HOUSE OF COMMONS
LIBRARY

Bank of England (Appointment of Governor) Bill

Bill 8 of 2012 - 13

RESEARCH PAPER 12/35 3 July 2012

John McDonnell MP came first in the ballot for Private Member's Bills and has introduced the *Bank of England (Appointment of Governor) Bill.* This Bill would make the appointment of the Governor of the Bank of England dependent upon the approval of the Treasury Select Committee. The immediate stimulus for this Bill is the substantial increase in powers given to the Bank of England under the proposed new system of financial regulation. However, the involvement of the Treasury Committee in the appointment of the Governor of the Bank of England would represent an enhancement of the powers of the select committees in the Commons.

Timothy Edmonds
Oonagh Gay

Recent Research Papers

12/20	Sunday Trading (London Olympic Games and Paralympic Games) Bill [HL] [Bill 335 of 2010-12]	27.04.12
12/21	Social Indicators	27.04.12
12/22	Economic Indicators, May 2012	01.05.12
12/23	Financial Services Bill: Committee Stage and Report Stage (Day One) Report	15.05.12
12/24	Local Government Finance Bill 2012-13 [Bill 4 of 2012-13]	16.05.12
12/25	Unemployment by Constituency, May 2012	16.05.12
12/26	Electoral Administration Bill [Bill 6 of 2012-13]	17.05.12
12/27	Local Elections 2012	21.05.12
12/28	London Elections 2012	22.05.12
12/29	Members' pay and expenses – current rates and a review of developments since 2009	22.05.12
12/30	Defamation Bill [Bill 5 of 2012-13]	28.05.12
12/31	Inflation: the value of the pound 1750-2011	29.05.12
12/32	Economic Indicators, June 2012	07.06.12
12/33	Enterprise and Regulatory Reform Bill [Bill 7 of 2012-13]	07.06.12
12/34	Unemployment by Constituency, June 2012	20.06.12

Research Paper 12/35

Contributing Authors: Oonagh Gay, Constitutional aspects, PCC
Timothy Edmonds, Financial Regulation aspect, BTS

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to our general terms and conditions which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

We welcome comments on our papers; these should be e-mailed to papers@parliament.uk.

ISSN 1368-8456

Contents

Summary 1

Introduction 2

1 The proposed new powers of the Bank of England 2

2 Pre-appointment hearings 7

2.1 Office for Budget Responsibility 8

3 Bank of England (Appointment of Governor) Bill 2012-13 9

Summary

John McDonnell MP came first in the ballot for Private Member's Bills and has introduced the *Bank of England (Appointment of Governor) Bill*.[1] The purpose of the Bill is to give the Treasury Select Committee, or its successor bodies, the power to consent to the appointment of the Governor of the Bank of England. The immediate stimulus for this is the substantial increase in powers given to the Bank of England (the Bank) under the proposed *Financial Services Bill* 2012-13.

The Bank already has statutory responsibility for most aspects of monetary policy through the Monetary Policy Committee. Under the current *Financial Services Bill*, it would have significant extra powers over the running of the 'real' economy through the powers given to the Financial Policy Committee. This might include 'cooling –off' sectors of the economy where it thought speculative bubbles might build, or by restricting the availability of residential mortgages.

The Treasury Committee already has, on a non-statutory basis, undertaken confirmation hearings of appointments to the Monetary Policy Committee since its inception and has regular sessions with the Bank to discuss its inflation targets objective.

The *Budget Responsibility and National Audit Act 2011* contained a provision which requires the Chancellor of the Exchequer to appoint the chair to the Office for Budget Responsibility "with the consent of the Treasury Committee of the House of Commons". Similar provision is made in the same Act for the Chancellor to recommend for appointment the Comptroller and Auditor General with the agreement of the chair of the Public Accounts Committee.

