



# Bank of England Act 1998

## 1998 CHAPTER 11

### PART I

#### CONSTITUTION, REGULATION AND FINANCIAL ARRANGEMENTS

##### *Constitution and regulation*

#### **1 Court of directors.**

- (1) There shall continue to be a court of directors of the Bank.
- (2) The court shall consist of a Governor, 2 Deputy Governors and 16 directors of the Bank, all of whom shall be appointed by Her Majesty.
- (3) On the day on which this Act comes into force, all persons who are, immediately before that day, holding office as director of the Bank shall vacate their office.
- (4) Schedule 1 shall have effect with respect to the court.

#### **2 Functions of court of directors.**

- (1) The court of directors of the Bank shall manage the Bank's affairs, other than the formulation of monetary policy.
- (2) In particular, the court's functions under subsection (1) shall include determining the Bank's objectives (including objectives for its financial management) and strategy.
- (3) In determining the Bank's objectives and strategy, the court's aim shall be to ensure the effective discharge of the Bank's functions.
- (4) Subject to that, in determining objectives for the financial management of the Bank, the court's aim shall be to ensure the most efficient use of the Bank's resources.

*Status: Point in time view as at 01/06/1998.*

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### **3 Functions to be carried out by non-executive members.**

- (1) The functions mentioned in subsection (2) shall stand delegated to a sub-committee of the court of directors of the Bank consisting of the directors of the Bank.
- (2) The functions referred to are—
  - (a) keeping under review the Bank’s performance in relation to the objectives and strategy for the time being determined by the court of directors of the Bank,
  - (b) monitoring the extent to which the objectives set by the court of directors of the Bank in relation to the Bank’s financial management have been met,
  - (c) keeping under review the internal financial controls of the Bank with a view to securing the proper conduct of its financial affairs, and
  - (d) determining how the functions under paragraph 14 of Schedule 1 (remuneration and pensions etc. of executive members of the court) should be exercised.
- (3) At a meeting of the sub-committee the quorum shall be 7.
- (4) The Chancellor of the Exchequer may designate one of the directors to chair the sub-committee.
- (5) If a member of the sub-committee has any direct or indirect interest in any dealing or business with the Bank which falls to be considered by the sub-committee—
  - (a) he shall disclose his interest to the sub-committee when it considers the dealing or business, and
  - (b) he shall have no vote in proceedings of the sub-committee in relation to any question arising from its consideration of the dealing or business, unless the sub-committee has resolved that the interest does not give rise to a conflict of interest.
- (6) In any proceedings of the sub-committee, a member shall have no vote in relation to any question arising which touches or concerns him but shall withdraw and be absent during the debate of any matter in which he is concerned.
- (7) Subject to subsections (3) to (6), the sub-committee shall determine its own procedure.
- (8) The sub-committee may delegate any of its functions to two or more of its members.

### **4 Annual report by the Bank.**

- (1) As soon as practicable after the end of each of its financial years, the Bank shall make to the Chancellor of the Exchequer a report on its activities in that year.
- (2) A report under this section shall, in particular, contain—
  - (a) a report by the directors of the Bank on the matters for which the sub-committee constituted by section 3 is responsible, and
  - (b) a copy of the statement for the year prepared under section 7(2) and the report of the Bank’s auditors on it.
- (3) The report mentioned in subsection (2)(a) shall, in particular, include a review of the Bank’s performance in relation to its objectives and strategy, as determined by the court of directors of the Bank, in the financial year to which the report under this section relates.
- (4) A report under this section shall also contain—

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- (a) a statement of the rate or rates at which directors of the Bank have been remunerated in the financial year to which the report relates, and
  - (b) a statement of the Bank's objectives and strategy, as determined by the court of directors of the Bank, for the financial year in which the report is made.
- (5) The Bank shall publish every report under this section in such manner as it thinks appropriate.
- (6) The Chancellor of the Exchequer shall lay copies of every report under this section before Parliament.

## **5 Custody and use of the seal.**

- (1) The court of directors of the Bank shall have custody of the Bank's seal.
- (2) The seal shall only be affixed to an instrument if the affixation has been authorised by the court or by a sub-committee of the court acting in exercise of delegated authority.
- (3) The affixing of the seal shall be attested by the signature of—
- (a) two members of the court,
  - (b) one member of the court and the secretary to the court, or
  - (c) two other officers of the Bank authorised by the court for the purpose.

