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The Bank of England in 2017

The Bank of England is the central bank of the United Kingdom; it exists to ensure monetary stability and to protect and enhance financial stability. The Bank employs around 4,000 staff and has a total gross expenditure of around £550 million per annum.

The statutory objectives of the Bank of England, which are set out in the Bank of England Act 1998, are:

Financial Stability

Financial stability entails detecting and reducing threats to the financial system as a whole. Such threats are detected through the Bank’s surveillance, market intelligence and supervisory functions, which include the Prudential Regulation Authority. The Financial Policy Committee is responsible for contributing to the Bank’s financial stability objective by identifying and monitoring systemic threats to financial stability and taking action to reduce or remove those threats. On behalf of the Court of Directors, it determines the Bank’s Financial Stability Strategy.

Other parts of the Bank also have a role in mitigating threats to financial stability, for example by strengthening infrastructure, and by financial and other operations, at home and abroad, including, in exceptional circumstances, by acting as the lender of last resort.

Monetary Stability

Monetary stability means stable prices and confidence in the currency. Stable prices are defined by the Government’s inflation target, which the Bank seeks to meet through the decisions on interest rates and asset purchases undertaken by the Monetary Policy Committee, explaining those decisions transparently and implementing them effectively in the money markets.

The Bank’s policy responsibilities are conferred by legislation on expert bodies. These are:

The Financial Policy Committee (FPC)

The FPC was established by the Financial Services Act 2012 and was made a policy committee of the Bank by the Bank of England and Financial Services Act 2016.

The membership of the FPC comprises the Governor (who chairs the FPC), the four Deputy Governors, the Chief Executive of the Financial Conduct Authority, the Bank’s Executive Director for Financial Stability Strategy and Risk, five external members appointed by the Chancellor, and a non-voting member from HM Treasury.

The FPC exercises its functions with a view to contributing to the achievement of the Bank’s financial stability objective. The FPC is responsible for identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC also has a secondary objective to support the Government’s economic policies.
The Monetary Policy Committee (MPC)

The Bank of England Act 1998 established the MPC as a policy committee of the Bank. The Bank's MPC is made up of nine members – the Governor, the Deputy Governors for Monetary Policy, Financial Stability and Markets & Banking, a member appointed by the Governor (the Bank's Chief Economist) and four external members appointed by the Chancellor.

Under the 1998 Act, the Bank’s objectives in relation to monetary policy are to maintain price stability and, subject to that, to support the economic policy of the Government, including its objectives for growth and employment. At least once a year, the Government specifies the price stability target and its growth and employment objectives. The Bank of England and Financial Services Act 2016 requires the MPC to meet at least 8 times a year.

The Prudential Regulation Committee (PRC)

The Bank of England and Financial Services Act 2016 provides for prudential regulation of banks, building societies, other deposit takers, insurance companies and certain investment firms to be undertaken by the Bank as the Prudential Regulation Authority (PRA), acting through the Prudential Regulation Committee (PRC). The PRC comprises the Governor of the Bank, the Deputy Governor for Financial Stability, the Deputy Governor for Prudential Regulation, the Deputy Governor for Markets and Banking, the Chief Executive of the Financial Conduct Authority, one member appointed by the Governor with the approval of the Chancellor and at least six members appointed by the Chancellor.

The Court of the Bank of England

The Bank of England is governed by a board known as the Court, which includes the Governor, the Deputy Governors and up to nine non-executive directors. The Crown appoints the non-executive directors for terms of up to four years, the Governor for an eight year term and the Deputy Governors for five year terms. The Chancellor nominates one of the non-executive directors to chair Court.

The requirement for there to be a Court of the Bank of England, and much of the detail regarding its powers and responsibilities, is contained within the Bank of England Act 1998.

The Court is required to manage the Bank’s affairs, other than the formulation of monetary policy. It must determine the Bank’s objectives (including objectives for financial management) and strategy, to ensure the effective discharge of the Bank’s functions and, subject to that, to ensure the most efficient use of the Bank’s resources.

The Court approves the Bank’s budget, and monitors outturns against that budget. It is also responsible for agreeing the Bank’s dividend, treasury management and risk management policies, appointments and remuneration.

The Bank of England Act 1998 places great emphasis on accountability and transparency, in the context both of the monetary policy process and financial stability, and of the Bank’s operations and finances. The Court is responsible for producing the Bank’s Annual Report and Accounts for the
Chancellor of the Exchequer to lay before Parliament. Members of Court may be called to give evidence about the Bank before Parliamentary Committees. Through its oversight functions, Court keeps under review the Bank’s performance of its statutory and other objectives.

More about the Bank of England

Extensive information about the Bank is available from the website:
http://www.bankofengland.co.uk

The Bank’s Annual Report for 2016/17 may also be downloaded from the website:

A short guide to working life at the Bank:
http://www.bankofengland.co.uk/careers/Documents/workingatthebank.pdf

The rest of this Candidate pack explains details of the RTGS/CHAPS Board and the role of its independent members. The governance arrangements described in this pack are subject to finalisation and will be periodically reviewed.