This Bill would represent an enhancement of the powers of the select committees in the Commons, in that the Treasury Committee is given a statutory veto over appointment. The Governor of the Bank is a post of major importance in the UK economy. The Comptroller and Auditor General and the Office for Budget have responsibility for investigations and forecasts, rather than for major executive responsibilities. Other select committees hold pre-appointment hearings for other major bodies, but this does not give them a veto, nor is this right set out in statute.

The Bill is due to have its second reading on 6 July 2012.

1 Bill 8, 2012-13

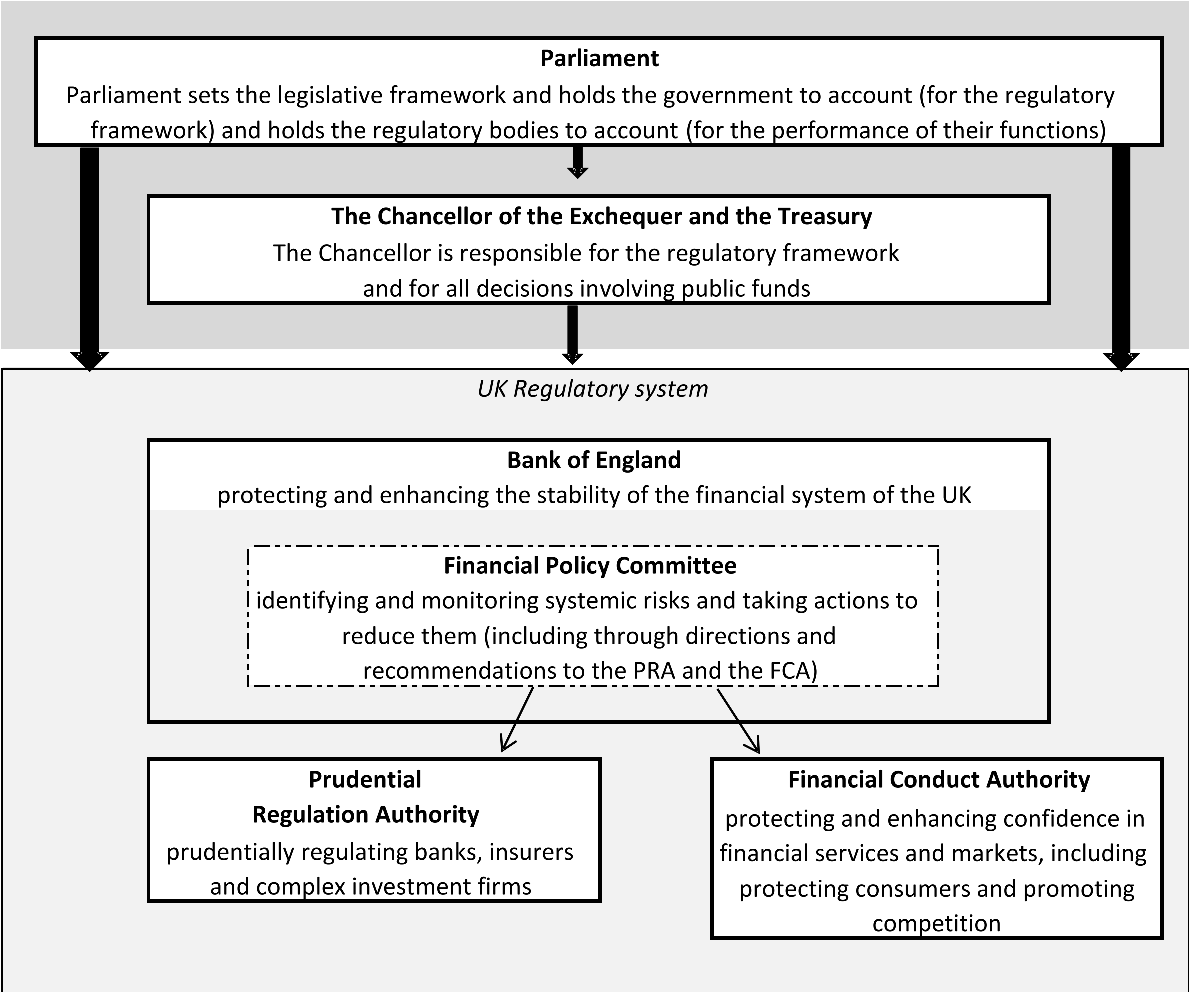
Introduction

John McDonnell MP came first in the ballot for Private Member's Bills and has introduced the *Bank of England (Appointment of Governor) Bill*.[2] The purpose of the Bill is to give the Treasury Select Committee, or its successor bodies, the power to give consent to the appointment of the Governor of the Bank of England. The immediate stimulus for this is the substantial increase in powers of the Bank of England (the Bank) under the proposed *Financial Services Bill* 2012-13[3] which has passed its Commons stages and is currently in the House of Lords. This increase in powers is a result of the proposed reorganisation of the regulatory system for financial services within the UK which is itself consequent on the review of existing regulatory arrangements following the financial crisis in 2007/8.

This Paper outlines the new powers given to the Bank; examines the broad issues of accountability of public bodies and gives examples where heads of such bodies are subject to pre-appointment scrutiny.

1 The proposed new powers of the Bank of England

The following diagram shows the main features of the proposed new system:



The Bank is the central agent in regulatory affairs. It has overall responsibility for financial stability; the Financial Policy Committee is situated within the Bank and it can make

2 Bill 8, 2012-13
3 Bill 2, 2012-13

directions and recommendations to the two other bodies in the system. At a simplistic level, the Prudential Regulation Authority (PRA) supervises the big banks and insurance companies and the Financial Conduct Authority (FCA) will regulate the mass of smaller companies, financial advisers, investment brokers, credit unions etc. In this respect, the FCA will take over many of the functions currently carried out by the Financial Services Authority.

