



**BANK OF ENGLAND**

# News release

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## **The Bank's approach to Conflicts of Interest: Review by the Non-Executive Directors**

A Review of the Bank of England's approach to identifying and managing conflicts of interest is published today. It was commissioned by Court and undertaken by the Bank's non-executive directors<sup>1</sup> with support from the Bank's Independent Evaluation Office.

The Governors and the Chair of Court<sup>2</sup> welcome the Review and its recommendations, all of which will be implemented. A number of the recommendations are already being addressed:

- Following the introduction of new Statutory Conflicts Codes at the end of 2016, and in the light of the findings of the Review, consistent processes for authorising and managing conflicts in the PRC, FPC and MPC have been improved and documented. As recommended by the Review, the Bank will ensure that any decisions under these processes are notified to Court, which will review the Codes at least annually.
- The 2017 update of the Bank's Code of Conduct ("*Our Code*"), due in the Autumn, will provide an opportunity to update and clarify requirements, including for notification of personal relationships as recommended by the Review; these will be repeated in the annual attestation for staff.
- The Bank has been working closely with HM Treasury to ensure that conflict checks for new appointees to Court and the policy committees are carried out effectively, and the same applies to senior appointments made by the Bank.
- The Head of Compliance reports regularly to the General Counsel and Court's Audit and Risk Committee on breaches and other issues relating to *Our Code*.

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<sup>1</sup> Excluding the Chairman. The Review was led by Bradley Fried, the Senior Independent Director.

<sup>2</sup> As the other members of the Bank's Court.

As recommended by the Review, the Bank will designate a Conflicts Officer with overall executive responsibility for conflict identification and management. Over the coming weeks the Bank will consider the other organisational and technology changes recommended in the Review, including the provision of a centralised system for capturing and reviewing data on relationships and potential conflicts.

Governor Mark Carney said:

"I welcome this review and its recommendations, which will be implemented in full. The Bank holds itself to the highest standards, which is why it is important to address any actual or perceived deficiencies in our approach to managing conflicts of interest. In addition to ensuring that we meet best practice, addressing the Review's recommendations will give everyone who works at the Bank greater clarity on what is expected, and will help reassure all of those to whom we are accountable that we have an effective and robust approach to conflicts management."

Bradley Fried, Deputy Chairman of Court, who led the Review said:

"This has been a thorough process, involving Bank of England staff and input from Herbert Smith Freehills LLP and the National Audit Office. The priority has been to publish at the earliest possible opportunity a comprehensive review, aligned to independent best practice benchmarks. I am grateful for everyone's commitment and expertise which has enabled its timely publication".

August 2017

ENDS

## Notes to editors

The Conflicts of Interest Review was commissioned by Court in the wake of Charlotte Hogg's resignation on 14 March 2017. <http://www.bankofengland.co.uk/about/Documents/ieo/nedreview0817.pdf>

Herbert Smith Freehills LLP acted as external advisor to the Review. Its role was to bring impartial advice to the Review and to provide assurance on the appropriateness and effectiveness of both the process and substance of the Review.

The Committee's terms of reference, as agreed in Court, are set out below:

### ***Review of the Bank's Approach to Managing Conflicts of Interest***

1. *The overarching objective of the Review is to evaluate the Bank of England's approach to managing conflicts of interest, and to make recommendations for improvement as appropriate.*
2. *The Review will examine:*
  - a. *the policies and processes for identifying and managing conflicts of interest at the Bank, including the lessons arising from Ms Hogg's case;*
  - b. *what the Bank should do to ensure full and timely compliance with those policies, especially amongst senior members of the Bank; and*
  - c. *the supporting governance arrangements, including the extent to which the changes to reporting lines and internal structures announced by the Bank on March 14th 2017 are adequate.*
3. *The Review has been commissioned by the Court of the Bank of England. It will be owned and authored by the Non-Executive Directors of Court (excluding the Chair).*
4. *The Non-Executive Directors have engaged Herbert Smith Freehills to act as external advisor to the Review. The role of the external advisor is (a) to bring impartial advice to the Review and (b) to provide assurance on the appropriateness and effectiveness of both the process and substance of the Review.*
5. *The Review Team supporting the Non-Executive Directors will be led by the Bank of England's Independent Evaluation Director with advice and assistance, as appropriate, from the Bank's Internal Auditor. The Review team will necessarily draw on appropriate executive resource and input from within the Bank. The team will also draw on assistance, as appropriate, from the National Audit Office.*
6. *The Review, including its finding and recommendations, will be made public.*