



# Bank of England Act 1998

## 1998 CHAPTER 11

### PART II

#### MONETARY POLICY

##### *Role of the Bank*

#### **10 Operational responsibility**

In section 4(1) of the Bank of England Act 1946 (power of the Treasury to give directions to the Bank), at the end there is inserted “, except in relation to monetary policy”.

#### **11 Objectives**

In relation to monetary policy, the objectives of the Bank of England shall be—

- (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.

#### **12 Specification of matters relevant to objectives**

- (1) The Treasury may by notice in writing to the Bank specify for the purposes of section 11—
  - (a) what price stability is to be taken to consist of, or
  - (b) what the economic policy of Her Majesty’s Government is to be taken to be.
- (2) The Treasury shall specify under subsection (1) both of the matters mentioned there—
  - (a) before the end of the period of 7 days beginning with the day on which this Act comes into force, and
  - (b) at least once in every period of 12 months beginning on the anniversary of the day on which this Act comes into force.

- (3) Where the Treasury give notice under this section they shall—
- (a) publish the notice in such manner as they think fit, and
  - (b) lay a copy of it before Parliament.

*Monetary Policy Committee of the Bank*

**13 Monetary Policy Committee**

- (1) There shall be a committee of the Bank, to be known as the Monetary Policy Committee of the Bank of England, which shall have responsibility within the Bank for formulating monetary policy.
- (2) The Committee shall consist of—
- (a) the Governor and Deputy Governors of the Bank,
  - (b) 2 members appointed by the Governor of the Bank after consultation with the Chancellor of the Exchequer, and
  - (c) 4 members appointed by the Chancellor of the Exchequer.
- (3) Of the 2 members appointed under subsection (2)(b)—
- (a) one shall be a person who has executive responsibility within the Bank for monetary policy analysis, and
  - (b) the other shall be a person who has executive responsibility within the Bank for monetary policy operations.
- (4) The Chancellor of the Exchequer shall only appoint a person under subsection (2)(c) if he is satisfied that the person has knowledge or experience which is likely to be relevant to the Committee's functions.
- (5) Schedule 3 shall have effect with respect to the Committee.

**14 Publication of statements about decisions**

- (1) As soon as practicable after each meeting of the Monetary Policy Committee, the Bank shall publish a statement as to whether it was decided at the meeting that the Bank should take any action, other than action by way of intervening in financial markets, for the purpose of meeting its objectives under section 11 and, if it was, what the action is.
- (2) If, at any meeting, the Committee decides that the Bank should intervene in financial markets, it shall also consider at the meeting whether immediate publication of the decision would be likely to impede or frustrate the achievement of the intervention's purpose.
- (3) If the Committee decides under subsection (2) that immediate publication of a decision would not have the effect mentioned there, the Bank shall, when it publishes a statement under subsection (1) about the meeting, publish a statement as to what action by way of intervening in financial markets the Committee has decided the Bank should take.
- (4) If the Committee decides under subsection (2) that immediate publication of a decision would have the effect mentioned there, it shall keep under consideration the question of whether publication of the decision would still have that effect.

- (5) As soon as practicable after the Committee has decided that publication of a decision which has not been the subject of a statement under subsection (3) would no longer have the effect mentioned in subsection (2), the Bank shall publish a statement as to what action by way of intervening in financial markets the Committee decided the Bank should take and when the decision was made.
- (6) Publication under this section shall be in such manner as the Bank thinks fit.

## **15 Publication of minutes of meetings**

- (1) After each meeting of the Monetary Policy Committee, the Bank shall publish minutes of the meeting before the end of the period of 6 weeks beginning with the day of the meeting.
- (2) Subsection (1) shall not apply to minutes of any proceedings relating to—
  - (a) a decision to intervene in financial markets, or
  - (b) a decision about the publication of a decision to intervene in financial markets, unless the Committee has decided that publication of the decision to intervene would not be likely, or would no longer be likely, to impede or frustrate the achievement of the intervention's purpose.
- (3) Minutes of proceedings relating to—
  - (a) a decision to intervene in financial markets, or
  - (b) a decision about the publication of a decision to intervene in financial markets, shall, if not required to be published before the end of the period of 6 weeks beginning with the day of the meeting, be published by the Bank before the end of the period of 6 weeks beginning with the day on which a statement about the decision to intervene is published under section 14(5).
- (4) Minutes published under this section shall record, in relation to any decision of the Committee, the voting preference of the members who took part in the vote on the decision.
- (5) Publication under this section shall be in such manner as the Bank thinks fit.

## **16 Functions of court of directors**

- (1) The court of directors of the Bank shall keep the procedures followed by the Monetary Policy Committee under review.
- (2) In particular, the court's function under subsection (1) shall include determining whether the Committee has collected the regional, sectoral and other information necessary for the purposes of formulating monetary policy.
- (3) The court's function under subsection (1) shall stand delegated to the sub-committee constituted by section 3.