Major changes to the Bank's powers would follow from the passing of the *Financial Services Bill*, currently in the Lords. The Bill establishes a new supervisory and regulatory architecture for the UK's financial system. A Library Research Paper (RP 12/08) outlining its provisions can be found here.

The new features of the Bank under the Bill are:

- A new financial stability objective: "An objective of the Bank shall be to protect and enhance the stability of the financial system of the United Kingdom (the "Financial Stability Objective")"[Clause 2]

- A new post of Deputy Governor responsible for prudential regulation [Clause 1]

- Bank responsibility for the new Financial Policy Committee (FPC) [Clause 3]

    - The FPC will be a sub-committee of the Court of directors
    - members to include those appointed by Governor and Chancellor (appointed members)
    - an appointed member may not be part of the government or the monetary policy committee
    - must meet at least four times a year
    - to give the FPC certain functions ("monitoring the stability of the UK financial system with a view to identifying and assessing systemic risks" and then taking action)

- Change to the period of office holding of the Governor and Deputy Governor. Currently the Governor or Deputy can be appointed for any number of five year terms. The Bill changes this. The Governor will be appointed for a single eight year period and Deputies for up to two, five-year terms.[Clause 4 (schedule 2)]

- Bank Deputy Governors will have places on the Boards of the subsidiary regulatory bodies:

    - The Deputy Governor for prudential regulation will be on the Board of the new FCA (replicating the position currently vis a vis the FSA).

- The FPC is a committee of the Bank's Court of Directors. Under the Bill its membership of 11 will comprise:

    - Governor of the Bank
    - Bank's Deputy Governor for prudential regulation (chief executive of the PRA)
    - Bank's Deputy Governor for financial stability
    - The chief executive of the FCA; and
    - Appointed members (appointed members must comprise the majority of the Board; they are appointed by the Bank with Treasury approval)

An interim (FPC) committee has been established ahead of the Bill becoming law. Its membership resembles closely that of the proposed statutory body. The interim Committee

is chaired by the Governor, Sir Mervyn King. Other Bank officials on the Committee include: Deputy Governor for Financial Stability, Paul Tucker; Deputy Governor for Monetary Policy, Charlie Bean; Executive Director for Financial Stability, Andy Haldane; and the Executive Director for Markets, Paul Fisher.

