



HM TREASURY



BANK OF ENGLAND

Candidate Brief

Appointment of External Member of the Monetary Policy Committee of the Bank of England

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The Bank of England in 2015

The Bank of England is the central bank of the United Kingdom; it exists to ensure monetary stability and to protect and enhance financial stability. The Bank employs around 3,600 staff and has a total gross expenditure of around £500 million per annum.

The statutory objectives of the Bank of England, which are set out in the Bank of England Act 1998, are:

- **Monetary Stability**
Monetary stability means stable prices and confidence in the currency. Stable prices are defined by the Government's inflation target, which the Bank seeks to meet through the decisions on interest rates and asset purchases taken by the Monetary Policy Committee, explaining those decisions transparently and implementing them effectively in the money markets.
- **Financial Stability**
Financial stability entails detecting and reducing threats to the financial system as a whole. Such threats are detected through the Bank's surveillance and market intelligence functions, which include the Prudential Regulation Authority. The Financial Policy Committee is responsible for contributing to the Bank's financial stability objective by identifying and monitoring systemic threats to financial stability and taking action to reduce or remove those threats.

Other parts of the Bank also have a role in mitigating threats to financial stability, for example by strengthening infrastructure, and by financial and other operations, at home and abroad, including, in exceptional circumstances, by acting as the lender of last resort.

The Financial Services Act 2012 brought together responsibility for all aspects of financial stability within the Bank of England. The Act strengthens the Bank's Financial Stability objective, creates the Financial Policy Committee as a policy committee within the Bank and the Prudential Regulation Authority as a subsidiary of the Bank.

The Bank's responsibilities are conferred by legislation on expert bodies. These are:

- **The Monetary Policy Committee (MPC)**

The Bank of England Act 1998 established the MPC as a Committee of the Bank. The Bank's Monetary Policy Committee (MPC) is made up of nine members – the Governor, the Deputy Governors for Monetary Policy and Financial Stability, two members appointed by the Governor (currently the Deputy Governor for Markets & Banking and the Bank's Chief Economist) and four external members appointed by the Chancellor.

Under the 1998 Act, the Bank's objectives in relation to monetary policy are to maintain price stability and, subject to that, to support the economic policy of the

Government, including its objectives for growth and employment. At least once a year, the Government specifies the price stability target and its growth and employment objectives. The MPC must meet at least monthly.

- **The Financial Policy Committee (FPC)**

The Financial Services Act 2012 established the FPC as a sub-committee of Court.

The membership of the FPC comprises the Governor (who chairs the FPC), the three Deputy Governors, the Chief Executive of the Financial Conduct Authority, the Bank's Executive Director for Financial Stability Strategy and Risk, four external members appointed by the Chancellor, and a non-voting representative of HM Treasury. The Bank's new Deputy Governor for Markets and Banking will join the FPC in due course.

The FPC exercises its functions with a view to contributing to the achievement of the Bank's Financial Stability Objective. The FPC is responsible for identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC also has a secondary objective to support the Government's economic policies.

The FPC has wide-ranging powers of recommendation and can direct the Prudential Regulation Authority and the Financial Conduct Authority to take action to address systemic risks to stability.

- **The Prudential Regulation Authority (PRA)**

Prudential regulation of banks, building societies, other deposit takers, insurance companies and certain investment firms is undertaken by the PRA – a subsidiary of the Bank, headed by the Deputy Governor for Prudential Regulation. The PRA is governed by a board comprising the Governor of the Bank, the Deputy Governor for Financial Stability, the Deputy Governor for Prudential Regulation, the Deputy Governor for Markets and Banking and the Chief Executive of the Financial Conduct Authority, and four external members.

The PRA's objectives are:

- to promote the safety and soundness of all the firms it regulates. This involves firms having resilience against failure and — in the event they do fail, or simply in the course of business — avoiding harm resulting from disruption to the continuity of provision of financial services; and
- specifically for insurers, to contribute to the securing of an appropriate degree of protection for those who are, or may become, policyholders.

The Court of the Bank of England

The Bank of England is governed by a Board known as the Court, which includes the Governor, the three Deputy Governors and nine non-executive directors. The Crown appoints the non-executive directors for terms of up to four years, the Governor for an eight year

term and the Deputy Governors for five year terms. The Chancellor nominates one of the non executive directors to chair Court.

The requirement for there to be a Court of the Bank of England, and much of the detail regarding its powers and responsibilities, is contained within the Bank of England Act 1998.

