



House of Commons
Treasury Committee

Appointment of Charlotte Hogg as Deputy Governor of the Bank of England: Second Report

Twelfth Report of Session 2016–17

*Report, together with formal minutes
relating to the report*

*Ordered by the House of Commons to be printed
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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 and Customs and associated public bodies.

Current membership

[Mr Andrew Tyrie MP](#) (*Conservative, Chichester*) (Chair)

[Mr Steve Baker MP](#) (*Conservative, Wycombe*)

[Helen Goodman MP](#) (*Labour, Bishop Auckland*)

[Stephen Hammond MP](#) (*Conservative, Wimbledon*)

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The following member was also a member of the committee during the Parliament: [Mark Garnier MP](#) (*Conservative, Wyre Forest*)

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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.

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Committee reports are published on the Committee's website at www.parliament.uk/treascom and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Sarah Rees (Committee Clerk), Amelia Aspden (Second Clerk), Gavin Thompson (Lead Senior Economist), Marcus Wilton (Senior Economist), Dan Lee (Senior Economist), Adam Wales (Chief Policy Adviser), George James (Senior Committee Assistant), Iain McLean (Committee Assistant), Matt Panteli (Senior Media and Policy Officer), David Hook (on secondment from HMRC), Victoria Sena (on secondment from the Bank of England), Alexander Knight (on Secondment from the National Audit Office), and Ruthanne Straughan (on secondment from the FCA).

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Introduction

1. The Committee held a pre-appointment hearing with Ms Charlotte Hogg, Deputy Governor for Markets and Banking, on 28 February 2017,¹ and published its Report, approving her appointment, on 2 March 2017.² Her appointment as Deputy Governor had already taken effect on 1 March 2017.³
2. The Committee received further evidence on 3 March in the form of a letter from Ms Hogg, dated 2 March.⁴ On 7 March the Committee took evidence from the Chairman and Deputy Chairman of Court of the Bank of England.⁵
3. On the basis of that further evidence, the Committee has decided to make a second Report on the appointment of Ms Hogg. Its conclusions supersede those of its first Report.

1 Oral evidence taken on 28 February 2017: Appointment of Charlotte Hogg as the Bank of England's Deputy Governor for Markets and Banking, HC 1039

2 Treasury Committee, Appointment of Charlotte Hogg as the Bank of England's Deputy Governor for Markets and Banking, Eleventh Report of Session 2016–17, HC 1039

3 HM Treasury News Story, 9 February 2017

4 Letter from Ms Hogg to Rt Hon Andrew Tyrie MP, Chairman of the Treasury Committee, dated 2 March 2017

5 Oral evidence taken on 7 March 2017: The work of Court of the Bank of England, HC 1068

The Committee's pre-appointment scrutiny

4. **The Committee has heard evidence that Ms Hogg has an exceptional track record of outstanding service to the Bank. The Committee has no reason to doubt that, with the exception of her failure to declare her brother's position at Barclays, and subsequent response to that failure, Ms Hogg's performance of her duties as Chief Operating Officer has been anything other than commendable. The Committee has not sought further evidence on that wider point. Nor is it, in this Report, giving a view about her continuation in this role. The Committee has decided, at this time, to consider only the proposed assumption of her new responsibilities as Deputy Governor, the purpose of the pre-appointment hearing.**

5. The Committee has considered Ms Hogg's suitability for the post of Deputy Governor for Markets and Banking against its customary criteria—those employed for the past 20 years: whether the appointee has the professional competence and personal independence necessary to carry out the role. It assesses the level of independence and standards of competence by reference to the seniority of the post. The Committee's approach is set out in more detail in its Report of February 2016.⁶ Ms Hogg's past performance as Chief Operating Officer is relevant only to the extent that it bears on these criteria.

The Committee's scrutiny of Ms Hogg's appointment as Deputy Governor for Markets and Banking

6. Ms Hogg's appointment as Deputy Governor for Markets and Banking at the Bank of England was announced on 9 February 2017, with a proposed commencement date of 1 March 2017.⁷ That left 19 calendar days, seven of which were sitting days of the House of Commons, between the announcement of her appointment and the proposed commencement date.

7. The Committee sent the questionnaire - that individuals subject to appointment scrutiny are asked to complete - to the Bank on 10 February. Given the short proposed interval between the announcement and commencement, the Committee asked Ms Hogg to complete and return it by 20 February. The completed questionnaire was returned on 22 February. Ms Hogg's hearing took place on 28 February.

8. On 1 March the Committee considered her evidence, and approved her appointment. The Committee published its Report on 2 March.

9. On 3 March, the Committee received Ms Hogg's letter dated 2 March, containing further evidence. The Committee considered the evidence relevant to its original conclusion, and decided to reconsider that conclusion in the light of the new evidence.

