Bank of England Banking Act report for 1991/92

Banking Act 1987

Annual report under the Banking Act for 1991/92

This report on the exercise of the Bank's functions under the Banking Act 1987 during the year to 29 February 1992 is presented to the Chancellor of the Exchequer, and by him to Parliament, pursuant to section 1(3) of the Act.

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Introduction

1991 saw the continuation of very difficult domestic conditions for banks and their customers, accompanied by a marked increase in adverse public comment directed at the large banks. The most prominent event of the year—the closure of Bank of Credit and Commerce International (BCCI)—was, however, unrelated to this market background. It followed the Bank's receipt of a report from Price Waterhouse commissioned under Section 41 of the Banking Act. Information contained in this report made it necessary, in order to protect the interests of existing and potential depositors with BCCI, to freeze BCCI's assets by closing the institution.

The closure was a co-ordinated worldwide operation by banking supervisors. On 5 July, the Bank obtained a Court order for the appointment of provisional liquidators in relation to BCCI SA, the Luxembourg-incorporated bank. Similar action was taken in Luxembourg, and also in Grand Cayman in respect of BCCI Overseas. At the same time or shortly afterwards, supervisors in a number of other jurisdictions where BCCI had subsidiaries or agencies also moved to shut down those operations. An emergency unit, staffed from the Bank and several overseas banking supervisory authorities, was established at the Bank in order to co-ordinate action. The necessary steps were taken without major disturbance to financial markets or to international payments systems.

Depositors in sterling with UK offices of BCCI SA may be able to claim compensation payments under the Deposit Protection Scheme established under the Banking Act 1987 (the terms of the scheme are described in more detail on page 22). The hearing of the Bank's petition for a winding-up order against BCCI SA was adjourned by the Court on three separate occasions, which delayed activation of the Scheme. A winding-up order was eventually made on 14 January 1992, and payments to depositors began to be made on 16 April.

After the closure of BCCI, the Chancellor of the Exchequer and the Governor appointed the Right Honourable Lord Justice Bingham to conduct an independent inquiry into the supervision of BCCI. Its terms of reference are 'to enquire into the supervision of BCCI under the Banking Acts; to consider whether the action taken by all the UK authorities was appropriate and timely; and to make recommendations'. The Bank has co-operated fully with the Inquiry. The Governor and other Bank officials also gave evidence about BCCI to the Treasury and Civil Service Committee, which conducted its own examination of events. In addition, the Bank has discussed the implications of BCCI for international supervision in a number of fora, including the Basle Committee, the EC Banking Advisory Committee, and the EC Governors' Banking Supervisory Sub-committee. The conclusions of the Bingham Inquiry and of these other studies will be covered in next year's report under the Banking Act.

The following sections of this report review market developments during the year (Part I), major policy initiatives taken (Part II), supervisory operations (Part III), and the organisation and staffing of the Division (Part IV).

Part I
Market developments

Overview

With the UK economy remaining in recession throughout 1991, profitability at UK banks was again severely depressed. High levels of provisioning against domestic bad debts were the principal factor behind the drop in profits. The record charges to provisions obscured a generally robust underlying performance, mainly reflecting successful cost management combined with some improvement in lending margins and an increase in income from fees and charges.

During the year, strains became evident in banks' relations with customers, many of whom were under pressure from the extended recession. The actions taken by banks to repair their revenues contributed to the adverse feeling. Banks were accused of colluding to withhold the full benefit of the fall in interest rates from small business borrowers, and of making these and other customers pay for the banks' lending mistakes. A closer investigation of the facts by the Bank of England and the Treasury during the summer revealed that the vast majority of small businesses had, at that point, seen at least 3% of the $3\frac{1}{2}$% fall in base rates in preceding months. At the same time, it was clear that banks were slowly moving towards wider average margins, while an intention to recover a greater proportion of costs through fees and other charges was also in evidence. The OFT subsequently indicated that there was no evidence of collusion or a cartel.

