have evolved to meet changing needs. The Bank's dialogue with markets dates back to 1786 but the days of men in top hats and fireside chats are now a distant memory. The Bank's MI function is a highly professional network of staff covering 23 different markets and sectors, providing first-hand insights on short-term moves and long-term trends relevant to all the Bank's policy functions.

In the speech, Minouche says:

"The ability of the Bank's MI function to provide insights to senior policymakers over the past 8 years, as the first waves of the crisis rushed onto the Bank's doorstep, and then as solutions flowed back out across the system, has been vital to our effectiveness".

Welcoming the changes to the MI programme announced today, Minouche said:

"The Bank has been at the centre of one of the world's major financial centres for hundreds of years. Today the Bank has a broader role than ever before. A clear understanding of the root causes of developments in financial markets must underpin the decisions we make about monetary policy and regulation of financial markets. Aligning our Market Intelligence function closely to the Bank's mission, so that its purpose is clear and its approach is transparent, will ensure we continue to seize that opportunity".

ENDS

Notes for editors

Speech by Minouche Shafik at the University of Warwick

<http://www.bankofengland.co.uk/publications/Pages/speeches/2015/801.aspx>

A Review of Market Intelligence at the Bank of England:

<http://www.bankofengland.co.uk/markets/Pages/mireview.aspx>

Market Intelligence Charter:

<http://www.bankofengland.co.uk/markets/Documents/marketintelligence/charter.pdf>

Foreign Exchange Market Investigation: Bank of England's response to Lord Gabor's recommendations

<http://www.bankofengland.co.uk/markets/Documents/marketintelligence/grabinerresponse.pdf>