10. The notification by the Chancellor of his intention to appoint Ms Hogg to the post of Deputy Governor provided 19 calendar days (seven sitting days) between the announcement on 9 February, and the date that she was to take up her position, on 1 March. This is highly unsatisfactory. The Committee has been given no explanation for the short notice.

11. The Committee has repeatedly requested a reasonable interval between announcement of an intended appointment and commencement to allow adequate time for its pre-appointment scrutiny, most recently in October 2016. The Chancellor responded that he would "continue to provide sufficient notice to the Committee so that they are able to arrange pre-commencement hearings in good time".⁸

12. The scrutiny requirements of this case illustrate the importance of leaving reasonable time for pre-appointment scrutiny.

13. At Ms Hogg's appointment hearing on 28 February, the Committee asked about the interests declared in her questionnaire response, which included her statement, "my brother works for Barclays as a Director in Group Strategy"⁹:

Kit Malthouse: One final thing from me is that you have declared some conflicts of interest. Obviously you have family connections in the industry, so what measures have you agreed with the Bank to manage those?

7 HM Treasury News Story, 9 February 2017

8 Letter from the Rt Hon Philip Hammond to Rt Hon Andrew Tyrie, 26 October 2016

9 Questionnaire submitted by Charlotte Hogg Q1

Charlotte Hogg: My only connection at the moment, which you are referring to, is my brother, who is part of Barclays' strategic planning group. He has been for a number of years. I do not discuss work with him and he does not discuss it with me. We mostly talk about his children.

[...]

Chair: Let us go back to an answer you gave to Kit Malthouse a moment ago. You said that, with respect to conflicts of interest with your brother, you do not discuss business with him and that that should be enough to allay concern of any conflicts with your work on the PRC particularly, which has direct responsibility for regulating Barclays. Have you discussed the reply you just gave with the Governor?

Charlotte Hogg: I have always declared, from the moment I joined the Bank, all of my potential conflicts of interest. I would be more than happy to discuss it with Mark if he wants to. I am pretty sure he is aware of it.

[...]

Charlotte Hogg: [...] I am in compliance with all of our codes of conduct. I know that; I helped to write them.¹⁰

14. Responsibility for the Bank's Code of Conduct fell within Ms Hogg's responsibilities as Chief Operating Officer. She presented the new Code to Court on 20 May 2015.¹¹ The Code states that:

We respect our colleagues' right to a private life. However, close personal relationships with others in the Bank, and in some cases externally, could be perceived as creating unfair advantages. It is important to avoid any suggestion that our actions are influenced by our close personal relationships. [...] This protects each of us and the Bank from the perception that our decisions are biased and not independent.¹²

15. A separate Bank policy on personal relationships states:

Personal relationships with a person or an organisation outside the Bank should also be disclosed where they may lead (or could be perceived to lead) to a conflict of interest or advantage. [...] Personal relationships of which the Bank would expect to be advised include parent/child; brother or sister; aunt or uncle; niece or nephew; spouse, civil partner, cohabitee and any other ongoing close personal relationship.¹³

16. On 3 March, the Committee received the letter dated 2 March from Ms Hogg which stated:

10 Oral evidence taken on 28 February 2017: Appointment of Charlotte Hogg as the Bank of England's Deputy Governor for Markets and Banking, HC 1039 Qq 17, 25 and 28
11 Bank of England, Minutes of the meeting of the Court of Directors, 20 May 2015, pages 2–3
12 Bank of England, Documents, Human Resources, Our Code, September 2016, page 5
13 Bank of England, Documents, Human Resources, Personal relationships, July 2016, page 1

During my appointment hearing on 28 February 2017, I was asked by you and other members of the Committee about my brother's role as Director, Group Strategy at Barclays Bank plc.

Following my hearing, I checked the Bank's records of the interests and relationships that I had declared prior to joining the Bank in July 2013 and subsequently. I had not formally declared my brother's role at Barclays Bank plc to the Bank. The first time that I formally outlined my brother's role was when I noted it in the questionnaire which I submitted to the Committee in advance of my recent hearing.¹⁴

17. On Tuesday 7 March the Committee took evidence from the Chairman of Court of the Bank of England, Mr Anthony Habgood, and Deputy Chairman of Court, Mr Bradley Fried; this hearing was planned since January, with the purpose, among other things, of examining progress with reform of the Bank's corporate governance.¹⁵ The witnesses were asked for their assessment of the breach of the Bank's Code by Ms Hogg:

Chair: But from the point of view of Bank staff, if we want Bank staff to be compliant with these rules, is it not essential that the most senior people in the Bank are compliant and are seen to be compliant? This is after all somebody of Deputy Governor status who was already Chief Operating Officer prior to these appointments. Therefore while there might have been no clear likelihood of a conflict, still the importance of avoiding a substantial breach over a run of years—and we are talking about several years—is very significant in signalling how the Bank approaches its compliance work. Would you agree with that?