### *Information and reports*

#### **17 Power to obtain information**

- (1) The Bank may by notice in writing require an undertaking to which this section applies to provide the Bank with such information as may be specified in the notice, being information about the relevant financial affairs of the undertaking which the Bank considers it necessary or expedient to have for the purposes of its functions under this Part.
- (2) A notice under subsection (1) may require information to be provided—
  - (a) in such form or manner as may be specified in the notice;
  - (b) at such time or times as may be so specified;
  - (c) in relation to such period or periods as may be so specified.
- (3) An undertaking is one to which this section applies if it has a place of business in the United Kingdom and—
  - (a) is an authorised institution, or a former authorised institution, within the meaning of the Banking Act 1987,
  - (b) is a European institution within the meaning of the Banking Coordination (Second Council Directive) Regulations 1992 which has lawfully established a branch in the United Kingdom for the purpose of accepting deposits or other repayable funds from the public,
  - (c) is a building society within the meaning of the Building Societies Act 1986,
  - (d) falls within the subsector “other monetary financial institutions”, as defined by paragraph 2.48 of Annex A to Council Regulation (EC) No. 2223/96, and is not a credit institution,
  - (e) carries on a business of granting credits secured on land used for residential purposes, and is not a credit institution,
  - (f) is a financial holding company as defined by Article 1 of Council Directive 92/30/EEC,
  - (g) has issued a relevant debt security, and is not a credit institution, or
  - (h) has acted as an agent in connection with arranging or managing the issue of a relevant debt security, and is not a credit institution.
- (4) The Treasury may by order provide which financial affairs of an undertaking are relevant for the purposes of this section, and may make different provision for different undertakings or classes of undertaking.
- (5) The Treasury may by order amend subsection (3).
- (6) Before making an order under this section, the Treasury shall consult—
  - (a) the Bank,
  - (b) the Office for National Statistics,
  - (c) such persons as appear to them to be representative of persons likely to be materially affected by the order, and
  - (d) such other persons as they consider appropriate.
- (7) In this section—

“credit institution” has the same meaning as in the Banking Coordination (Second Council Directive) Regulations 1992;

“relevant debt security” has the same meaning as in the Banking Act 1987 (Exempt Transactions) Regulations 1997 (or any regulations replacing them); and

“undertaking” has the meaning given by section 259 of the Companies Act 1985.

## **18 Reports**

- (1) The Bank shall prepare and publish reports in accordance with the provisions of this section.
- (2) A report under this section shall contain—
  - (a) a review of the monetary policy decisions published by the Bank in the period to which the report relates,
  - (b) an assessment of the developments in inflation in the economy of the United Kingdom in the period to which the report relates, and
  - (c) an indication of the expected approach to meeting the Bank’s objectives under section 11.
- (3) A report under this section shall relate to—
  - (a) a period of 3 months, or
  - (b) such other period as the Treasury and the Monetary Policy Committee may agree.
- (4) Periods to which reports under this section relate shall be successive, the first such period commencing on such day within the period of 3 months ending with the day on which this Act comes into force as the Treasury shall, after consultation with the Bank, specify in writing to it.
- (5) No report under this section shall be published without the approval of the Monetary Policy Committee.
- (6) A report under this section shall be published as soon as practicable after the end of the period to which it relates and in such manner as the Bank thinks fit.

### *Treasury’s reserve powers*

## **19 Reserve powers**

- (1) The Treasury, after consultation with the Governor of the Bank, may by order give the Bank directions with respect to monetary policy if they are satisfied that the directions are required in the public interest and by extreme economic circumstances.
- (2) An order under this section may include such consequential modifications of the provisions of this Part relating to the Monetary Policy Committee as the Treasury think fit.
- (3) A statutory instrument containing an order under this section shall be laid before Parliament after being made.
- (4) Unless an order under this section is approved by resolution of each House of Parliament before the end of the period of 28 days beginning with the day on which it is made, it shall cease to have effect at the end of that period.

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*Status: This is the original version (as it was originally enacted).*

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- (5) In reckoning the period of 28 days for the purposes of subsection (4), no account shall be taken of any time during which Parliament is dissolved or prorogued or during which either House is adjourned for more than 4 days.
- (6) An order under this section which does not cease to have effect before the end of the period of 3 months beginning with the day on which it is made shall cease to have effect at the end of that period.
- (7) While an order under this section has effect, section 11 shall not have effect.

### *Supplementary*

## **20 Interpretation of Part II**

In this Part, “the Monetary Policy Committee” means the Monetary Policy Committee of the Bank of England.