House of Commons
Treasury Committee

Appointment of Paul Tucker as Deputy Governor of the Bank of England for Financial Stability

Fourth Report of Session 2008–09

Report, together with formal minutes

Ordered by the House of Commons
to be printed 21 January 2009
The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury, HM Revenue & Customs and associated public bodies.

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Mr Colin Breed MP (Liberal Democrat, South East Cornwall)
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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/treascom.

A list of Reports of the Committee in the current Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Dr John Benger (Clerk), Sîan Woodward (Second Clerk and Clerk of the Sub-Committee), Adam Wales, Jon Young, Jay Sheth and Cait Turvey Roe (Committee Specialists), Phil Jones (Senior Committee Assistant), Caroline McElwee (Committee Assistant), Tes Stranger (Committee Support Assistant) and Laura Humble (Media Officer).

Contacts

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Summary

The appointment of Paul Tucker as the Bank of England’s Deputy Governor with responsibility for Financial Stability was announced on 10 December 2008. Having taken both written and oral evidence from Paul Tucker, we are satisfied that he has the professional competence and personal independence required for the post of Deputy Governor of the Bank of England for Financial Stability. We therefore welcome his appointment and wish him every success in his new post.
1 Background

The appointment

1. On 10 December 2008, the Government announced that Her Majesty the Queen had been pleased to approve, under the Bank of England Act 1998, the appointment of Paul Tucker as Deputy Governor of the Bank of England for Financial Stability, for a period of five years starting in March 2009. As part of our continuing commitment to the accountability of the Bank of England and in the light of new arrangements for parliamentary scrutiny of certain senior appointments, we took evidence from Paul Tucker relating to his appointment and are now reporting about that appointment.

Sir John Gieve

2. Paul Tucker replaces Sir John Gieve as Deputy Governor for Financial Stability. Sir John served only part of his five-year term as Deputy Governor and as a member of the Monetary Policy Committee (MPC) of the Bank of England from January 2006 to March 2009. We would like to thank him both for his service as Deputy Governor for Financial Stability and for his contribution to the work of the MPC.

Scrutiny of appointments to the MPC

3. Since 1998, the Treasury Committee has regularly held appointment hearings with those joining the MPC and on occasions has also examined those re-appointed to the MPC. In the current Parliament, we have made it our regular practice to examine and report on all those appointed and re-appointed to the MPC. Paul Tucker was appointed as Executive Director Markets at the Bank of England, and thus an ex officio member of the MPC, in June 2002. The then Treasury Committee took evidence from him about his appointment on 22 May 2002, concluding that he fulfilled the twin criteria for appointment of professional competence and personal independence. On 19 May 2005 Paul Tucker was re-appointed to the MPC for a further three-year term with effect from 1 June 2005. We took evidence from him about his re-appointment on 13 October 2005 and concluded that he continued to fulfil the Treasury Committee’s criteria for appointments to the MPC. It was announced on 12 March 2008 that Mr Tucker had been reappointed for a third three-year term, with effect from 1 June 2008. We did not conduct a reappointment hearing at that time. As part of his responsibilities as Deputy Governor, Paul Tucker will continue as a member of the MPC.

Our inquiry

4. In July 2007, in its Green Paper on *The Governance of Britain*, the Government proposed new arrangements for select committee scrutiny of certain public appointments. The Government envisaged that select committees would be “invited to convene a hearing” with those nominated to “market-sensitive” posts such as those of Governor and of the two Deputy Governors of the Bank of England before the appointee took up their post. We have already reported on two such appointments under these new arrangements, namely the re-appointment of Mervyn King as Governor of the Bank of England and the appointment of Charlie Bean as Deputy Governor of the Bank of England for Monetary Stability.

5. We decided to consider Paul Tucker’s appointment against the criteria that we have used for assessing appointments to the MPC, namely whether the candidate has the professional competence and personal independence to fulfil his or her responsibilities properly. As with the appointment of Charlie Bean, since we have previously considered Paul Tucker’s membership of the MPC, we decided to concentrate our examination on his additional responsibilities as Deputy Governor beyond his membership of the MPC. In keeping with our usual practice, we sent a preliminary questionnaire to Paul Tucker, requesting information about his career and his views on relevant economic issues. We then took oral evidence from Paul Tucker on 21 January 2009. This evidence, for which we are most grateful, together with Paul Tucker’s answers to our questionnaire, will be published in Volume II of this Report.