Anthony Habgood: I absolutely would agree with that, yes. It is a very serious breach. The point I was trying to make was it moves from a compliance issue, which is very serious but is a compliance issue, to a perception-of-conflict issue, which is also very serious but of a different nature.¹⁶

18. Court confirmed that there were multiple opportunities when Ms Hogg could have declared her brother's role:

Helen Goodman: How many opportunities has she had to declare that her brother works at Barclays?

Anthony Habgood: When she joined, whenever she has attested to that code, which I guess we brought in 18 months ago or something like that, so probably two or three and she has not attested to that.

[...]

Chair: [...] we went through several hoops when she first arrived in the Bank and then these two or three further opportunities to address this on a code that she herself had written. In evidence to us she said she knew she was compliant because she helped write the code. But it took parliamentary

14 Letter from Ms Hogg to Rt Hon Andrew Tyrie MP, Chairman of the Treasury Committee, dated 2 March 2017

15 Oral evidence, HC 1068

16 Ibid, Q16

scrutiny and the requirements of parliamentary scrutiny to elicit a response that she should have given several years ago. It does not look good, does it, Mr Habgood?

Anthony Habgood: It does not look good. I agree with you—it does not look good.

Chair: To use the phrase of Mr Fried, it does not look like leading by example, does it, Mr Habgood?

Anthony Habgood: It does not look like leading by example, no.

Helen Goodman: There was the occasion when she took up her initial appointment. There were the annual attestations—there might be a couple of those—and then there was the application for the job.¹⁷

19. After the hearing with Court, and in response to the Committee's request, the Bank disclosed Ms Hogg's declaration to the Chair of Court on 20 May 2013,¹⁸ shortly before being appointed Chief Operating Officer, and two formal attestations, dated 17 September 2015¹⁹ and 30 September 2016,²⁰ in which she declared that she had read and understood the Code, and made the appropriate disclosures. Ms Hogg also failed to disclose her brother's position on her application for the role of Deputy Governor on 3 December 2016.²¹ At none of these points did Ms Hogg declare her brother's role at Barclays.

20. The Committee has examined both the Code of Conduct and the documents that it replaced.

21. Ms Hogg's failure to declare her brother's position at Barclays meant that, from the time she joined the Bank in July 2013, until 2 March 2017, she was not compliant with the Bank's Code of Conduct. Nor was she compliant with the 'values and ethics policies' that existed prior to the Code coming into effect.

22. Various procedures in the Bank will have reminded Ms Hogg to make the appropriate declaration, and become compliant. These included a declaration to the Chair of Court on 20 May 2013, shortly before being appointed Chief Operating Officer, and two formal attestations, on 17 September 2015 and 30 September 2016, in which she declared that she had read and understood the Code, and had made the appropriate disclosures.

23. Ms Hogg will have been provided with other reminders outside these formal structures. Among these were her duties as Chief Operating Officer in helping to draft, and to ensure compliance with, the new Code. It is surprising that this work does not appear to have caused her, as Chief Operating Officer with lead responsibility for this work, to reflect on her own compliance requirements. Likewise, her attendances at

17 Ibid, Q37-Q39

18 Written evidence, email from Ms Hogg to Sir David Lees, then Chair of Court, dated 20 May 2013

19 Written evidence, Attestation of Ms Hogg dated 17 September 2015

20 Written evidence, Attestation of Ms Hogg dated 30 September 2016

21 Written evidence, Ms Hogg's disclosure to HM Treasury on applying for the role of Deputy Governor for Markets and Banking, dated 3 December 2016

Court, over a period of nearly four years, during which Members are likely to have periodically recused themselves to address potential or actual conflicts, appear not to have prompted reflection on her part.

24. Ms Hogg also failed to disclose her brother's position on her application for the role of Deputy Governor on 3 December 2016.

25. It was in response to the Committee's questionnaire, returned on 22 February 2017, that she declared her brother's position. Were it not for the Committee's questionnaire and subsequent scrutiny, the clear perceived and potential conflicts that would arise in her new role may never have come to light. Nor would the perception of conflict in her current role, of Chief Operating Officer.

26. It is concerning that this declaration did not, at the time, appear to have caused Ms Hogg to reassess how the Bank's rules might apply to her. It is also concerning that, in her evidence on 28 February, Ms Hogg drew false confidence from her role in writing the Code to judge that she was compliant with it. Likewise, it is concerning that she appeared to consider that "not discuss[ing] work" with her brother was a sufficient response to address a conflict of interest, or the perception of one. It is as concerning as it is surprising that she should consider her personal assurance on such a point to be adequate.