In terms of Bank-wide governance, the new Board is planned to have responsibilities delegated from the Governor. (Day to day management of the Bank is delegated by the Court to the Governor, and the Governor sets up structures to carry out these responsibilities.)

The current executive functions of RTGS are located within the Banking, Payments & Financial Resilience Directorate of the Bank – see Appendix.
The new RTGS/CHAPS Board

Forthcoming changes to RTGS and the CHAPS payment system

The Real Time Gross Settlement (RTGS) system run by the Bank of England is the infrastructure through which the Bank implements monetary policy, provides liquidity to the financial system, and settles the obligations created in interbank sterling payment systems, placing it at the heart of payments in the UK. RTGS is therefore vital UK infrastructure, and core to the Bank’s mission to promote the good of the people of the United Kingdom through the maintenance of monetary and financial stability. The system settles over £600 billion every day for the sterling payment systems.

The Bank is now embarking on a renewal of the RTGS infrastructure to build a next generation service, capable of responding to changing demands while continuing to ensure high levels of resilience. In May 2017, it announced detailed plans for this transformational change.¹

A key part of the reforms is to strengthen end-to-end risk management of the United Kingdom’s high value payments system, known as CHAPS. Responsibilities for the CHAPS system are currently split:

1. its central infrastructure is the RTGS system, run by the Bank; and
2. its governance, rulebook and system-wide risk management (“the scheme”) are the responsibility of a private sector firm, CHAPS Co.

This split is highly unusual internationally, and presents structural obstacles to overseeing the ‘end-to-end’ risk management of the payment system in the way now expected by regulators. Given this, the IMF recommended that alternative structures should be considered.

Given these structural obstacles, combined with the changing shape of risks facing the CHAPS system, the Bank and its Financial Policy Committee concluded that financial stability would be enhanced if the United Kingdom adopted the ‘direct delivery’ model used in the overwhelming majority of jurisdictions globally.² That is, the Bank will take on the current role of CHAPS Co building on important steps already taken by CHAPS Co to strengthen the CHAPS governance and risk management arrangements. The Bank will continue to be responsible for the provision of the RTGS infrastructure.

As a result, the Bank is now embarking on a once-in-a-generation change to critical payment structures, undertaking both the renewal of the RTGS infrastructure and taking on responsibility for the CHAPS scheme, in place of CHAPS Co.

This fundamental change brings both the challenge of transition and the opportunity to position the United Kingdom at the leading edge of global best practice in terms of payment system technology and risk management. It will allow the new RTGS service to be designed from the start in a fully holistic way. It will also ensure that the end-to-end risk management can make use of the full set of tools and resources available to the Bank to identify, mitigate, and respond to risks as they emerge

¹ Blueprint for a New RTGS System for the UK, May 2017
http://www.bankofengland.co.uk/markets/Documents/paymentsystem/rtgsblueprint.pdf
² The Bank also sought stakeholders’ views on this issue in its September 2016 consultation on RTGS reforms.
http://www.bankofengland.co.uk/markets/Documents/paymentsystem/cp160916.pdf (Section 3.2, question 18)
across the CHAPS payment system as a whole. In addition to these changes to CHAPS, this is a time of significant change across the payments landscape in the UK, where the Bank also has a key role to play, including as settlement service provider for sterling retail payment systems via RTGS.

It is imperative that the Bank’s governance of RTGS and the CHAPS system meets these challenges. The RTGS/CHAPS Board (“the Board”) will be a new, senior committee within the Bank’s governance structure, responsible for both delivering these changes and for the ongoing, resilient performance of the system.

**Governance of the new arrangements**

The Bank will govern the RTGS infrastructure and the CHAPS system through a single, senior board, with accountability to and close engagement on relevant matters with the Bank’s Governors, the Court of Directors and the Financial Policy Committee.

The Bank’s commitment to openness, accountability and challenge in the operation of RTGS and CHAPS underpins the plans for governance across the whole function at all levels:

- there will be three independent members on the Board, out of a total of nine;
- the CHAPS payment system will be supervised by the Bank’s FMI supervision function to the same standards as are applied to other systemically important payment systems;
- there will be appropriate channels (e.g. advisory fora) to ensure the views of users of RTGS and CHAPS and other stakeholders are fed into Board decisions; and transparent, public communications on the Board’s decisions.

Together this means RTGS and CHAPS will be governed and held to an enhanced level of accountability. Adding independent members of the Board is a core part of delivering this aim. These roles are therefore a key plank of the new Board’s governance, introducing external challenge and wider expertise into its operation.

**The new RTGS/CHAPS Board and its key responsibilities**

The role of the Board is to contribute to the overarching Bank mission by managing, operating and providing strategic leadership for RTGS and CHAPS within a framework of prudent and effective controls which enable risks to be assessed and managed.

The Board’s overarching responsibility will be for the ongoing performance and reform of RTGS/CHAPS, including:

- the running and renewal of the RTGS system; and
- integrating and running the CHAPS high value payments system within the Bank.