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5 Ministry of Justice, *The Governance of Britain*, Cm 7170, July 2007, para 79

2 The appointment process

The recruitment process

6. In our September 2007 Report on The Monetary Policy Committee of the Bank of England: ten years on we recommended that the positions of the Governor and the two Deputy Governors “be recruited by open advertisement as well as confidential search”.7 We asked the Treasury for information on the application process. We were advised that 33 applications were made.

7. Alongside his announcement of Charlie Bean’s appointment on 19 June 2008, the Chancellor outlined reforms to the appointment process for most members of the MPC:

   in future, the Government will advertise vacancies for the Governor and Deputy Governors of the Bank of England and also for external members of the MPC, consistent with the principles of open competition.8

Subsequently, the position of Deputy Governor of the Bank of England for Financial Stability was filled after a process the Treasury described as follows:

   This vacancy was publicly advertised consistent with the principles of open competition. All appointments are made on merit and political activity plays no part in the selection process. Paul Tucker has confirmed that he holds no ministerial public appointments and has no political activities to declare.9

We welcome the use of an open advertisement system for the appointment of the Deputy Governor of the Bank of England for Financial Stability.

Notice of appointments

8. On 30 January 2008, at the same time as the Government provided us with its response to our Report on The Monetary Policy Committee of the Bank of England: ten years on and announcements were made about the re-appointment of Mervyn King as Governor of the Bank of England and of Dr Andrew Sentance as an ‘external’ member of the MPC, the Chancellor of the Exchequer gave further information about future external appointments in a letter to the Chairman of this Committee:

   In future, the Treasury will, as far as possible, publish a timetable for appointment of an external MPC member before a vacancy becomes available on the [MPC] and announce details of who it has decided to appoint, in sufficient time to be consistent

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7 Treasury Committee, Twelfth Report of Session 2006–07, HC 299-I, para 84
with allowing the Treasury Select Committee three months for their pre-commencement hearings.  

He went on to say:

In the event that I judge that reappointing an individual to serve a further term is in the best interests of the Monetary Policy Committee, I will aim to announce my intention to do so in good time before their existing term is due to come to an end. Re-appointed members will undergo a pre-commencement hearing in the same manner as new members, ensuring that all members are subject to regular process of Parliamentary scrutiny.

We welcomed the Chancellor of the Exchequer’s commitment to seek to give three months’ notice of such appointments to the MPC. In our previous report on the reappointment of Charlie Bean, we noted that the announcement of the appointment was not received by us until 19 June 2008, which gave us less than two weeks to prepare for the appointment hearing. However, the appointment of Mr Tucker was announced to the public on 10 December 2008, giving us over three months’ notice before he was scheduled to take up his position in March 2009.

9. We have previously welcomed the Chancellor of the Exchequer’s commitment to give three months’ notice of external appointments to the Monetary Policy Committee and welcome the provision of such notice in this case. We look forward to future announcements being made according to a similar timescale.

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10 Liaison Committee, First Report of Session 2007–08, Pre-appointment hearings by select committees, HC 384, pp 27–28

11 Ibid., p 28

12 Treasury Committee, Eighth Report of Session 2007–08, Re-appointment of Dr Andrew Sentance to the Monetary Policy Committee, HC 454-I, para 6


3 The role of the Deputy Governor for Financial Stability

10. The position of Deputy Governor of the Bank of England for Financial Stability is at the present moment one of the key posts within the financial system. Its holder will be at the heart of the current debate about how the present crisis will be resolved, and how the regulatory system will operate afterwards. In considering Paul Tucker’s appointment as Deputy Governor, we therefore decided to concentrate on examining the way in which he would deal with those challenges. The Deputy Governor for Financial Stability is currently responsible for two areas of the Bank: Financial Stability and Banking Services.

11. The Financial Stability area has the main responsibility for discharging the Bank’s remit to contribute to the maintenance of the stability of the financial system as a whole. Working closely with the Financial Services Authority and HM Treasury, this area’s work consists of detecting the risks to the financial system, recommending changes to strengthen the financial infrastructure, as well as publishing the Financial Stability Report. The Banking Services area has three divisions. The Customer Banking Division provides banking services to the Government and other customers, the Notes division manages the issue of Bank of England banknotes, and the Market Services Division operates the Real Times Gross Settlement system, as well as providing back-office functions to support the Bank’s sterling and foreign currency transactions.