Of the above list of new features, arguably, it is the FPC which is the single most innovative and significant extension of the Bank's powers.

The FPC has been described by Bank officials as 'regulating the real economy'.[4] It will have a range of macroprudential policy levers to regulate the economy. The exact nature of these powers has not yet been formalised – they will be granted by way of statutory instrument made under the *Financial Services Bill*, however, a guide to current intent can be found in a Bank of England discussion paper – *Instruments of macroprudential policy* – published on 20 December 2011. The general consideration in this paper was supplemented by a statement in March 2012 which outlined the following favoured options and their use. Note, *emphasis* has been added to highlight the practical impact of these tools:

> **Countercyclical capital buffer**
>
> The Committee agreed that it should advise HM Treasury that the statutory FPC should take decisions about the appropriate setting of the countercyclical capital buffer in the United Kingdom.
>
> Consistent with the new Basel III standard, national regulators may adjust banks' required capital ratios through a time-varying capital buffer in certain circumstances. Requiring this buffer would increase the capacity of the system to absorb losses and could act to mitigate systemic risks, for example arising from unsustainable balance sheet growth or poor risk management. At other times, reducing the required buffer, back towards the minimum level and so unwinding the previous increase, could help to mitigate an excessive contraction in lending supply during a downturn of the credit cycle.
>
> The Committee noted that the countercyclical capital buffer provided a simple, aggregate tool which would be readily applicable in an international context. Any decision made by the FPC to change the buffer in the United Kingdom was likely to be reciprocated for foreign banks active in the United Kingdom by their home regulator, at least up to the levels agreed in the Basel III standards. That *would enhance the ability of the FPC to stem over-exuberance in UK credit growth in some circumstances and support credit growth in others.*
>
> The Committee also noted that there might be circumstances when it would be necessary for the Direction to adjust the countercyclical capital buffer to be accompanied by a Recommendation as to the appropriate balance between the change in the level of nominal capital and assets.
>
> **Sectoral capital requirements**
>
> The Committee agreed that it would advise HM Treasury that the statutory FPC should have powers of Direction *to vary financial institutions' capital requirements against exposures to specific sectors over time*. Sectoral capital requirements could enable the FPC to target risks building in specific areas more precisely than the aggregate countercyclical capital buffer. They could be applied by scaling up the amount of capital that firms are required to hold against certain types of exposure relative to the microprudential requirement. For example, *the Committee noted that the over-*

[4] Andrew Haldane, Wincott Annual Memorial Lecture. October 2011

exuberance that had preceded previous financial crises had tended to emerge first in specific sectors, such as commercial and residential property or lending to other leveraged parts of the financial sector. The targeted nature of this approach might also be easier to communicate and explain to the public in such circumstances.

> The Committee agreed that it would need to avoid an excessively activist, fine-tuning approach in setting any sectoral capital requirements. That *suggested an approach that allowed requirements to be specified for a small set of broad sectors such as residential mortgages, commercial property, other corporate lending and intra-financial sector activity*, either in the United Kingdom or overseas. *The Committee agreed that it would also be desirable to be able to vary capital requirements for mortgage or other property-related lending to households and businesses differentiated, for example, by their loan to value, or their loan to income, ratio at origination*.
>
> **Leverage ratio**
>
> The Committee agreed that it would advise HM Treasury that the statutory FPC should have powers of Direction to set a maximum ratio of total liabilities to capital — and to vary it over time. It was noted that, for banks and building societies, it would be natural to use the internationally agreed definition of leverage that had been set out in the Basel III standards.
>
> A leverage ratio limit would constrain financial institutions' ability to increase the overall size of their exposures relative to their capacity to absorb losses. Key strengths of the leverage ratio were its simplicity, transparency and the fact that it does not depend on an assessment of the relative riskiness of assets. Importantly, by restricting overall balance sheets a leverage ratio might mitigate funding risks indirectly.[5]

The FPC will be a pre-eminent regulatory body in the sense that it will have the power to:

- give directions to the PRA and FCA to implement macro-prudential measures – though not specific regulatory action against one company; and
- Where the FPC can only recommend that an action is taken, the recommendation may require the regulator to 'comply or explain'.

