



# 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 <sup>F1</sup>... directors of the Bank, all of whom shall be appointed by Her Majesty.
- [<sup>F2</sup>(2A) The number of directors must not exceed 9.]
- (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.

#### **Textual Amendments**

- F1** Word in s. 1(2) omitted (1.6.2009) by virtue of [Banking Act 2009 \(c. 1\)](#), [ss. 239\(2\)](#), 263(1) (with s. 247); S.I. 2009/1296, art. 2, Sch. para. 2
- F2** S. 1(2A) inserted (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), [ss. 239\(3\)](#), 263(1) (with s. 247); S.I. 2009/1296, art. 2, Sch. para. 2

#### **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.

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- (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.
- [<sup>F3</sup>(5) Sections 2A and 11 set objectives for the Bank in relation to financial stability and monetary policy; and subsections (2) to (4) above are subject to those sections.]

#### Textual Amendments

**F3** S. 2(5) added (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), **ss. 238(2)**, 263(1) (with s. 247); [S.I. 2009/1296](#), art. 2, Sch. para. 1

#### [<sup>F4</sup>2A Financial Stability Objective

- (1) An objective of the Bank shall be to contribute to protecting and enhancing the stability of the financial systems of the United Kingdom (the "Financial Stability Objective").
- (2) In pursuing the Financial Stability Objective the Bank shall aim to work with other relevant bodies (including the Treasury and the Financial Services Authority).
- (3) The court of directors shall, consulting the Treasury, determine and review the Bank's strategy in relation to the Financial Stability Objective.]

#### Textual Amendments

**F4** Ss. 2A-2C inserted (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), **ss. 238(1)**, 263(1) (with s. 247); [S.I. 2009/1296](#), art. 2, Sch. para. 1

#### [<sup>F4</sup>2B Financial Stability Committee

- (1) There shall be a sub-committee of the court of directors of the Bank (the "Financial Stability Committee") consisting of—
  - (a) the Governor of the Bank, who shall chair the Committee (when present),
  - (b) the Deputy Governors of the Bank, and
  - (c) 4 directors of the Bank, appointed by the chair of the court of directors (designated under paragraph 13 of Schedule 1).
- (2) The Committee shall have the following functions—
  - (a) to make recommendations to the court of directors, which they shall consider, about the nature and implementation of the Bank's strategy in relation to the Financial Stability Objective,
  - (b) to give advice about whether and how the Bank should act in respect of an institution, where the issue appears to the Committee to be relevant to the Financial Stability Objective,
  - (c) in particular, to give advice about whether and how the Bank should use stabilisation powers under Part 1 of the Banking Act 2009 in particular cases,

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- (d) to monitor the Bank's use of the stabilisation powers,
  - (e) to monitor the Bank's exercise of its functions under Part 5 of the Banking Act 2009 (inter-bank payment systems), and
  - (f) any other functions delegated to the Committee by the court of directors for the purpose of pursuing the Financial Stability Objective.
- (3) The Treasury may appoint a person to represent the Treasury at meetings of the Committee; and the Treasury's representative—
- (a) may not vote in proceedings of the Committee,
  - (b) shall in all other respects be a member of the Committee, and
  - (c) may be replaced by the Treasury.
- (4) The Committee may co-opt other non-voting members.
- (5) The chair of the court of directors may replace members of the Committee appointed under subsection (1)(c).]

#### Textual Amendments

**F4** Ss. 2A-2C inserted (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), **ss. 238(1)**, 263(1) (with [s. 247](#)); [S.I. 2009/1296](#), [art. 2](#), [Sch. para. 1](#)

### [<sup>F4</sup>2C **Financial Stability Committee: supplemental**

- (1) The Committee shall determine its own procedure (including quorum).
- (2) If a member of the Committee has any direct or indirect interest (including any reasonably likely future interest) in any dealing or business which falls to be considered by the Committee—
- (a) he shall disclose his interest to the Committee when it considers the dealing or business, and
  - (b) he shall have no vote in proceedings of the Committee in relation to any question arising from its consideration of the dealing or business, unless the Committee has resolved that the interest does not give rise to a conflict of interest.
- (3) The Committee may delegate a function under section 2B(2)(b) to (e) to two or more of its members, excluding—
- (a) the Treasury representative, and
  - (b) co-opted non-voting members.]

#### Textual Amendments

**F4** Ss. 2A-2C inserted (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), **ss. 238(1)**, 263(1) (with [s. 247](#)); [S.I. 2009/1296](#), [art. 2](#), [Sch. para. 1](#)

### **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.

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- (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.

<sup>F5</sup>(3) . . . . .

[<sup>F6</sup>(4) The chair of the court (designated under paragraph 13 of Schedule 1) shall chair meetings of the sub-committee (when present).]

- (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 [<sup>F7</sup>(4)] to (6), the sub-committee shall determine its own procedure [<sup>F8</sup>(including quorum)].
- (8) The sub-committee may delegate any of its functions to two or more of its members.

#### **Textual Amendments**

- F5** S. 3(3) omitted (1.6.2009) by virtue of [Banking Act 2009 \(c. 1\)](#), **ss. 242(2)(a)**, 263(1) (with s. 247); S.I. 2009/1296, art. 2, Sch. para. 5
- F6** S. 3(4) substituted (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), **ss. 241(2)**, 263(1) (with s. 247); S.I. 2009/1296, art. 2, Sch. para. 4
- F7** Word in s. 3(7) substituted (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), **ss. 242(2)(b)**, 263(1) (with s. 247); S.I. 2009/1296, art. 2, Sch. para. 5
- F8** Words in s. 3(7) added (1.6.2009) by [Banking Act 2009 \(c. 1\)](#), **ss. 242(2)(c)**, 263(1) (with s. 247); S.I. 2009/1296, art. 2, Sch. para. 5

#### **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—

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- (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—
- (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.

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