



House of Commons
Treasury Committee

Re-appointment of Sir Jon Cunliffe as Deputy Governor for Financial Stability at the Bank of England

Twenty-Third Report of Session
2017–19

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

*Ordered by the House of Commons
to be printed 17 October 2018*

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

[Nicky Morgan MP](#) (*Conservative, Loughborough*) (Chair)

[Rushanara Ali MP](#) (*Labour, Bethnal Green and Bow*)

[Mr Simon Clarke MP](#) (*Conservative, Middlesbrough South and East Cleveland*)

[Charlie Elphicke MP](#) (*Independent, Dover*)

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

[Stewart Hosie MP](#) (*Scottish National Party, Dundee East*)

[Mr Alister Jack MP](#) (*Conservative, Dumfries and Galloway*)

[Alison McGovern MP](#) (*Labour, Wirral South*)

[Catherine McKinnell MP](#) (*Labour, Newcastle upon Tyne North*)

[John Mann MP](#) (*Labour, Bassetlaw*)

[Wes Streeting MP](#) (*Labour, Ilford North*)

Powers

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.

Publication

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 publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Sarah Rees (Clerk), Peter Stam (Second Clerk), Marcus Wilton and Dan Lee (Senior Economists), Adam Wales (Chief Policy Adviser), Nick Berry (Committee Support Assistant), Matt Panteli (Senior Media and Policy Officer), Anne Stark (on secondment from HM Revenue & Customs), Tom Ludlow (on secondment from the Bank of England), Carolyn Draper (on secondment from the Financial Conduct Authority), Ria Gill-Williams (on secondment from the National Audit Office) and Sarah Goodwin (on secondment from the Prudential Regulation Authority).

Contacts

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Introduction

1. HM Treasury announced the re-appointment of Sir Jon Cunliffe as Deputy Governor for Financial Stability at the Bank of England on 11 September 2018.¹ His re-appointment will be effective from 1 November for a period of five years. As part of this role, Sir Jon sits on the Monetary Policy Committee (MPC), the Financial Policy Committee (FPC), the Prudential Regulation Committee (PRC) and the Court of the Bank of England.²
2. In this Report, the Committee has considered the suitability of Sir Jon for this role against the following criteria—personal independence and professional competence—in line with the practice of previous Treasury Committees when considering appointments to the Bank of England’s Policy Committees. But Sir Jon’s responsibilities as Deputy Governor range wider than just these policy committee roles. The Committee has examined some of those other responsibilities as well.
3. The Committee took oral evidence from Sir Jon on 17 October 2018. He provided a full CV and answered a written questionnaire prior to giving oral evidence. The Committee would like to thank Sir Jon for this evidence, which has been published on the Treasury Committee website.

1 HM Treasury, [Mark Carney’s term extended and Sir Jon Cunliffe re-appointed at the Bank of England](#), 11 September 2018

2 Bank of England, [Sir Jon Cunliffe](#), accessed 12 October 2018

1 The re-appointment of Sir Jon Cunliffe

Background on Sir Jon Cunliffe

4. Sir Jon became Deputy Governor for Financial Stability at the Bank of England on 1 November 2013. As part of this role, Sir Jon sits on the Monetary Policy Committee (MPC), the Financial Policy Committee (FPC), the Prudential Regulation Committee (PRC) and the Court of the Bank of England. He also has executive responsibility at the Bank for financial stability, financial market infrastructures, resolution and international.

5. Prior to this role, Sir Jon was the UK Permanent Representative to the EU from 2012 to 2013 and the Prime Minister's Adviser on Europe and Global Economic Issues and the Second Permanent Secretary to the Cabinet Office. Before joining the Cabinet office, he had several roles within HM Treasury, his final one being Second Permanent Secretary with responsibility for the Treasury's International and Finance Directorate from 2002 to 2007. Sir Jon Cunliffe holds a BA and MA in English Language and Literature from the University of Manchester.

Oral evidence

6. In oral evidence, the Committee questioned Sir Jon about his prior experience as well as wider questions around the outlook for the economy. Topics covered during the session included:

- The state of contingency preparations by UK and EU authorities and firms for a “no deal” Brexit;
- The scale of and trend in cases of bullying and harassment at the Bank of England, and the steps being taken by senior management to address it;
- The options for a negotiated future relationship for cross-border financial services between the UK and EU after Brexit;
- The prospects for regulatory changes to enhance the competitiveness of UK financial services after Brexit;
- Global risks to financial stability arising from stresses in emerging markets and the tightening of monetary policy in the United States, and the exposure of the UK to these risks;
- How a trade war between China and the United States could complicate Chinese efforts to improve the resilience of their debt markets;
- The risks to financial stability arising from rapid growth in leveraged lending, and its similarities and differences with growth in sub-prime lending prior to the Financial Crisis;
- The potential risks to fiscal stability in the UK highlighted in the IMF's October 2018 *Fiscal Monitor*;³