One other important committee within the Bank consequent on the *Financial Services Bill* is the new Financial Operations Committee (FOC). This was, in a previous life, the Financial Stability Committee (FSC) which was created following the passage of the *Banking Act 2009* to have responsibility for the then new stability objective. It consists of the Governors, four members of the Court nominated by the Chairman of the Court, and a Treasury observer. Following the change to the stability objective (see above), the FSC will become the FOC. The functions of the FOC were summarised in the Treasury Select Committee Report into the Governance of the Bank of England:

> 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
>
> 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
>
> To monitor the Bank's use of the stabilisation powers

[5] FPC Statement 16 March 2012

> To monitor the Bank's exercise of its functions under Part 5 of the Banking Act 2009 (inter-bank payment systems)
>
> To monitor the Bank's exercise of its functions under Part 6 of the Banking Act 2009 (Scottish and Northern Ireland banknotes)
>
> To monitor the Bank's exercise of its functions under the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012 (regulation of Central Counterparties and Settlement Systems)
>
> To advise the Governor about any loan, commitment or other transaction which it is proposed that the Bank should make or enter into for the purpose of pursuing the Financial Stability Objective, (other than in relation to participation in any of the Bank's published arrangements, access to which is generally available subject to the applicable terms and conditions) or which is not in the ordinary course of the Bank's business. The Committee is also to advise the Governor about the formation, acquisition or disposal of a subsidiary of the Bank and the appointment of directors and officers to any such subsidiary in connection with the exercise of the Bank's powers and functions under Part 1 of the 2009 Act or for any other purpose.[6]

One could argue that the new powers given to the FPC is simply the latest in a series of measures designed to introduce a degree of independence and oversight over economic policy making. This process began with the decision by the previous Labour Government to give interest rate decision-making powers to the Monetary Policy Committee (MPC) of the Bank under the *Bank of England Act 1998*. This decision raised similar questions to those aired in the committee proceedings of the *Financial Services Bill* and to which this new Bill is a response.[7]

Whilst the *Bank of England Act* secured some accountability of the Bank to the executive and to the public (through the publication of its decisions and appropriate analysis), the further issue of parliamentary accountability was not addressed in the original Bill. The then Chancellor told the House on 20 May 1997:

> The Bank will be expected to report to the Treasury Select Committee and to the House. I shall write to the Chairman suggesting that the Bank's annual report be debated in the House, and that the Bank appear four times a year before the Committee to give evidence and answer questions on each of its inflation reports, so that the Bank's performance will be able to be judged by Parliament.[8]

On 18 July 1997, the Chancellor wrote to the Chairman of the Treasury Committee:

> I have proposed that the reconstituted Court of the Bank should review the performance of the Bank, including the Monetary Policy Committee, with particular regard to whether the Bank is collecting the regional and sectoral information it needs. I envisage that the non-executive members of the Court would make an assessment and publish a report once a year on the Bank's performance. This report would be laid before Parliament.
>
> The Bank's performance in carrying out its monetary policy functions will also be made more transparent by the publication of the minutes and votes of each meeting of the Monetary Policy Committee, as well as the Bank's quarterly Inflation Report. You may

6 *Accountability of the Bank of England;* Treasury Select Committee, HC 21st Report 2010-12

7 A summary of the committee proceedings surrounding the FPC and the other regulators can be found in Library Research Paper 12/23, parts 2.2 and 2.3