16 Ibid.
4 Paul Tucker

Background on Paul Tucker

12. Mr Tucker joined the Bank of England in 1980. He has undertaken two secondments during his time at the Bank, one to the corporate finance department of Baring Brothers & Co., Ltd, and the other to Hong Kong Government as Adviser to the Securities Review Committee on the reform of the Hong Kong securities markets and regulatory system. His experience at the Bank, prior to his appointment to the MPC, included time in the Banking Supervision Division and a period as Principal Private Secretary to the Governor. He was Deputy Director for Financial Stability between January 1999 and May 2002. Paul Tucker has a degree in mathematics and philosophy from the University of Cambridge.

13. In announcing the appointment of Paul Tucker as Deputy Governor, the Chancellor of the Exchequer said:

   I am delighted to announce Paul Tucker’s appointment as Deputy Governor for Financial Stability. Paul possesses first-rate market knowledge and extensive central banking experience, including as a longstanding member of the Monetary Policy Committee. Paul will be a key member of the team leading the Bank’s work during the current financial and economic challenges we face."

17. In both written and oral evidence, we asked Paul Tucker about his professional experience, his priorities as Deputy Governor, future challenges relating to financial stability, and his role on the MPC, including questions about—

   • The new Financial Stability Committee;
   • Quantitative easing;
   • The fiscal stimulus;
   • The Bank of England’s relationship with the Financial Services Authority;
   • Potential new instruments for the Bank and the MPC to help maintain financial stability;
   • The announcements made by HM Treasury on 19 January;
   • The resolution of the current crisis; and
   • Matters relating to his role on the MPC.

Assessment of personal independence and professional competence

15. We are satisfied that Paul Tucker has the professional competence and personal independence required for the post of Deputy Governor of the Bank of England for Financial Stability. We therefore welcome his appointment and wish him every success in his new post.
Conclusions and recommendations

1. We welcome the use of an open advertisement system for the appointment of the Deputy Governor of the Bank of England for Financial Stability. However, we think it is important to have fuller information on the process. We recommend that the Treasury should publicly disclose the numbers shortlisted and the numbers interviewed. (Paragraph 7)

2. We have previously welcomed the Chancellor of the Exchequer’s commitment to give three months’ notice of external appointments to the Monetary Policy Committee and welcome the provision of such notice in this case. We look forward to future announcements being made according to a similar timescale. (Paragraph 9)

3. We are satisfied that Paul Tucker has the professional competence and personal independence required for the post of Deputy Governor of the Bank of England for Financial Stability. We therefore welcome his appointment and wish him every success in his new post. (Paragraph 15)
Formal Minutes

Wednesday 21 January 2009

Members present:

John McFall, in the Chair

Nick Ainger
Mr Graham Brady
Mr Michael Fallon
Ms Sally Keeble
Andrew Love

John Mann
Mr George Mudie
John Thurso
Mark Todd
Sir Peter Viggers

Appointment of Paul Tucker as Deputy Governor of the Bank of England (Financial Stability)

Draft Report (Appointment of Paul Tucker as Deputy Governor of the Bank of England for Financial Stability), proposed by the Chairman, brought up and read.

Ordered, That the Chairman’s draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 15 read and agreed to.

Summary agreed to.

Resolved, That the Report, be the Fourth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

[Adjourned till Tuesday 27 January at 9.30 am.]
Witnesses

Wednesday 21 January 2009

Paul Tucker, Executive Director, Bank of England

List of written evidence

1  Treasury Committee Questionnaire: Response from Paul Tucker
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Second Report  The 2006 Pre-Budget Report  HC 115

Third Report  Work of the Committee in 2005–06  HC 191

Fourth Report  Are you covered? Travel insurance and its regulation  HC 50

Fifth Report  The 2007 Budget  HC 389

Sixth Report  The 2007 Comprehensive Spending Review: prospects and processes  HC 279

Seventh Report  The Monetary Policy of the Bank of England: re-appointment hearing for Ms Kate Barker and Mr Charlie Bean  HC 569

Eighth Report  Progress on the efficiency programme in the Chancellor’s department  HC 483

Ninth Report  Appointment of the Chair of the Statistics Board  HC 934

Tenth Report  Private equity  HC 567

Eleventh Report  Unclaimed assets within the financial system  HC 533

Twelfth Report  The Monetary Policy Committee of the Bank of England: ten years on  HC 299

Thirteenth Report  Financial inclusion follow-up: saving for all and shorter term saving products  HC 504

Fourteenth Report  Globalisation: prospects and policy responses  HC 90

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Second Report  The 2005 Pre-Budget Report  HC 739

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