### *Financial arrangements*

## **6 Cash ratio deposits.**

Schedule 2 (which makes provision about the maintenance of cash deposits with the Bank by certain financial institutions) shall have effect.

## **7 Accounts.**

- (1) The Bank shall keep proper accounts and records in relation to the accounts.
- (2) The Bank shall prepare for each of its financial years a statement of accounts consisting of—
- (a) a balance sheet as at the last day of the year, and
  - (b) a profit and loss account.
- (3) In preparing accounts under subsection (2), the Bank shall be subject to requirements corresponding to the relevant Companies Act requirements, except insofar as the accounts relate to the Issue Department.
- (4) The Bank may disregard a requirement to which it is subject under subsection (3) to the extent that it considers it appropriate to do so having regard to its functions.
- (5) The Bank shall appoint an auditor or auditors to audit its accounts, including any statement under subsection (2).
- (6) As soon as practicable after receiving the report of its auditors on a statement prepared under subsection (2), the Bank shall send a copy of—
- (a) the report, and
  - (b) the statement,

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to the Chancellor of the Exchequer.

- (7) The Treasury may by notice in writing to the Bank require it to publish in such manner as it thinks fit such additional information relating to its accounts as the Treasury may specify in the notice, including information which the Bank has excluded under subsection (4) from a statement under subsection (2).
- (8) The Treasury shall consult the Bank before giving a notice under subsection (7).
- (9) In subsection (3), the reference to the relevant Companies Act requirements is to the requirements to which the directors of a company which is a banking company for the purposes of the <sup>M1</sup>Companies Act 1985 are for the time being subject under that Act (except section 232) in relation to the preparation of accounts under section 226(1) of that Act.

**Marginal Citations**

**M1** 1985 c. 6.

**8 Payments in lieu of dividends.**

- (1) In section 1 of the <sup>M2</sup>Bank of England Act 1946, in subsection (4), (amount payable to Treasury in lieu of dividends on Bank stock), for the words from “the sum” to the end there is substituted “ a sum equal to 25 per cent. of the Bank’s net profits for its previous financial year, or such other sum as the Treasury and the Bank may agree. ”
- (2) In that section, at the end there is inserted—
- “(6) In subsection (4) of this section, the reference to the Bank’s net profits for its previous financial year is to the profits shown in the audited accounts for that year less the amount of the tax charge so shown.”
- (3) In Schedule 1 to that Act (supplemental provisions), after paragraph 11 there is inserted—
- “11A (1) If, when a payment falls to be made under section 1(4) of this Act, the Bank’s accounts for the previous financial year have not been audited, the payment shall be made on the basis of the Bank’s estimate of the relevant amounts.
- (2) If an amount estimated under sub-paragraph (1) of this paragraph differs from the amount shown in the audited accounts, an appropriate adjustment shall be made to the next payment under section 1(4) of this Act to be made after the difference becomes apparent.”
- (4) In that Schedule, for paragraph 14 there is substituted—
- “14 Any sum paid by the Bank to the Treasury in lieu of dividends shall be allowed as a deduction in assessing the Bank to corporation tax for the accounting period by reference to which the payment is calculated.”

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**Marginal Citations**

**M2** 1946 c. 27.

*Supplementary*

**9 Consequential amendments.**

- (1) In section 14 of the <sup>M3</sup>National Debt Reduction Act 1786 and section 32 of the <sup>M4</sup>Life Annuities Act 1808, for “deputy governor” there is substituted “deputy governors”.
- (2) In section 55 of the <sup>M5</sup>National Debt Act 1870, the first reference to the Deputy Governor of the Bank of England shall be treated as a reference to a Deputy Governor of the Bank of England.
- (3) In section 3(3) of the <sup>M6</sup>Bank of England Act 1946, after “this Act” there is inserted “and the Bank of England Act 1998”.

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**Marginal Citations**

**M3** 1786 c. 31.

**M4** 1808 c. 142.

**M5** 1870 c. 71.

**M6** 1946 c. 27.

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