8 HC Deb 20 May 1997 c509

> wish to call the Bank to appear before you to give evidence following the publication of each Inflation Report. I also believe the House would welcome the opportunity to debate the Bank's Annual Report.[9]

It was agreed that the Treasury Committee would hold the Bank responsible for its past actions as well as immediate decisions, by examining the inflation outturn against the inflation target. It would do this by taking evidence both from the Chancellor who sets the inflation target, and from the Governor who operates the policy controls to meet the target. It has held at least two sessions specifically on the Inflation Report each year, and has taken evidence from the Governor on the annual report, and from the non-executive members of the Court on the Bank's performance.

The question of whether the Treasury Committee should have any oversight over appointments to the MPC, and the posts of Governor and Deputy Governor, was, at the time, more controversial. The Treasury Committee called for it to have a statutory right to hold confirmation hearings, effected by a statutory provision that appointments to these posts could be blocked by a report from the Committee to the House stating its reasons for considering that the candidates do not meet the necessary criteria of competence and personal independence.[10] The then Chief Secretary to the Treasury, who appeared before the Committee on 5 November 1997 gave what was judged to be a 'cool response' to this suggestion, and to the Committee's other recommendation that the terms of the members of the MPC be increased from three to four years to increase their independence.[11] The Committee indicated, though, that in the absence of statutory provision, it intended nevertheless 'to instigate hearings and make reports to Parliament'.[12]

In practice, the Treasury Committee has held regular confirmation hearings of all newly appointed MPC members. In one case, that of Christopher Allsopp, it took evidence and concluded that the "Chancellor of the Exchequer [should] think again about Mr Allsopp's appointment."[13] In the event, the Government persisted with the appointment.

The Treasury Committee has also held confirmation hearings of the interim Financial Policy Committee. In the case of one appointment – Alastair Clarke – the Committee accepted the appointment but with the proviso that an additional external appointment should also be made.[14] Alastair Clarke was appointed but the number of external members has not been increased. Currently appointments are to the *interim* Committee and although there has been no increase in the number of external appointments, the membership is in excess of that stated in the Bill by virtue of the inclusion of Sir Adair Turner, Chairman of the FSA.[15]

2 Pre-appointment hearings

There has been a long running debate about the appropriate structure for independent bodies. Background is given in Library Standard Note 4720 *Officers of Parliament: recent developments.* Within Parliament, there has been growing interest in more parliamentary involvement in new bodies with some kind of constitutional role, such as the Equality and Human Rights Commission, the Judicial Appointments Committee or the Civil Service Commissioners. The parliamentary body model is based on current arrangements for the

---

[9] Appendix 3, *Accountability of the Bank of England*, Treasury Select Committee, HC 282 1997-98, 23 October 1997

[10] Ibid., paras 46-7

[11] 'MPs unlikely to vet Bank posts', *Financial Times*, 6 November 1997

[12] HC 282 1997-98, para 49

[13] HC 520, 1999-00, para 5

[14] HC 1125 2010-12

[15] Membership of FPC see Treasury website, 1 June 2012

National Audit Office and the Comptroller and Auditor General (C& AG). The salient features are:

- parliamentary involvement in appointment and dismissal
- a statutory committee responsible for budget approval and oversight
- a specific select committee to which the body/officer is bound to report
- staffing independent of the civil service.

Other recent examples are the Electoral Commission and the Independent Parliamentary Standards Authority. The relevant pieces of legislation specify a Speaker's Committee for each body, which have a role in the recruitment processes for the Electoral Commissioners and the board members of IPSA.[16]

The advent of pre-appointment hearings by select committees introduced by Prime Minister Gordon Brown from 2007 as part of the *Governance of Britain* agenda has added to the pressure for parliamentary accountability of such bodies. The Public Administration Select Committee published a short report on pre-appointment hearings in January 2008. They asserted that pre-appointment hearings should apply to major auditors, ombudsmen, regulators and inspectors, as well as to those responsible for the appointments system itself. A list of 60 appointments was agreed between the Government and Liaison Committee.