3 [International Monetary Fund, Fiscal Monitor, October 2018](#)

- Trends in the resilience of the UK banking sector and developments in the Bank's approach since it commenced annual stress testing in 2014, and the progress of banks towards their 2022 capital buffer requirements;
- The decision to raise Bank rate to 0.75 per cent in August given uncertainty about the relationship between inflation and unemployment;
- The risks of a sharp devaluation of sterling, the consideration he gives to the exchange rate in the setting of monetary policy, and the use of official foreign currency reserves to meet monetary and financial stability objectives; and
- The risk that the presence of the Governor and three of the Deputy Governors across all three of the Bank's main policy committees will give rise to 'groupthink', and how the presence of external members may mitigate that risk.

Conclusion

7. The Committee is satisfied that Sir Jon has the professional competence and personal independence to be re-appointed as Deputy Governor of Financial Stability at the Bank of England. We wish him every success in his role.

Formal minutes

Wednesday 17 October 2018

Members present:

Nicky Morgan, in the Chair

Mr Simon Clarke Stewart Hosie

Charlie Elphicke Wes Streeting

Stephen Hammond

Draft Report (*Re-appointment of Sir Jon Cunliffe as Deputy Governor for Financial Stability at the Bank of England*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 7 read and agreed to.

Resolved, That the Report be the Twenty-Third 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 23 October at 9.45 a.m.]

Witnesses

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

Wednesday 17 October 2018

Sir Jon Cunliffe, re-appointment as Deputy Governor for Financial Stability at the Bank of England

Published written evidence

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

SJC numbers are generated by the evidence processing system and so may not be complete.

- 1 Sir John Cunliffe - C.V.([SJC0001](#))
- 2 Sir John Cunliffe - Questionnaire ([SJC0002](#))

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 2017–19

First Report	Appointment of Sir Dave Ramsden as Deputy Governor for Markets and Banking at the Bank of England	HC 472
Second Report	Appointment of Professor Silvana Tenreyro to the Bank of England Monetary Policy Committee	HC 471
Third Report	The Solvency II Directive and its impact on the UK Insurance Industry	HC 324 (HC 863)
Fourth Report	Transitional arrangements for exiting the European Union	HC 473 (HC 850)
Fifth Report	Autumn Budget 2017	HC 600 (HC 757)
Sixth Report	Appointment of Elisabeth Stheeman to the Financial Policy Committee	HC 758
Seventh Report	Student Loans	HC 478 (HC 995)
Eighth Report	Appointment of Charles Randell as Chair of the Financial Conduct Authority and the Payment Systems Regulator	HC 838
Ninth Report	Childcare	HC 757 (HC 1196)
Tenth Report	Re-appointment of Alex Brazier to the Financial Policy Committee	HC 936
Eleventh Report	Re-appointment of Donald Kohn to the Financial Policy Committee	HC 937
Twelfth Report	Re-appointment of Martin Taylor to the Financial Policy Committee	HC 938
Thirteenth Report	The Motability Scheme	HC 847
Fourteenth Report	Re-appointment for Gertjan Vlieghe to the Monetary Policy Committee	HC 1056
Fifteenth Report	Women in finance	HC 477 (HC 1567)
Sixteenth Report	Appointment of Bradley Fried as Chair of Court, Bank of England	HC 1319
Seventeenth Report	Appointment of Professor Jonathan Haskel to the Monetary Policy Committee	HC 1318
Eighteenth Report	Appointment of Andy King to the Budget Responsibility Committee of the OBR	HC 1340

Nineteenth Report	Household finances: income, saving and debt	HC 565
Twentieth Report	Appointment of Jill May to the Prudential Regulation Committee	HC 1511
Twenty-first Report	Appointment of Professor Julia Black to the Prudential Regulation Committee	HC 1512
Twenty-second Report	Crypto-assets	HC 910
First Special Report	Transitional arrangements for exiting the European Union: Government Response to the Treasury Committee's Fourth Report	HC 850
Second Special Report	The Solvency II Directive and its impact on the UK Insurance Industry: Bank of England Response to the Committee's Third Report of session 2017–19	HC 863
Third Special Report	Autumn Budget 2017: Government and Office for Budget Responsibility responses to the Treasury Committee's Fifth Report	HC 757
Fourth Special Report	Student Loans: Government and Office for National Statistics responses to the Committee's Seventh Report	HC 995
Fifth Special Report	Childcare: Government Response to the Committee's Ninth Report	HC 1196
Sixth Special Report	Women in finance: Government Response to the Committee's Fifteenth Report	HC 1567
Seventh Special Report	Household finances: income, saving and debt: Government Response to the Committee's Nineteenth Report	HC 1627