In response to pressure from consumers and the government, banks took steps to improve the openness and consistency of their dealings with customers. The major lenders drew up voluntary codes of conduct governing their charging and other policies towards small businesses. In addition, trade bodies including the BBA reached agreement with consumer representatives on a final version of a code of good practice

Chart 1
UK banks: lending to UK residents

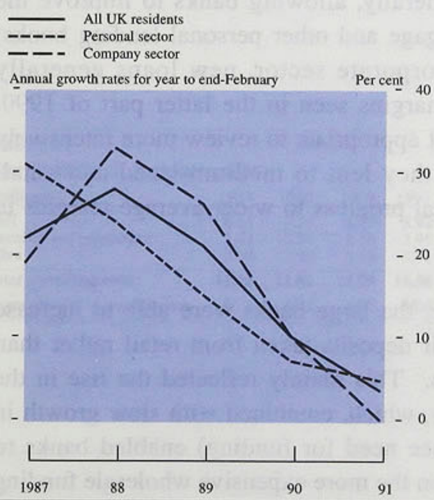


Table I
UK banks: lending to UK residents (a)

Annual growth rates for year to end-February (per cent)

	1987/8	1988/9	1989/90	1990/1	1991/2
Lending to UK residents	22.0	28.0	21.0	10.0	3.4
of which:					
Lending to the company sector	*19.0*	*33.0*	*26.0*	*10.0*	*-0.2*
Lending to the personal sector	*31.0*	*24.0*	*15.0*	*7.0*	*4.7*
Lending to the non-bank financial sector	*21.0*	*21.0*	*19.0*	*13.0*	*13.0*

(a) Loans, advances, acceptances and sterling commercial paper in both sterling and other currencies, the latter adjusted to remove the estimated effects of exchange rate movements. No account is taken of changes in either reporting population or reporting dates.

covering dealings with personal customers. The code came into effect in March 1992.

The criticism directed at banks last year has highlighted the difficult task they face in competing successfully on the quality and cost of their products while at the same time pricing those products (whether loans, deposits, or services) so as to ensure that they attract and retain external investment. Competition will continue to act as a restraint on margins and tariffs, but it has also eroded banks' ability to cross-subsidise their costs from other sources (such as interest free deposits). It is therefore likely, if banks are to attract the capital which will allow them to develop their business, that the trend to more explicit and systematic levying of charges will continue, although the industry has recognised the need for better communication with the customers who pay those charges.

Whilst the diversity of their operations helped the larger institutions to weather the impact of bad debts, some smaller banks were more vulnerable owing to the particular concentration of their business. The bad debt problems experienced by a few small banks in late 1990 and early 1991 were well publicised and contributed during the year to a growing nervousness in the money and banking markets towards the small bank sector. This sentiment was exacerbated by the closure of BCCI in July. As a result, some small banks saw a withdrawal of virtually all local authority and public-sector corporations' deposits on maturity. At the same time, larger banks and overseas banks began to re-appraise their exposure to the small institutions.

Many small banks, by virtue of a diversified deposit base or reliance on funding sources other than money market deposits, were unaffected by the adverse sentiment. The experience of those which were affected varied in severity. They adopted a range of responses, including restricting new lending, disposing of assets, and searching for new partners or owners. A few decided on an orderly wind down of their business. Throughout the period, the Bank urged small institutions to review their funding needs closely, and on the whole, the sector managed the adverse reaction of the money markets successfully.

Bank lending

There was a further marked slowdown in the growth of bank lending to UK residents during 1991 (Table I and Chart 1). With both the corporate and personal sectors endeavouring to reduce their indebtedness at a time of low confidence and high real interest rates, demand for bank financing was

