



Treasury Committee

House of Commons, Committee Office, London SW1A 0AA

Tel 020 7219 5769 Fax 020 7219 2069 Email treascom@parliament.uk Website www.parliament.uk/treascom

Mark Carney
Governor
Bank of England
Threadneedle Street
London EC2R 8AH

27 June 2018

Dear Governor

In the months ahead, Parliament will be called on to make key decisions regarding the terms of the UK's exit from the European Union, and the framework for its future relationship.

I am sure you agree that it should make these decisions on the basis of high-quality analysis and information about their effects, both on the economy itself, and on the institutions charged with delivering the objectives for economic policy set by Parliament and the Government.

Before the referendum, the Bank of England published an analysis of how EU membership affected the Bank's ability to meet its statutory objectives.¹ In response to the Treasury Committee's request, you also provided written² and oral³ evidence describing how this analysis was affected by the "new settlement" negotiated by the previous Government.

Among the most important conclusions of this work was that, as the euro area pursued a more uniform approach to financial sector regulation, it was important for the UK to retain the flexibility necessary to safeguard stability in a large and complex financial centre. In practice, this meant it was desirable for EU rules being conceived in a more "uniform manner" for banking union participants than for non-participants.

The decisions Parliament takes over the Withdrawal Agreement and future framework will raise many of the same questions, including whether, how far and by what mechanism it is desirable for the UK to adhere to legislation and rules developed in the EU in order to secure financial services market access. To the extent that leaving the EU affects the UK's economic openness, Parliament's decisions will also have broader implications for the Bank's pursuit of monetary and financial stability.

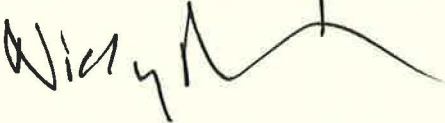
¹ [EU membership and the Bank of England](#), October 2015

² [Letter from Mark Carney to Rt Hon Andrew Tyrie MP](#), 7 March 2016

³ [Oral evidence, HC 499](#), 8 March 2016

I would be grateful for your commitment to publishing an analysis of the impact of the Withdrawal Agreement and future framework on the Bank's ability to meet its objectives, in good time before Parliament comes to make its key decisions. As the timetable becomes clearer, I will write again to set out more fully the Committee's expectations, including in the event that no agreement is reached on the terms of withdrawal or the framework for the future relationship.

I will be placing this letter in the public domain.

Yours sincerely


The Rt Hon. Nicky Morgan MP
Chair of the Treasury Committee