The Court is required by the Act to manage the Bank's affairs, other than the formulation of monetary policy. It must determine the Bank's objectives (including objectives for financial management) and strategy, to ensure the effective discharge of the Bank's functions and, subject to that, to ensure the most efficient use of the Bank's resources.

The Court approves the Bank's budget, which reflects the strategy determined by it, and monitors outturns against that budget. It is also responsible for agreeing the Bank's dividend, treasury management and risk management policies.

The Bank of England Act 1998 places great emphasis on accountability and transparency, in the context both of the monetary policy process and financial stability, and of the Bank's operations and finances. The Court is responsible for producing the Bank's annual report and accounts for the Chancellor of the Exchequer to lay before Parliament. Members of Court may be called to give evidence about the Bank before Parliamentary Committees.

The Court is also responsible for the following in respect of the PRA:

- approval of the PRA's budget, including PRA's annual operating and capital expenditure budgets and any material changes to them;
- approval of any material spending in excess of the PRA's budget or which has not been budgeted for;
- Appointments (subject to approval by Ministers and the Crown) and Remuneration of non-executive directors of the PRA.
- Court has delegated to the Oversight Committee responsibility for keeping under review the PRA's performance in relation to its objectives and strategy.

The Financial Stability Act 2012 established a new Oversight Committee, as a statutory sub-committee of Court to strengthen the governance of the Bank in light of its enhanced responsibilities. The Oversight Committee is made up exclusively of the Bank's Non-Executive Directors and oversees the Bank's performance in achieving its objectives. Its remit covers the entirety of the Bank's activities, and members of the Committee have access to the meetings and papers of the Bank's policy-making committees, and can conduct its own scrutiny into the processes and information used by the Bank to reach and implement their policy decisions. The Oversight Committee is also expected to commission periodic or ad-hoc retrospective reviews of policy-making and implementation performance.

Measures to bolster transparency and accountability at the Bank of England

The Bank's Strategic Plan, *One Mission, One Bank*, launched in March 2014, established openness and accountability as a core pillar of its mission.¹ On 11 December 2014, the Bank announced a series of significant transparency, accountability and governance

¹ <http://www.bankofengland.co.uk/about/Pages/strategicplan/default.aspx>

enhancements designed to put the Bank at the forefront of international best practice and enhance its ability to fulfil its mission to promote the good of the people of the United Kingdom by maintaining monetary and financial stability. Several of these enhancements will require legislative change.

In addition, the Bank published an independent report by former Federal Reserve Board Governor Kevin Warsh, following his review of the Monetary Policy Committee's (MPC) transparency practices and procedures. The MPC welcomed Governor Warsh's report, accepted his recommendations, and announced the following changes to its practices:

- publication of both the minutes of its policy meetings and (in the relevant months) the Inflation Report at the same time as its policy decisions, starting in August 2015;
- publication of written transcripts of the meetings at which monetary policy is decided, and related staff policy briefing material, with an 8-year lag, as of the March 2015 policy meeting;
- alteration of its 2016 meeting schedule, with eight of the twelve meetings roughly evenly spaced throughout the year and the remaining four meetings to be held as joint meetings between the Monetary and Financial Policy Committees in 2016.

The Monetary Policy Committee (MPC) – detail

The Bank of England Act 1998 establishes the MPC as a Committee of the Bank. The MPC consists of nine members - the Governor, the Deputy Governors for Monetary Policy and Financial Stability, two Bank officials appointed by the Governor and four external members appointed by the Chancellor.

The appointment of external members to the MPC is designed to ensure that the Committee benefits from thinking and expertise in addition to that gained inside the Bank of England. Each member of the MPC has expertise in the field of economics and monetary policy. Members do not represent individual groups or areas. They are independent.

Monetary Policy Objectives

The MPC has responsibility for formulating monetary policy. As set out in the Bank of England Act 1998, the monetary policy objectives of the Bank of England are:

- (a) to maintain price stability, and
- (b) subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment.

Price stability is defined by the Government's inflation target, currently 2 per cent measured by the 12-month change in the Consumer Price Index. The MPC is responsible for setting policy to meet the inflation target.

