



House of Commons  
Treasury Committee

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# Appointment of Andrew Bailey as Governor of the Bank of England

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**First Report of Session 2019–21**

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

*Ordered by the House of Commons  
to be printed 4 March 2020*

## 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

[Mel Stride MP](#) (Chair) (*Conservative, Central Devon*)

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

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

[Harriett Baldwin MP](#) (*Conservative, West Worcestershire*)

[Anthony Browne MP](#) (*Conservative, South Cambridgeshire*)

[Felicity Buchan MP](#) (*Conservative, Kensington*)

[Ms Angela Eagle MP](#) (*Labour, Wallasey*)

[Liz Kendall MP](#) (*Labour, Leicester West*)

[Julie Marson MP](#) (*Conservative, Hertford and Stortford*)

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

[Alison Thewliss MP](#) (*Scottish National Party, Glasgow Central*)

### 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](http://www.parliament.uk).

### Publication

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Committee reports are published on the Committee's website at <https://committees.parliament.uk/committee/158/treasury-committee/> and in print by Order of the House.

### Committee staff

The current staff of the Committee are Emily Buckland (on secondment from the Bank of England), John-Paul Flaherty (Second Clerk), Sarah Goodwin (on secondment from the Prudential Regulation Authority), Rachel Kift (on secondment from the National Audit Office), Dan Lee (Senior Economist), Gosia McBride (Clerk), Aruni Muthumala (Senior Economist), Matt Panteli (Senior Media and Policy Officer), Yasmin Raza (on secondment from the Financial Conduct Authority), Baris Tufekci (Committee Support Assistant), Adam Wales (Chief Policy Adviser), Maciej Wenerski (Senior Committee Assistant), Marcus Wilton (Senior Economist), and Tony Verran (on secondment from HM Revenue & Customs).

### Contacts

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You can follow the Committee on Twitter using [@commonstreasury](https://twitter.com/commonstreasury).

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## Introduction

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1. HM Treasury announced the appointment of Andrew Bailey to be Governor of the Bank of England on 20 December 2019.<sup>1</sup> Dr Bailey is due to take up his post on 16 March 2020, for an eight-year term.<sup>2</sup>
2. In this Report, we have considered the suitability of Andrew Bailey for the role of Governor of the Bank of England, which includes membership of the Monetary Policy Committee, the Financial Policy Committee and the Prudential Regulation Committee, against the criteria of personal independence and professional competence, in line with the practice of previous Treasury Committees.
3. The Committee took oral evidence from Andrew Bailey on 4 March 2020. He provided a full CV and answered a written questionnaire prior to giving oral evidence. We would like to thank Dr Bailey for this evidence, which has been published on the Treasury Committee website.
4. The tenure of the current Bank of England Governor, Dr Mark Carney, will end on 15 March 2020. We would like to thank Dr Carney for his consistent cooperation with the Committee and for his oral and written evidence which has always been measured and considered. We wish him well in his future role.

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1 HM Treasury, [News story: Andrew Bailey to be new Governor of the Bank of England](#), 20 December 2019

2 HM Treasury, [News story: Andrew Bailey to be new Governor of the Bank of England](#), 20 December 2019

# The appointment of Andrew Bailey

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## Background on Andrew Bailey

5. Andrew Bailey assumed the role of Chief Executive Officer of the Financial Conduct Authority (FCA) on 1 July 2016. As CEO of the FCA, Dr Bailey is also a member of the Prudential Regulation Committee, the Financial Policy Committee, and the Board of the Financial Conduct Authority.

6. Dr Bailey previously held the role of Deputy Governor, Prudential Regulation and CEO of the Prudential Regulation Authority from 1 April 2013. Dr Bailey was a member of the Court of the Bank of England from 2013 to 2016. While retaining his role as Executive Director of the Bank, Andrew joined the Financial Services Authority in April 2011 as Deputy Head of the Prudential Business Unit and Director of UK Banks and Building Societies. In July 2012, Dr Bailey became Managing Director of the Prudential Business Unit, with responsibility for the prudential supervision of banks, investment banks and insurance companies. Dr Bailey was appointed as a voting member of the interim Financial Policy Committee at its June 2012 meeting.

7. Previously, Dr Bailey has worked at the Bank of England in a number of areas, including as Executive Director for Banking Services and Chief Cashier, as well as Head of the Bank's Special Resolution Unit (SRU). Previous roles include Governor's Private Secretary, and Head of the International Economic Analysis Division in Monetary Analysis. He studied at Queen's College, Cambridge, where he obtained a BA First Class Honours in History and a PhD in Economic History.<sup>3</sup>

## Oral evidence

8. In the oral evidence, we questioned Andrew Bailey about his prior experience and his suitability for the post of Governor of the Bank of England. We considered his future role on the policy committees of the Bank, as well as the wider responsibilities of the Governor. Topics covered during the session included:

- whether he should be regarded as a safe pair of hands and whether he can lead the institution in a nimble way;
- his contacts with the Chancellor and others in Number 10;
- his ability to tackle issues quickly given his previous actions at the FCA;
- his shaping of the strategy and priorities of the FCA including its impact on issues such as London Capital & Finance and Premier FX;
- the current state of the FCA on his departure;
- the embedding of the FCA's culture and mission;
- recent concerns about FCA staff behaviour at the FCA's Stratford headquarters;
- his record at the FCA, including issues related to:

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3 This biography is adapted from one published on the Bank of England [website](#), obtained 2 March 2020

- London Capital & Finance
  - Premier FX
  - gating of the Woodford Fund
  - pensions transfers out of the British Steel Pension Scheme
  - Lendy
  - RBS Global Restructuring Group (GRG)
  - HBOS Reading
- the transparency of the FCA, including around GRG;
  - the effectiveness of the FCA in tackling financial crime and preventing money laundering;
  - speed of FCA action in relation to Lloyds' role following the HBOS Reading fraud;
  - concerns around final salary pension transfers and the FCA's response;
  - reports of complaints of bullying and harassment at the FCA;
  - staff wellbeing at the FCA;
  - overall speed of the resolution of the FCA's work and the public's sense of justice;
  - reflections on his time as CEO of the FCA;
  - the perimeter of the FCA and the Government's role in setting it;
  - the FCA register and the case of Collateral;
  - the responsibility for the veracity of official registries;
  - the FCA's use of enforcement powers against individuals working in financial services;
  - the number of criminal prosecutions of those in financial services;
  - his views on free trade and Brexit;
  - his ability to challenge the Government, and his independence in role;
  - climate change and the Bank's mandate;
  - the 'levelling up' agenda and the role of the Bank;
  - business access to finance throughout the UK;
  - the availability of official regional data;
  - his recent experience of monetary policy;

- the recent setting of monetary policy, the impact of low interest rates and the remaining scope for action;
- quantitative easing and its unwinding;
- the societal impact of monetary policy;
- the equilibrium interest rate;
- the balance between fiscal and monetary policy;
- whether there should be an early move on monetary policy;
- his views on negative interest rates;
- the possibility of coordinated international changes to monetary policy;
- potential of loans to small business in the face of economic shock, and how to determine the need;
- post-Brexit financial market access and equivalence and potential trade-offs;
- impact of the timing of a future agreement with the EU;
- risks to the Eurozone of any loss of access to UK markets;
- the impact of a lack of a deal on financial market access on UK financial institutions and financial stability;
- the implication and safety of wide-spread use of cryptocurrencies;
- central bank cryptocurrencies;
- the future evolution of EU financial services regulation;
- changes Dr Bailey would like to see in UK financial regulation post-Brexit;
- the future evolution of prudential regulation;
- his views on the powers and operation of the Financial Policy Committee;
- movements in the countercyclical capital buffer;
- the future of the £50 note and
- his thoughts on the actions the Bank can take to ensure information security.

## Conclusion

**9. The Committee is satisfied that Andrew Bailey has the professional competence and personal independence to be appointed as Governor of the Bank of England. We wish him every success in his new role.**

**10. The above issues include a number of serious concerns about the culture and operations of the Financial Conduct Authority and the industry that it regulates.**

**Dr Bailey has promised further evidence to this Committee in response to the issues raised above, which we will publish. This Committee will have further opportunities to consider these issues in the immediate future, including a forthcoming pre-appointment hearing with the new CEO of the Financial Conduct Authority, as well as regular hearings with its senior management. In the last Parliament our predecessor Committee published a report on the Perimeter of Regulation and we also propose to return to that, as well as the speed and transparency with which the FCA acts, later in this year. Our work will include assessing the effectiveness of the Government in implementing its responsibilities in relation to the remit and powers of the FCA. We will also assess progress in improving the culture of the finance industry since the reports of the Parliamentary Commission on Banking Standards.**

**11. We are clear that there is a gap between public expectations and the current powers and performance of the FCA and clear in our duty to support the Government and the institution of the FCA in a process of improvement.**

## Published written evidence

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

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

- 1 Andrew Bailey CV (ABE0001)
- 2 Andrew Bailey Questionnaire (ABE0002)
- 3 Letter from former Chancellor regarding the appointment of the Governor of England

## Witnesses

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

### Wednesday 4 March 2020

**Andrew Bailey**, Appointed Governor of the Bank of England

Q1-118

# Formal minutes

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## Formal minutes of meeting

The following declarations of interest relating to the inquiry were made:

### 4 March 2020

Harriett Baldwin declared the following interest: that she was Economic Secretary to the Treasury when Andrew Bailey was appointed to the Financial Conduct Authority.

Anthony Browne declared the following interest: that as Chief Executive of the British Bankers Association (2012-2017) he had worked with Andrew Bailey in his roles at the Prudential Regulation Authority and the Financial Conduct Authority.

### Wednesday 4 March 2020

Members present:

Mel Stride, in the Chair

Rushanara Ali	Alison McGovern
Mr Steve Baker	Harriett Baldwin
Anthony Browne	Felicity Buchan
Ms Angela Eagle	Liz Kendall
Julie Marson	Alison Thewliss

Draft Report (*Appointment of Andrew Bailey as Governor of 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 11 read and agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

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

[Adjourned till Tuesday 10 March 2020 at 9.15 a.m.]

## List of reports from the Committee during the current Parliament

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

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