27. Ms Hogg's letter dated 2 March acknowledges that her oral evidence on declaring her brother's role to the Bank, and her compliance with the Bank's Code, was inaccurate, and apologises to the Committee:

Regrettably, my oversight means that my oral evidence to the Committee in this respect was not accurate. I write now to correct that evidence at the earliest opportunity and to place on record my sincere apologies to the Committee.²²

28. The letter states that subsequent to the hearing on 28 February Ms Hogg had discussed her failure to declare her brother's role at Barclays to the Bank with the Secretary to the Bank and the Chair of Court:

Both the Secretary and the Chair acknowledge that no actual or potential conflict of interest has arisen to date in relation to any decisions taken in my role as the Bank's Chief Operating Officer and that the perception of conflict would have been most unlikely.²³

29. Ms Hogg's letter then states:

Further, I do not anticipate that an actual or potential conflict will arise in future.²⁴

30. The role of Deputy Governor for Markets and Banking sits ex-officio on all three of the Bank's policy committees: the Monetary Policy Committee (MPC); the Financial Policy Committee (FPC); and the Prudential Regulation Committee (PRC).²⁵ The PRC

22 Letter from Ms Hogg to Rt Hon Andrew Tyrie MP, Chairman of the Treasury Committee, dated 2 March 2017

23 *ibid*

24 *ibid*

25 Bank of England and Financial Services Act 2016

discusses firm-specific information and reaches supervisory judgements, both of which the Bank describes as “highly commercially-sensitive”.²⁶ In his evidence, the Chair of Court confirmed that Ms Hogg’s membership of the PRC raises a clear potential and/or perceived conflict:

Chair: [...] Could you just elaborate a bit more for people who perhaps do not follow these things so closely on the potential for a perception of conflict between what the PRC does, a board of which she has now become a senior member, and Barclays Bank? Can you just describe what that perception of conflict consists of?

Anthony Habgood: Sure. The PRC is concerned with microprudential regulation, which means it is concerned with the major banks more than anybody else. It is also concerned with starter banks and all the insurance industry as well, but the big banks are a major regulatory focus of the PRC. Therefore, people who are involved with those banks are potentially in conflict.

[...]

Chair: The reason I ask this question is that in the letter you are effectively quoted as saying that, “Both the secretary and the chair”—that is you—“acknowledge that no actual or potential conflict has arisen to date in relation to any decisions taken in my role and that the perception of a conflict would have been most unlikely”.

Anthony Habgood: That is looking backwards. That is looking backwards to the COO role.

Chair: You now think that a perception of a conflict is likely.

Anthony Habgood: Looking forward, the perception of a conflict is much more likely. This becomes a real issue to my mind.²⁷

31. In its hearing with Court on 7 March, the Committee asked Mr Hapgood about the reference in Ms Hogg’s letter to his acknowledgement that no actual or potential conflict has arisen to date in relation to any decisions she had taken as Chief Operating Officer. Mr Habgood confirmed that the reference was “a factual statement”²⁸ of a conversation between him and Ms Hogg. The Committee explored the grounds for Mr Habgood’s assurance:

Mr Jacob Rees-Mogg: But you could not have known, because you did not know what Mr Hogg did. Even if she was Chief Operating Officer, his role at Barclays could have been something that was of great interest to the operations of the Bank or of great relevance to things that were discussed at Court. You could not give that assurance that is then passed on to us. You

26 Written evidence, Bank of England, note on Declaration of Interests and Recusals submitted to the Committee on 9 March 2017, paragraph 5

27 Oral evidence HC 1068, Q12, Qq14–15

28 Ibid, Q137

were not in a position to say any more than that you did not know and you needed to look into it. The first thing you should have looked into was what Mr Hogg did.

[...]

Anthony Habgood: Well, as I say, my understanding is he is in strategy.

Mr Jacob Rees-Mogg: That is a bit vague, isn't it? You have given an assurance to a House of Commons Committee that has already been misled—inadvertently misled, I absolutely accept. I am not getting into that sort of territory. I do not think there was any deliberate intent, but nonetheless it is quite serious. It is very rare we get letters correcting evidence. Then in a letter that is written, a bland assurance is given: “Well, do not worry, because there could not have been any conflict, even though we have no idea what Mr Hogg did”. You did not look into it.

Anthony Habgood: I do not know what you mean by “look into it”. I certainly took it very seriously and talked to the relevant people. I know he is working in the strategy department of Barclays.

Mr Jacob Rees-Mogg: But you have no specifics as to what he does.

Anthony Habgood: I have no specifics as to what he does.²⁹

32. The Committee identified the role that Ms Hogg's brother appeared to have been fulfilling at Barclays for part of the period that she has been in post as Chief Operating Officer³⁰:

Chair: Do you know what her brother does at Barclays?

Anthony Habgood: I understand he works in the strategy department.

Chair: Do you know what that is or what it does?

Anthony Habgood: No.

Chair: I have here from the website that a core part of his function is the examination of various regulatory changes, including: UK and US ringfencing; capital changes; Basel IV; TLAC, which, for people who do not know, is the loss absorbing capacity structure put in place by the regulator; the net stable funding requirement; and capital charges such as the UK bank levy. You cannot get more central to the role of the regulator than those functions.