Committee Meetings

Monetary policy decisions are made by a vote of the Committee on a one-person one-vote basis. As required by current statute the MPC will continue to meet in each month and to

decide the stance of monetary policy at every meeting. But, in its response to Governor Warsh's report in December 2014, the Committee altered its 2016 meeting schedule. The MPC will continue to hold twelve meetings a year, but eight of the twelve meetings will be roughly evenly spaced throughout the year, with one meeting roughly halfway between each quarterly *Inflation Report*. The remaining four meetings will be used both to decide the monetary policy stance and to hold joint MPC-FPC discussions on topics of mutual interest.

Throughout the month, the MPC receives extensive briefing on the economy from Bank of England staff. This includes a half-day meeting – known as the pre-MPC meeting – which, under the new transparency arrangements announced in December 2014, will typically take place on the Wednesday before the MPC's policy setting meeting. At this meeting, the nine members of the Committee are made aware of all the latest data on the economy and hear explanations of recent trends and analysis of relevant issues. The Committee is also told about business conditions around the UK by the Bank's Agents. The Agents' role is to talk directly to business to gain intelligence and insight into current and future economic developments and prospects.

The first part of the MPC's policy meeting will be conducted shortly after the pre-MPC briefing. It starts with an update on the most recent economic data, before a series of issues is identified for discussion. The second part of the MPC's meeting will be divided in two: the main policy discussion, at which MPC members individually explain their views on what policy should be, will typically be conducted on the following Monday; the policy vote will take place on the Wednesday, the eve of the announcement of the monetary policy decision. These two latter stages of the meeting will both be transcribed and written transcripts, along with related staff policy briefing material, will be published with an 8-year lag.

Public Communications

The MPC goes to great lengths to explain its thinking and decisions. From August 2015 onwards, the MPC will publish both the minutes of its policy meetings and (in the relevant months) the *Inflation Report* at the same time as its policy decision. The minutes give a full account of the policy discussion, including differences of view. They also record the votes of the individual members of the Committee. The Committee has to explain its actions regularly to parliamentary committees, particularly the Treasury Committee. MPC members also speak to audiences throughout the country, explaining the MPC's policy decisions and thinking. This is a two-way dialogue. Members of the MPC are expected to engage in the wider policy debate and members frequently give public speeches to a variety of audiences. Regional visits also give members of the MPC a chance to gather first-hand intelligence about the economic situation from businesses and other organisations.

In addition to the monthly MPC minutes, the Bank publishes its Inflation Report every quarter. This report gives an analysis of the UK economy and the factors influencing policy decisions. The Inflation Report also includes the MPC's latest forecasts for inflation output growth and the unemployment rate, as well as for a number of variables central to the

MPC's judgement. Because monetary policy operates with a lag, it is necessary for the MPC to form judgments about the outlook for output and inflation.

The MPC uses a suite of models of the economy to help produce its projections. These models provide a framework to organise thinking on how the economy works and how different economic developments might affect future inflation. But this is not a mechanical exercise. Given all the uncertainties and unknowns of the future, the MPC's forecast has to involve a great deal of judgment about the economy.

Candidate Profile and appointment criteria

This is a high profile and influential role. Under legislation, the Chancellor of the Exchequer shall appoint an external member to the MPC only if he is satisfied that the person has knowledge or experience which is likely to be relevant to the Committee's functions.

In making external appointments to the MPC, the Government has committed itself to ensure that the composition of the Committee retains an appropriate balance of different skills and backgrounds. The appointment of external members to the MPC is designed to ensure that the Committee benefits from thinking and expertise in addition to that gained inside the Bank of England.

The requirements for this role are as follows:

- **Strong and proven economics knowledge and skills** – candidates must have the technical expertise and experience necessary to make independent monetary policy decisions. Candidates must demonstrate that they have used their economic expertise operating at a very senior level in business, financial markets, a policymaking environment or academia - as a leader in their chosen profession or field of economics.
- **Analytical ability** – candidates will need to be able to absorb large volumes of complex information and reach reasoned and robust conclusions quickly.
- **Independence of thought and interpersonal skills** – candidates must be independently minded and be able to exert their influence within the Bank, the MPC and in the wider external policy debate. Candidates must be able to form their own views and decisions, whilst working closely and constructively with other members of the Committee.
- **Communication skills** – candidates must be able to communicate with complete credibility in the markets and the media and be able to defend decisions under pressure. Candidates must be able to make a strong contribution to the MPC's communications, explaining policy decisions to the public.
- **Undisputed integrity and standing** – candidates must have the ability to maintain discretion and engender trust in staff, peers and stakeholders. MPC members are required to treat as absolutely confidential the proceedings of meetings and must be prepared to abide by necessary conflict of interest constraints.