Since June 2008 select committees have held pre-appointment hearings for a number of posts. The committees consider the candidate's professional competence and personal independence, and make a report on the candidate's suitability for the post. However, the inability of a committee to veto an appointment means that when a committee finds against a candidate they are unable to prevent the appointment from going ahead. The most recent example is the appointment of the Director of Office for Fair Access in February 2012. Further information is available in Standard Note 4387 *Parliamentary involvement in public appointments.*

This trend has gathered pace since the 2010 General Election. The advent of elected chairs to select committees has increased the interest in developing a role in the appointments process. The Coalition Agreement, published in May 2010, stated that:

> We will strengthen the powers of Select Committees to scrutinise major public appointments[17]

2.1 Office for Budget Responsibility

The *Budget Responsibility and National Audit Act 2011* contained a provision in Schedule 1 which required the Chancellor of the Exchequer to appoint the chair of the Office for Budget Responsibility (OBR) "with the consent of the Treasury Committee of the House of Commons". Two further Members are appointed by the Chancellor of the Exchequer after consultation with the chair and with the consent of that Committee. The relevant subsections are:

> 1. (a) a member to chair it, appointed by the Chancellor of the Exchequer with the consent of the Treasury Committee of the House of Commons,

[16] *Political Parties, Elections and Referendums Act 2000* as amended by s4 of the *Political Parties and Elections Act 2009* and the *Parliamentary Standards Act 2009*

[17] Coalition Agreement, p21

(b) 2 other members appointed by the Chancellor of the Exchequer after consultation with the member appointed under paragraph (a) and with the consent of that Committee

It is unusual for a select committee to be named in a statute. The Comptroller & Auditor General is appointed with the agreement of the Chair of the Public Accounts Committee under the *Budget Responsibility and National Audit Act 2011.* Previously, this right had also existed under the *National Audit Act 1983* in more convoluted language. In theory it would seem possible for the Treasury Committee decision to be on the basis of majority vote. There might be delays where the Committee is not in existence, for example at the beginning of a Parliament. In addition, there may be implications for parliamentary privilege; if the appointment is subsequently called into question, there is the possibility of judicial intervention.

In its September 2010 report on the *Office for Budget Responsibility*, the Treasury Committee recorded that the Chancellor of the Exchequer informed the Chair of the Treasury Committee that the Government would legislate to give the Committee a veto over the appointment of future Chairs of the OBR.[18]

In a letter dated 8 September 2010 the Chancellor of the Exchequer stated that, for the appointment of the Chair made before any legislation could be introduced, the Committee would be able to hold a pre-appointment hearing and if they found against the candidate, the appointment would not go ahead.[19]

The Treasury Committee also recommended that the Chair of the Committee, along with an Opposition Party member of the Committee, should be non-voting members of the interview panel for future holders of the post.[20]

3 Bank of England (Appointment of Governor) Bill 2012-13

This Bill provides in clause 1 for the Governor of the Bank of England to be appointed by Her Majesty with the consent of the Treasury Committee. There is no explicit role for the Chancellor, but the normal practice is for the Chancellor to make the formal recommendation to the Queen. The Bill would amend Schedule 1 of the *Bank of England Act 1998* to read as follows (in italics):

1 Court of directors

(2) The court shall consist of a Governor, 2 Deputy Governors and [.....] directors of the Bank, "*who shall be appointed in the case of the Governor by Her Majesty, with the consent of the Treasury Committee of the House of Commons, and;*

In all other case by appointed by Her Majesty.