Anthony Habgood: I think he has moved on from that role, but nevertheless I accept what you are saying.

Chair: You have looked at what he does.

Anthony Habgood: I am sorry.

29 Ibid, Q138, Qq106–109

30 Linked In profile, Mr Quintin Hogg, accessed 7 March 2017

Chair: To be fair, Mr Habgood—

Anthony Habgood: I said I thought he was in the strategy department, but I do not have any—

Chair: Okay, so he used to do this and he has now moved on.

Anthony Habgood: I believe so, but, again, I have not checked that.³¹

33. It is reasonable to suppose that Mr Hogg’s role has been relevant for the Bank of England’s regulatory functions and the possibility of conflict.

34. Ms Hogg’s letter of 2 March, correcting her evidence and apologising for its inaccuracies, was prompt and welcome. It demonstrates that she takes responsibility for mistakes.

35. This letter contains further evidence that she has not adequately reflected on either the letter or the spirit of the Bank’s rules governing conflicts of interest, or how they might apply to her. In particular, her conclusion that “I do not anticipate that an actual or potential conflict will arise in the future” is a serious misjudgement. Her new position on the Prudential Regulation Committee – which discusses firm-specific information and reaches supervisory judgements, both of which the Bank describes as “highly commercially-sensitive” – raises a clear potential for conflict. The Chair of Court made this point in evidence.

36. In considering whether conflicts or potential conflicts have arisen during her four years as Chief Operating Officer, Ms Hogg’s letter describes a conversation with the Chair of Court and the Company Secretary, in which they “acknowledge” that no actual or potential conflicts had arisen in relation to decisions taken in her current role. In relying on an oral acknowledgement on a specific point, Ms Hogg fails to contemplate the possibility that conflicts, or potential conflicts, may have arisen in relation to commercially sensitive information disclosed to her during attendances at Court. Moreover, Court at the time of their evidence to the Committee, and after the Committee’s receipt of Ms Hogg’s letter, appeared not to have established the role and responsibilities of Mr Hogg at Barclays for the period during which Ms Hogg has been Chief Operating Officer. It is therefore difficult to see how firm conclusions could have been reached about whether conflicts of interest, the potential for conflicts, or for perception of these, had arisen.

The Committee's assessment

37. The Committee has seen nothing to suggest that Ms Hogg deliberately concealed her brother's role from the Bank. Nor is there any evidence to suggest that any conflict has to date arisen, still less that anybody has profited from such a conflict. The Committee also has no reason to suppose that Ms Hogg intended to mislead it when she gave incorrect evidence on 28 February.

38. Moreover, the Committee does not consider that an isolated failure to declare the role of a sibling in a commercial bank is, of itself, necessarily serious. The context is important, as Mr Fried pointed out.³² Given the complexity and breadth of modern compliance requirements, and frequent amendment to these, occasional errors are to be expected.

39. However, for at least four reasons, Ms Hogg's case is more serious. First is the failure over a period of nearly four years to comply with the Code of Conduct, despite numerous procedural reminders and opportunities to do so. Second is her status at the Bank, and the responsibilities of her position, including the drafting and implementation of that Code, itself designed to embody the Bank's determination to adhere to standards of corporate governance at least as high as those now expected of the regulated community. As the Chair of Court noted, in failing to adhere to the Code, Ms Hogg did not lead by example. Third, her letter of 2 March reveals a failure to appreciate the seriousness of that history of non-compliance during her tenure as the Bank's Chief Operating Officer. For at least some of that period, as far as the Committee is aware, her brother was in a senior role at Barclays, dealing with important regulatory matters. Her attendance at Court could have created a conflict or perception of conflict. Ms Hogg's letter does not adequately address this point. It asserts only that there had been no actual or potential conflict in terms of the "decisions" she directly made as Chief Operating Officer. Fourth, and most serious, is the conclusion in her letter of 2 March, "Further, I do not anticipate that an actual or potential conflict will arise in future". The Committee considers that such a potential, actual or perceived conflict could well arise. Furthermore, Ms Hogg cannot anticipate every issue that will be considered in each of the policy committees—particularly the PRC, which is concerned with direct microprudential regulation of Barclays, and the FPC—during her term as Deputy Governor. Ms Hogg's conclusion in this respect was a serious error of judgement. That error was compounded by the fact that it was expressed in a letter whose purpose—after her non-compliance had been revealed, and she had been given cause to reflect seriously upon it—was to reassure Parliament that she is capable of reaching sound judgments on matters relating to compliance and conflicts.

40. The Committee is concerned that Ms Hogg, albeit inadvertently, misled it on a number of points of fact.

41. On the basis of the evidence, it is reasonable to conclude that both the multiple lapses in compliance with the Code, over several years, and particularly the misjudgement of Ms Hogg's letter and evidence about the potential for conflicts of interest in her new role, would have been material to the work of the selection panel, in considering which

candidate to recommend to the Chancellor of the Exchequer for the post of Deputy Governor. That panel has therefore completed its work without the benefit of pertinent information.