Chart 2
Bank lending by sector to UK residents

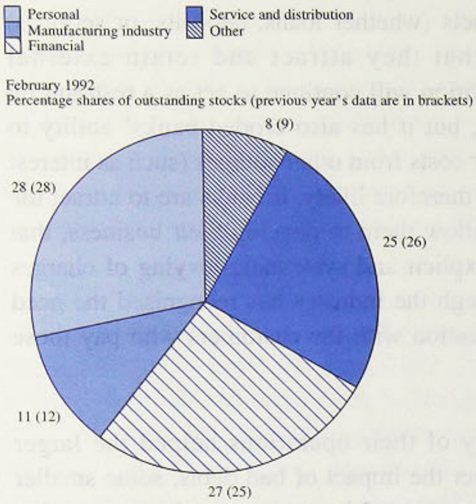
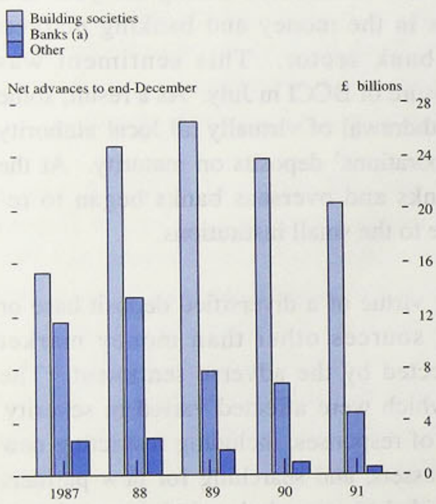


Chart 3
Loans for house purchase



(a) Including non-bank subsidiaries of banks.

Table II
Large British banks: sources of income

£ billions	1987	1988	1989	1990	1991
Net interest	11.06	12.32	13.92	13.97	14.45
Non interest	6.02	7.02	8.44	8.95	10.42
Total income	**17.08**	**19.34**	**22.36**	**22.92**	**24.87**
Non-interest income as percentage of total income	*35.3*	*36.3*	*37.7*	*39.1*	*41.9*

muted. Some larger companies took advantage of periods of buoyancy in the equity and capital markets in the first half of the year to raise funding outside the banking sector. Mounting bad debts, however, also made banks more cautious in their attitude to new propositions, with some consequent tightening of lending criteria. Overall, only lending to the non-bank financial sector maintained the growth rate seen in the previous year. Bank lending to the company sector was stagnant, while lending to the personal sector grew by less than 5%. Continuing depression in the housing market was reflected in the third successive annual decline in net advances by banks for house purchase (Chart 3).

Bank earnings

The modest growth in lending volumes limited increases in net interest income at the large UK banks (Table II). This effect was compounded by the loss of income on the sharply increased volume of non-performing loans, on which interest was no longer received. These factors masked the impact of some more encouraging developments in underlying performance, notably improvement in lending margins in the face of less aggressive lending competition. In the retail market, interest rates charged to customers fell less rapidly than market rates generally, allowing banks to improve the returns on their mortgage and other personal lending books; while in the large corporate sector, new loans generally retained the higher margins seen in the latter part of 1990. Most banks also felt it appropriate to review more intensively the terms on which they lent to medium-sized and small businesses, and gradual progress to wider average margins in this market was seen.

On the liabilities side, the large banks were able to increase the proportion of their deposits taken from retail rather than wholesale depostitors. This mainly reflected the rise in the personal savings ratio, which, combined with slow growth in bank assets (and hence need for funding) enabled banks to reduce their reliance on the more expensive wholesale funding sources. Less intense competition for retail funds also allowed the interest rates paid on some banking products, notably interest-bearing current accounts, to fall more rapidly than interest rates in general. However, the further erosion of interest-free deposits, the continuing migration of deposits from low to high interest accounts, and the declining 'endowment effect' from remaining interest-free deposits as market rates fell, all continued to have a dampening effect on the interest margin (Table III).

Non-interest income was a source of strength for most of the large banks. It continued to increase strongly both in absolute

Table III
Four largest banks: interest margins [a]

Percentages	1987	1988	1989	1990	1991
Domestic	5.5	5.0	4.7	4.3	4.0
International	1.8	1.8	1.8	1.9	2.1
Overall	**3.6**	**3.6**	**3.4**	**3.3**	**3.3**

(a) Net interest income/average interest-earning assets.

Table IV
Large British banks: costs

£ billions	1987	1988	1989	1990	1991
Staff	6.64	7.56	8.50	8.92	9.26
Premises and equipment	2.02	2.21	2.56	2.95	3.36
Other	2.68	3.09	3.93	3.71	3.98
Total operating costs	**11.34**	**12.86**	**14.99**	**15.58**	**16.60**
As percentage of total income	*66.4*	*66.5*	*67.0*	*68.0*	*66.7*

terms and as a proportion of total income (Table II). Better collection of fees and commissions was a major reason for the gains, although some institutions also increased their tariffs. For several banks, sales of life assurance products proved a valuable counterweight to depressed earnings from core banking business. During the year, there were further instances of links being established between banks and life assurance businesses; almost all the major UK banks have now diversified into this area, either through joint ventures, wholly-owned subsidiaries, or tied agency agreements. The value of the banks' customer networks has been demonstrated by the gradual increase banks have reported seeing in the numbers of customers who choose to buy insurance products through their bank.