The Government-sponsored *Financial Services Bill 2012-13* contains provisions which already amend Schedule 1 to allow for a single fixed term appointment for the Governor and fixed terms appointments for Deputy Governors (see page 3 above).[21] This Bill has already had all its Commons stage and is currently in the House of Lords. The Treasury Committee has held hearings with newly appointed members of the Monetary Policy Committee of the Bank of England since the Bank was made independent in 1997. Its report on the *Financial Services Bill* argued for a statutory power of veto over the appointment of the Governor:

---

18 Treasury Committee, *Office for Budget Responsibility*, 21 September 2010, HC 385 2010-11, paras 98-108

19 Letter from Chancellor to Chairman of Treasury Committee, 8 September 2010

20 Treasury Select Committee, *Office of Budget Responsibility,* 21 September 2010, HC 385 2010-11

21 Schedule 1, para 1 of the *Financial Services Bill 2012-12*

> 26. In order to safeguard his or her independence, we recommended that the Treasury Committee be given "a statutory power of veto over the appointment and dismissal of the Governor of the Bank of England," similar to the power given to the Treasury Committee over the appointment of the Chair of the Office for Budget Responsibility] In its response to our Report, the Government argued against our recommendation:
>
> The Government believes the independence of the Governor of the Bank of England is vital, and is confident that this independence is safeguarded via existing mechanisms, such as his appointment by the Queen. The Bank of England and the Office for Budget Responsibility perform materially different roles. The Bank of England undertakes policy actions that directly affect markets and, as such, appointments to the Bank's executive or policy committees are market sensitive. This market sensitivity makes these roles unsuitable for pre-appointment vetting. The Government hopes that the TSC will continue to hold pre-commencement hearings for the members of the Bank's policy committees, which include the Governor and Deputy Governors.
>
> 27. An amendment which would have achieved the aim of the Treasury Committee holding a veto over the appointment of the Governor of the Bank of England was tabled and debated at Report stage of the Financial Services Bill, but time prevented the Minister making any detailed reply to the points raised. [22]

The Treasury Committee report called for the Lords to consider a similar amendment during the passage of the Bill in the upper chamber.[23]

Clause 1(3) also inserts into the *Bank of England Act 1998* a requirement that the Governor of the Bank of England cannot be dismissed without the consent of the Treasury Committee.

The *Bank of England (Appointment of Governor) Bill* makes the appointment and dismissal of the Governor a parliamentary event, although it would be likely that the Chancellor would select a candidate and then formally secure the agreement of the Treasury Committee. There may well be a role for the Treasury Committee in the selection process. There is some precedent/example for this: the chair of the Public Administration Select Committee (PASC) was included in the recruitment panel for the Parliamentary Commissioner for Administration (the Parliamentary Ombudsman). The panel also included the Permanent Secretary of the Department of Health.[24] This aspect of the appointments process was non-statutory. The preferred candidate, Julie Mellor, then had a pre-appointment hearing in front of PASC on 6 July 2011. The House of Commons then formally asked the Queen to make the appointment by letters patent, as provided for in the *Parliamentary Commissioner Act 1967.*

There are some officers who are appointed by recommendation from the House. These include the Speaker of the House of Commons, the Clerk, the Serjeant at Arms and the Clerk Assistant. The method of appointment varies: for example, the Clerk of the House is appointed by the Crown under letters patent; the Clerk Assistant under the sign manual and the Serjeant at Arms under a warrant from the Lord Chamberlain. Full details are given in Chapter 6 of Erskine May.[25]

The decisive involvement of the Treasury Committee in the appointment of the Governor of the Bank of England would represent a major enhancement of the powers of the select committees in the Commons by virtue of the veto it bestows. This post is of major importance in the UK economy. Earlier examples, such as the Comptroller and Auditor General and the

---

[22] Treasury Committee First Report of 2012-13 HC 161 *Financial Services Bill*

[23] Ibid para 28

[24] "Preferred candidate selected for post of Parliamentary and Health Service Ombudsman" July 2011 UK Parliament website

[25] Erskine May *Parliamentary Practice* (24th ed 2011)

Office for Budget Responsibility hold investigatory and forecasting roles, rather than major executive responsibilities.