42. In its Report on 2 March, the Committee concluded that Ms Hogg had the professional competence necessary to fulfil the role of Deputy Governor for Markets and Banking. Had it known then what has since been disclosed, it would have taken a different view. Professional competence for this role includes an ability to follow the rules, particularly those that one has had a hand in writing and enforcing; an understanding of why those rules are important; and an awareness of the risks arising from actual and potential conflicts of interest, and the perceptions of conflict. Ms Hogg's oral and written evidence has given the Committee grounds for concern on all three counts. The Committee considers that her professional competence falls short of the very high standards required to fulfil the additional responsibilities of Deputy Governor for Markets and Banking.

43. The incident raises some wider concerns. The Committee has warmly welcomed the progress made at the Bank to improve its transparency, accountability and governance. The Committee has, in other hearings, heard considerable evidence that this progress has been extensive. The recent reforms have been driven forward by the current Governor, since his appointment in 2013, and with welcome vigour. The Committee also welcomes the efforts of the recently reformed Court of the Bank to fulfil a role more akin to that of a proper Board. Some of the evidence heard by the Committee in connection with this appointment suggests that further reform by the Court may be needed. It will launch a review of Court's progress in due course. The Committee recognises that Court's task is far reaching, and may not be an easy one.

44. This Report should be taken to set aside the Committee's report of 2 March 2017, approving Ms Hogg's appointment, which it completed without the evidence subsequently provided by Ms Hogg and the Bank.

Conclusions and recommendations

The Committee's pre-appointment scrutiny

1. The Committee has heard evidence that Ms Hogg has an exceptional track record of outstanding service to the Bank. The Committee has no reason to doubt that, with the exception of her failure to declare her brother's position at Barclays, and subsequent response to that failure, Ms Hogg's performance of her duties as Chief Operating Officer has been anything other than commendable. The Committee has not sought further evidence on that wider point. Nor is it, in this Report, giving a view about her continuation in this role. The Committee has decided, at this time, to consider only the proposed assumption of her new responsibilities as Deputy Governor, the purpose of the pre-appointment hearing. (Paragraph 4)

The Committee's scrutiny of Ms Hogg's appointment as Deputy Governor for Markets and Banking

2. The notification by the Chancellor of his intention to appoint Ms Hogg to the post of Deputy Governor provided 19 calendar days (seven sitting days) between the announcement on 9 February, and the date that she was to take up her position, on 1 March. This is highly unsatisfactory. The Committee has been given no explanation for the short notice. (Paragraph 10)
3. The Committee has repeatedly requested a reasonable interval between announcement of an intended appointment and commencement to allow adequate time for its pre-appointment scrutiny, most recently in October 2016. The Chancellor responded that he would "continue to provide sufficient notice to the Committee so that they are able to arrange pre-commencement hearings in good time". (Paragraph 11)
4. The scrutiny requirements of this case illustrate the importance of leaving reasonable time for pre-appointment scrutiny. (Paragraph 12)
5. Ms Hogg's failure to declare her brother's position at Barclays meant that, from the time she joined the Bank in July 2013, until 2 March 2017, she was not compliant with the Bank's Code of Conduct. Nor was she compliant with the 'values and ethics policies' that existed prior to the Code coming into effect. (Paragraph 21)
6. Various procedures in the Bank will have reminded Ms Hogg to make the appropriate declaration, and become compliant. These included a declaration to the Chair of Court on 20 May 2013, shortly before being appointed Chief Operating Officer, and two formal attestations, on 17 September 2015 and 30 September 2016, in which she declared that she had read and understood the Code, and had made the appropriate disclosures. (Paragraph 22)
7. Ms Hogg will have been provided with other reminders outside these formal structures. Among these were her duties as Chief Operating Officer in helping to draft, and to ensure compliance with, the new Code. It is surprising that this work does not appear to have caused her, as Chief Operating Officer with lead

