

APPOINTMENTS IN CONFIDENCE

PRIME MINISTER

**BANKING SUPERVISION: APPOINTMENTS**

The Chancellor's minute below reports that the Governor has "informed" him of prospective changes in personnel and organisation in the Banking Supervision Department, i e these are matters for the Governor's decision, not the Chancellor's.

At first sight, the Governor's changes look illogical - there is no sense in splitting responsibility for Banking Supervision between Galpin (responsible for all individual banking institutions) and Cooke (responsible for general policy on Banking Supervision and international supervisory co-ordination). But the Treasury assure me that, in practice, Galpin will run Banking Supervision, both policy and individual cases. The Governor wants to use the formula in the draft below to save embarrassment for Peter Cooke who has just had a heart attack.

*None in point - to save the Bank's reputation for supervision. And how can he have these responsibilities of his heart attack*

The Treasury have emphasised to me that these changes deal mainly with internal organisation within the Supervision Department. <sup>Bank</sup> They have announced separately the strengthening of the Department's banking expertise through the recruitment of outsiders referred to in the side-lined passage in the draft. The Treasury also tell me that the Governor has decided that George Blunden should be the next Deputy Governor. Blunden is (very) willing. This will not be announced until 1 December because that is what McMahon's new employers want (although I bet it will be leaked long before then). Blunden's appointment as Deputy will, rightly, be taken

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in the City as further strengthening of the Bank's supervisory function, especially in view of his past supervisory experience in the Bank.

I recommend that you simply note the Governor's changes, but urge that he proceeds urgently with the further steps referred to in the last paragraph of the Chancellor's minute, which are needed to strengthen the Banking Supervisory Department.

Do you agree?

N.L.W.

N L WICKS

19 September 1985



Treasury Chambers, Parliament Street, SW1P 3AG  
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PRIME MINISTER

**BANKING SUPERVISION: APPOINTMENTS**

The Governor has informed me of a number of changes to the staffing of the Banking Supervision Department which he plans to put to Court on Thursday, to take effect as from 1 October.

*with  
policy  
Banking*

The key change affects Peter Cooke, who will leave the Court and cease to be head of Banking Supervision. He will remain at the Bank, with responsibilities for international supervisory co-ordination, notably as chairman of the Basle Committee of Supervisors. Rodney Galpin, a member of the Court, will take charge of Banking Supervision. David Walker is to replace Rodney Galpin as Chairman of JMB.

Full details are given in the attached draft of the press notice which the Governor intends to issue next Tuesday.

These changes, particularly the replacement of Mr Cooke by Mr Galpin, are a step in the right direction. But the Governor is well aware that further steps are needed to strengthen the Banking Supervision Department.

*N.L.*

N.L.

18 September 1985

The Bank of England today announces a number of measures to strengthen and improve the supervision of banks and other financial institutions. These involve substantial increases at all levels in the resources devoted to the supervision of individual institutions, to supervisory policy, and to co-ordination between different supervisors internationally and domestically.

A new high-level supervisory committee is being set up under the Chairmanship of the Deputy Governor, with Messrs Cooke, George, Galpin and Walker as members. This will be ultimately responsible under the Governor for all decisions on individual supervisory questions; for the evolution of supervisory policy; for co-ordinating supervisory principles and practice where differing institutions are involved; and for monitoring and minimising underlap and overlap between different supervisory regimes.

In Banking Supervision the full range of questions hitherto handled at Director level by Mr Cooke will be split between him and Mr Galpin. Mr Galpin, hitherto in charge of Corporate Services in the Bank and Chairman of JMB, will relinquish these responsibilities and take charge of the supervision of all individual banking institutions. Mr Cooke will retain the responsibility for general policy on banking supervision (including the preparation of the new Banking Act) and all his international responsibilities for supervisory co-ordination, most notably his Chairmanship of the Basle Committee of Supervisors. (?Expand on the growth of these demands.)

Mr Quinn will continue as Head of Banking Supervision Division, reporting to Mr Galpin on all questions involving individual institutions and to Mr Cooke on questions of general policy. Banking Supervision is being further expanded. (Mr Quinn to provide a passage outlining the increases in staff over the past and what is

now projected. This should recall the recruitment of Procter (flagged some time ago) as well as the inward and outward secondments with commercial banks.)

Under Mr George, the Gilt-Edged Division is being significantly expanded in numbers. Most of these are coming from elsewhere in the Bank but in addition Mr Robin McConnachie (?age), previously with the Inland Revenue, has been recruited as a Senior Manager. Within the Gilt-Edged Division a new supervisory function is being set up under Mr Andrew Jennings with a team of four supervisors working to him. (Mr George to advise on this wording and whether we can have a few sentences on their role in the new gilts market.)

Under Mr Walker the two functions of industrial finance and securities supervision are being brought together under Mr C J Farrow. Mr Jonathan Charkham currently in charge of PRO NED is to join the Bank as a Chief Adviser with responsibilities in this area. Mr Walker and Mr Farrow will continue the Bank's liaison work with the DTI, the SIB and the various City markets. (Secondments of Bank of England staff to the SIB, Take-over Panel will be continued/stepped up?)

Mr Galpin's responsibilities for the corporate services of the Bank - including Banking Department, Registrar's Department and the Printing Works will be assumed by Mr Dawkins who becomes an Associate Director.

Mr Galpin has naturally to resign as Chairman of JMB on assuming his responsibility for the supervision of banks. He is to be succeeded by Mr Walker. Mr Alan Lord, a non-Executive Director of the Bank will also be joining the Board of JMB as a non-Executive member.

All these moves will take place on 1 October, except that of Mr Charkham who joins the Bank on 1 November.

16 September 1985