Terms of Appointment

External members of the MPC are appointed by the Chancellor of the Exchequer. External appointments to the MPC are for a three-year term. There is the possibility of reappointment at the end of the term and external members can serve a maximum of two terms.

It is expected that the appointment will commence on 1 September 2015.

Under the Bank of England Act 1998, a person is disqualified from being an external member of the MPC if he or she is (a) Minister of the Crown; (b) serving in a Government department in employment in respect of which remuneration is payable out of money provided by Parliament; or, (c) a member of the court of directors of the Bank.

External members of the MPC are appointed as office holders at the Bank of England and it is the Court of the Bank that sets the terms of the appointment. The contract is a temporary non-pensionable contract for the fixed term. It requires a part-time commitment of on average 3 days a week. During the contract MPC members are required to abide by the Personal Dealings Rules of the Bank and the Monetary Policy Committee Code of Conduct as amended from time to time.² MPC members are required to notify the Governor and the Chancellor prior to taking any action that might lead to a conflict with MPC responsibilities.

Total compensation will be £137,787. This includes compensation in lieu of pension, and is reviewed annually by the Bank's Remuneration Committee.

External MPC members are not required to hold UK nationality, but to fulfil their duties are expected to be resident in the UK.

Monetary Policy Committee meetings normally take place at the Bank's head office in Threadneedle Street in the City of London. MPC members are, however, expected to participate in a programme of regional visits arranged by the Bank's network of regional agents.

² The MPC Code of Conduct is available at: www.bankofengland.co.uk/monetarypolicy/Documents/mpccoc.pdf

How to apply and appointment process

Details and forms to complete as part of the application can be found on the Cabinet Office jobs board: <http://publicappointments.cabinetoffice.gov.uk>

Applications can be submitted to this email address:

MPCApplication@hmtreasury.gsi.gov.uk

You need to provide the following information:

- Daytime and evening telephone contact numbers and e-mail addresses, which will be used with discretion.
- A full CV (including education and professional qualifications, career history, and relevant achievements and responsibilities).
 - The **names of two referees should be included in the CV**. Referees should know you in a capacity to comment on your suitability for the appointment and have authoritative and personal knowledge of your achievements. References will only be taken up for short listed candidates, but will be sought prior to the interview.
- A covering letter of no more than 3 sides of A4 explaining how you meet the appointment criteria as detailed in the candidate profile and summarising the evidence from your career which best demonstrates your qualifications for the appointment. If you believe you may have a potential conflict of interest please do flag this in the cover letter, it may be explored at interview.
- You will also be asked to complete a form regarding contact details, diversity and political activity. This information is required for monitoring purposes only and will not be seen by any selection panel.

Your application will be acknowledged shortly after receipt and you will be informed by email or by telephone of the progress of your application.

Applications must arrive no later than the end of Friday 26 June 2015.

If you have any queries concerning your application, or technical queries on completing the application, please email MPCApplication@hmtreasury.gsi.gov.uk

Appointment Process

Once the closing date for applications has passed, applications will be sifted according to the candidate profile. Those applicants who have not been successful will be notified at this stage and a short list of the most closely qualified applicants will be invited to final panel interviews, which will be held in London.

The closing date for applications is **Friday 26 June 2015**. Interviews are expected to take place on or around **13 July 2015**. The successful candidate is expected to be announced in August and the appointment will commence on 1 September 2015.

Expenses

If you are invited for interview, reasonable and necessary travel expenses (standard class) will be reimbursed. Those invited to interview will be advised on how to claim their expenses.

Equality of Opportunity

The Bank of England is committed to ensuring it has a truly diverse workforce. All disabled applicants will be guaranteed an interview by HM Treasury, provided they meet the minimum criteria for the post, and state their eligibility in their covering letter.

If you feel you have reason for complaint about the appointment process or the manner in which your application was handled, please contact Human Resources, HM Treasury, Rosebery Court, Norwich, NR7 OHS.

Also contactable at hrrecruitment@hmtreasury.gsi.gov.uk.

The 7 principles of public life³

The 7 principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally.⁴ The principles also apply to all those in other sectors that deliver public services. They were first set out by Lord Nolan in 1995 and they are included in the [Ministerial code](#).

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

³ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

⁴ The Civil Service, local government, the police, the courts and probation services, non-departmental public bodies, health, education, social and care services.