- responsibility for this work, to reflect on her own compliance requirements. Likewise, her attendances at Court, over a period of nearly four years, during which Members are likely to have periodically recused themselves to address potential or actual conflicts, appear not to have prompted reflection on her part. (Paragraph 23)
8. Ms Hogg also failed to disclose her brother's position on her application for the role of Deputy Governor on 3 December 2016. (Paragraph 24)
 9. It was in response to the Committee's questionnaire, returned on 22 February 2017, that she declared her brother's position. Were it not for the Committee's questionnaire and subsequent scrutiny, the clear perceived and potential conflicts that would arise in her new role may never have come to light. Nor would the perception of conflict in her current role, of Chief Operating Officer. (Paragraph 25)
 10. It is concerning that this declaration did not, at the time, appear to have caused Ms Hogg to reassess how the Bank's rules might apply to her. It is also concerning that, in her evidence on 28 February, Ms Hogg drew false confidence from her role in writing the Code to judge that she was compliant with it. Likewise, it is concerning that she appeared to consider that "not discuss[ing] work" with her brother was a sufficient response to address a conflict of interest, or the perception of one. It is as concerning as it is surprising that she should consider her personal assurance on such a point to be adequate. (Paragraph 26)
 11. It is reasonable to suppose that Mr Hogg's role has been relevant for the Bank of England's regulatory functions and the possibility of conflict. (Paragraph 33)
 12. Ms Hogg's letter of 2 March, correcting her evidence and apologising for its inaccuracies, was prompt and welcome. It demonstrates that she takes responsibility for mistakes. (Paragraph 34)
 13. This letter contains further evidence that she has not adequately reflected on either the letter or the spirit of the Bank's rules governing conflicts of interest, or how they might apply to her. In particular, her conclusion that "I do not anticipate that an actual or potential conflict will arise in the future" is a serious misjudgement. Her new position on the Prudential Regulation Committee – which discusses firm-specific information and reaches supervisory judgements, both of which the Bank describes as "highly commercially-sensitive" – raises a clear potential for conflict. The Chair of Court made this point in evidence. (Paragraph 35)
 14. In considering whether conflicts or potential conflicts have arisen during her four years as Chief Operating Officer, Ms Hogg's letter describes a conversation with the Chair of Court and the Company Secretary, in which they "acknowledge" that no actual or potential conflicts had arisen in relation to decisions taken in her current role. In relying on an oral acknowledgement on a specific point, Ms Hogg fails to contemplate the possibility that conflicts, or potential conflicts, may have arisen in relation to commercially sensitive information disclosed to her during attendances at Court. Moreover, Court at the time of their evidence to the Committee, and after the Committee's receipt of Ms Hogg's letter, appeared not to have established the role and responsibilities of Mr Hogg at Barclays for the period during which

Ms Hogg has been Chief Operating Officer. It is therefore difficult to see how firm conclusions could have been reached about whether conflicts of interest, the potential for conflicts, or for perception of these, had arisen. (Paragraph 36)

The Committee's assessment

15. The Committee has seen nothing to suggest that Ms Hogg deliberately concealed her brother's role from the Bank. Nor is there any evidence to suggest that any conflict has to date arisen, still less that anybody has profited from such a conflict. The Committee also has no reason to suppose that Ms Hogg intended to mislead it when she gave incorrect evidence on 28 February. (Paragraph 37)
16. Moreover, the Committee does not consider that an isolated failure to declare the role of a sibling in a commercial bank is, of itself, necessarily serious. The context is important, as Mr Fried pointed out. Given the complexity and breadth of modern compliance requirements, and frequent amendment to these, occasional errors are to be expected. (Paragraph 38)
17. However, for at least four reasons, Ms Hogg's case is more serious. First is the failure over a period of nearly four years to comply with the Code of Conduct, despite numerous procedural reminders and opportunities to do so. Second is her status at the Bank, and the responsibilities of her position, including the drafting and implementation of that Code, itself designed to embody the Bank's determination to adhere to standards of corporate governance at least as high as those now expected of the regulated community. As the Chair of Court noted, in failing to adhere to the Code, Ms Hogg did not lead by example. Third, her letter of 2 March reveals a failure to appreciate the seriousness of that history of non-compliance during her tenure as the Bank's Chief Operating Officer. For at least some of that period, as far as the Committee is aware, her brother was in a senior role at Barclays, dealing with important regulatory matters. Her attendance at Court could have created a conflict or perception of conflict. Ms Hogg's letter does not adequately address this point. It asserts only that there had been no actual or potential conflict in terms of the "decisions" she directly made as Chief Operating Officer. Fourth, and most serious, is the conclusion in her letter of 2 March, "Further, I do not anticipate that an actual or potential conflict will arise in future". The Committee considers that such a potential, actual or perceived conflict could well arise. Furthermore, Ms Hogg cannot anticipate every issue that will be considered in each of the policy committees—particularly the PRC, which is concerned with direct microprudential regulation of Barclays, and the FPC—during her term as Deputy Governor. Ms Hogg's conclusion in this respect was a serious error of judgement. That error was compounded by the fact that it was expressed in a letter whose purpose—after her non-compliance had been revealed, and she had been given cause to reflect seriously upon it—was to reassure Parliament that she is capable of reaching sound judgments on matters relating to compliance and conflicts. (Paragraph 39)
18. The Committee is concerned that Ms Hogg, albeit inadvertently, misled it on a number of points of fact. (Paragraph 40)
19. On the basis of the evidence, it is reasonable to conclude that both the multiple lapses in compliance with the Code, over several years, and particularly the misjudgement

of Ms Hogg's letter and evidence about the potential for conflicts of interest in her new role, would have been material to the work of the selection panel, in considering which candidate to recommend to the Chancellor of the Exchequer for the post of Deputy Governor. That panel has therefore completed its work without the benefit of pertinent information. (Paragraph 41)