The Board will meet six times per year. Its membership of nine will comprise the chair (Deputy Governor for Markets & Banking), the three independent members and five senior Bank executives from business functions closely connected to RTGS/CHAPS.
The Board’s specific responsibilities will include:

- setting strategic objectives for RTGS and CHAPS, in line with the Bank’s mission, and holding the Bank executive to account for the delivery of those objectives;
- agreeing investment priorities for RTGS and CHAPS;
- overseeing the Bank’s responsibility as systemic risk manager across the RTGS and CHAPS systems. This requires the Board to set risk appetite, within the Bank’s overall risk tolerance, and oversee the risk management of the CHAPS system and RTGS. Some of these responsibilities will be delegated to a Board Risk Committee – which will include independent board member/s.

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3 This Board’s responsibilities and decisions are focused entirely on RTGS/CHAPS within the Bank’s mission. Wider corporate matters, such as remuneration and appointments, along with fiduciary duties, lie with the Bank’s Court and Governors, to which the Board ultimately reports.
Candidate Role Profile

On the main Board: The three independent members will have a unique role in shaping and overseeing the newly combined RTGS/CHAPS Board. Their independent input, challenge and expertise will be critical in running the RTGS and CHAPS systems, and in driving the change agenda.

Specifically, it is envisaged that the independent members will:

- ensure independent challenge to the Bank in both its reform and operation of RTGS/CHAPS, bringing additional experience and breadth to the Board from senior positions in payments and other relevant industries; and
- bring an independent perspective to openness and accountability. This includes ensuring the input of stakeholders’ views into Board decisions and that information on RTGS/CHAPS is made available to meet stakeholders’ needs.

The role of independent Board members in the governance is a key plank in the Bank delivering on its public commitments to openness, accountability and challenge in the running of RTGS/CHAPS.

On Board committees: It is expected that certain additional governance roles will be taken on by independent Board members, subject to matching appropriate skills, namely:

(a) as a member of the Board Risk Committee - for which risk management expertise is essential;
(b) to lead the Board’s liaison with users and wider stakeholders, principally by chairing a new Strategy Advisory Forum and plenary events. This role requires the ability to engender trust across stakeholders.

Skills required

The skills required by the Board in aggregate are below. We are seeking a spread of these skills across the Board members and hence there could be a range of potential candidates bringing different elements.

- Understanding the environment in which the RTGS and CHAPS systems operate: This includes the landscape of market infrastructure and payments, the needs of users and stakeholders, and relevant regulatory and institutional structures.
- Technical knowledge and experience: Relevant expertise includes: risk management; close involvement with critical national infrastructure and/or cyber security; experience in the governance/running of a function that is heavily dependent on IT; practical experience of the payments industry. Direct experience of the CHAPS system would be an advantage but not essential.
- Independence of thought and interpersonal skills: All candidates should be independently minded with the ability to contribute to robust and well informed debate and hold the executive to account. They should work constructively with other members of the Board.
Terms of Appointment

There are three positions available for external members of the RTGS/CHAPS Board.

The appointments will be for two or three year terms, to avoid simultaneous turnover of external members, with the possibility of renewal for a further three year term.

Membership of the Board is expected to require a part-time commitment of a minimum of 18 days per year (on average three days for each of the six meetings).

Members who are also appointed to the Board’s Risk Committee will require an additional time commitment of 12 days per year (on average two days for each of its six meetings).

The member who chairs the Strategic Advisory Forum and plenary events will require an additional time commitment of three days per year (an expectation of up to twelve days in total, subject to variation).

Compensation will be £1,050 per day, plus pension contribution.

Meetings will take place at the Bank’s offices in London.

Board members are required to abide by the Bank’s Code for staff: further details can be found at: http://www.bankofengland.co.uk/about/Documents/humanresources/ourcode.pdf

Board members will also be required to adhere to the Conflicts of Interest Code of Practice applicable to members of the RTGS/CHAPS Board, which ensures any potential conflict is managed. This Code will be modelled on the Bank’s Statutory Committee Conflicts of Interest Codes of Practice. Further details are available on request.

Appropriate security clearance is required for the roles.

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How to Apply and Appointment Process

Applications should be submitted to
RTGS-Chaps@moloneysearch.com by 8 September 2017.

You will need to provide the following information:

A full CV (including education and professional qualifications, career history and relevant achievements and responsibilities).

• The names of two referees should be included in the CV. Referees should know you in a capacity to comment on your suitability for the appointment and have authoritative and personal knowledge of your achievements.

Your application will be acknowledged shortly after receipt and you will be informed by email or by telephone of the progress of your application.

If you have any queries concerning your application please email RTGS-Chaps@moloneysearch.com

Appointment Process

Applications will be sifted according to the candidate profile. Those applicants who have not been successful will be notified and a short list of the most closely qualified applicants will be invited to panel interviews, which will be held in London.

Interviews with the Bank of England are expected to take place in October. The appointment is expected to commence in November 2017.

Expenses

If you are invited for interview, reasonable and necessary travel expenses will be reimbursed.

Equality of Opportunity

The Bank of England is committed to ensuring it has a truly diverse workforce. All disabled applicants will be guaranteed an interview, provided they meet the minimum criteria for the post, and state their eligibility in their covering letter.