20. In its Report on 2 March, the Committee concluded that Ms Hogg had the professional competence necessary to fulfil the role of Deputy Governor for Markets and Banking. Had it known then what has since been disclosed, it would have taken a different view. Professional competence for this role includes an ability to follow the rules, particularly those that one has had a hand in writing and enforcing; an understanding of why those rules are important; and an awareness of the risks arising from actual and potential conflicts of interest, and the perceptions of conflict. Ms Hogg's oral and written evidence has given the Committee grounds for concern on all three counts. The Committee considers that her professional competence falls short of the very high standards required to fulfil the additional responsibilities of Deputy Governor for Markets and Banking. (Paragraph 42)
21. The incident raises some wider concerns. The Committee has warmly welcomed the progress made at the Bank to improve its transparency, accountability and governance. The Committee has, in other hearings, heard considerable evidence that this progress has been extensive. The recent reforms have been driven forward by the current Governor, since his appointment in 2013, and with welcome vigour. The Committee also welcomes the efforts of the recently reformed Court of the Bank to fulfil a role more akin to that of a proper Board. Some of the evidence heard by the Committee in connection with this appointment suggests that further reform by the Court may be needed. It will launch a review of Court's progress in due course. The Committee recognises that Court's task is far reaching, and may not be an easy one. (Paragraph 43)
22. This Report should be taken to set aside the Committee's report of 2 March 2017, approving Ms Hogg's appointment, which it completed without the evidence subsequently provided by Ms Hogg and the Bank. (Paragraph 44)

Formal Minutes

Monday 13 March 2017

Members present:

The Rt Hon Andrew Tyrie, in the Chair

Steve Baker	John Mann
Helen Goodman	Chris Philp
Stephen Hammond	Mr Jacob Rees-Mogg
George Kerevan	Wes Streeting
Kit Malthouse	

Draft Report (*Appointment of Charlotte Hogg as Deputy Governor of the Bank of England: Second Report*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 44 read and agreed to.

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

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

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Tuesday 14 March at 9.45 am.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Tuesday 28 February 2017

Question number

Charlotte Hogg, Deputy Governor, Markets and Banking, Bank of England

[Q1–135](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

- 1 [Charlotte Hogg's CV](#)
- 2 [Charlotte Hogg questionnaire](#)
- 3 [Bank of England's procedure for declaration of interests and recusals](#)
- 4 [Charlotte Hogg's declaration of conflicts in May 2013 and December 2016 and attestations dated 2015 and 2016](#)
- 5 [Letter from Charlotte Hogg, Deputy Governor Markets & Banking and Chief Operating Officer, Bank of England, dated 2 March 2017](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	Reappointment of Robert Chote as Chair of the Office for Budget Responsibility	HC 459
Second Report	The appointment of Dr Gertjan Vlieghe to the Monetary Policy Committee of the Bank of England	HC 497
Third Report	The re-appointment of Ian McCafferty to the Monetary Policy Committee of the Bank of England	HC 498
Fourth Report	Appointment of Tim Parkes as Chair of the Regulatory Decisions Committee	HC 735
Fifth Report	Appointment of Angela Knight as Chair of the Office of Tax Simplification	HC 734
Sixth Report	Spending Review and Autumn Statement 2015	HC 638
Seventh Report	Reviewing the Office for Budget Responsibility	HC 514
Eight Report	The Treasury Committee's scrutiny of appointments	HC 811
Ninth Report	Re-appointment hearing of Dame Clara Furse and Richard Sharp	HC 895

Session 2016–17

First Report	The economic and financial costs and benefits of the UK's EU membership	HC 122
Second Report	Appointment of Jon Thompson as Chief Executive of HMRC	HC 232
Third Report	Appointment of Edward Troup as Executive Chair of HMRC	HC 498
Fourth Report	Review of the reports into the failure of HBOS	HC 582 (Cm 9340)
Fifth Report	Appointment of Sam Woods as Deputy Governor for Prudential Regulation and Chief Executive of the Prudential Regulation Authority	HC 567
Sixth Report	Appointment of Andrew Bailey as Chief Executive Officer of the Financial Conduct Authority	HC 568

Seventh Report	Appointment of Professor Sir Charles Bean to the Budget Responsibility Committee of the Office for Budget Responsibility	HC 642
Eighth Report	Appointment of Michael Saunders to the Monetary Policy Committee	HC 729
Ninth Report	Appointment of Anil Kashyap to the Bank of England Financial Policy Committee	HC 730
Tenth Report	Making Tax Digital	HC 927
Eleventh Report	Appointment of Charlotte Hogg as the Bank of England's Deputy Governor for Markets and Banking	HC 1039