In the money markets, treasury operations at large retail and merchant banks enjoyed a particularly strong year as interest rates declined. Merchant banks, and merchant banking subsidiaries, also received a welcome boost to earnings in the first half of the year from increased activity in the UK securities market following the ending of the Gulf war. However, the sharp drop in merger, acquisition, and asset-disposal activity in 1991 was reflected in reduced income from corporate advisory business.

Costs

1991 saw the reversal of the upward trend seen since 1985 in the larger banks' cost-income ratios. With income growth outstripping the rise in costs, this ratio stood at 66.7% at the end of 1991, compared with 68% a year earlier (Table IV).

The improvement in the larger banks' cost-income ratios is welcome evidence that their cost-control programmes are beginning to take effect. These measures have been necessitated by the changing structure of the UK banking industry over the last two decades. Increased competition has meant that the heavy cost structures supported by the large banks are no longer viable. With this fact clearly exposed by the latest economic downturn, cost-cutting measures have intensified over the last two years, mainly focussed on staff and branch numbers.

The result of these restructuring measures in 1991 was some quite sharp reductions in employee numbers, which kept staff costs relatively flat over the year. A major factor behind the overall rise in costs was a 14% increase in equipment expenses, driven by the continuing heavy investment in information technology undertaken by most of the banks, and associated higher depreciation charges. These investment programmes, undertaken with a view to longer-term cost savings (in particular on staff) and productivity gains, are now nearing completion.

Bad debts and provisioning

The overall performances of large UK banks were dominated by the charges made for bad and doubtful debts. Experiences differed between individual institutions, but, on average, provisioning against bad debts continued to rise through 1991 even compared with the high rate seen in the second half of 1990.

Table V
Large British banks: domestic bad debt provisions and charges

£ billions	1987	1988	1989	1990	1991
Stock of domestic commercial provisions (a)	2.2	2.3	2.7	4.1	6.8
As percentage of total lending	*1.6*	*1.3*	*1.3*	*1.9*	*3.4*
Charges to domestic commercial provisions	0.7	0.6	1.1	3.5	5.7
As percentage of total lending	*0.5*	*0.3*	*0.5*	*1.6*	*2.9*

(a) All figures for stocks are year-end; charges are gross charges during the year.

As in the previous year, problem loans were heavily concentrated in the United Kingdom. Small and medium-sized companies were especially vulnerable in a year of record corporate insolvencies, but the banks also suffered from continuing high levels of losses in the personal sector and from a few well-publicised failures of large companies. The services sector and property and construction continued to be worst affected, with losses greatest in London and the South East. In an environment of depressed asset values—particularly property—collateralisation of exposures frequently proved an imperfect protection for lenders.

As last year's report noted, there are various factors which may have contributed in some degree to the rapid and sizable increases in bad debt charges. The further rises in provisions over the past year were primarily a reflection of the continuing economic downturn—the seriousness of which was largely unpredicted. However, the unprecedented levels of problem domestic debts do raise questions about the adequacy of the lending criteria observed by banks in the last decade. A number of lenders—encouraged by the Bank—have recognised that there are lessons to be learned, and have taken action to improve their staff training and credit sanctioning procedures.

Problem debts were also a factor in the merchant banks' performance in 1991. Although in aggregate the sector's commercial banking exposure remains modest, the difficult economic climate continued to dull the performance of many of those houses which retain significant banking books. In response, the sector continued to shift towards arranging rather than advancing loans.

Among the smaller institutions, consumer credit and mortgage lenders saw rising arrears as the recession left some customers unable to service their debts, while companies involved in property lending continued to be affected by the deterioration of their market. The experience of the smaller niche players and other specialist lenders was mixed. The response of small institutions to difficulties has by and large been similar to that

Table VI
Large British banks: earnings

£ billions

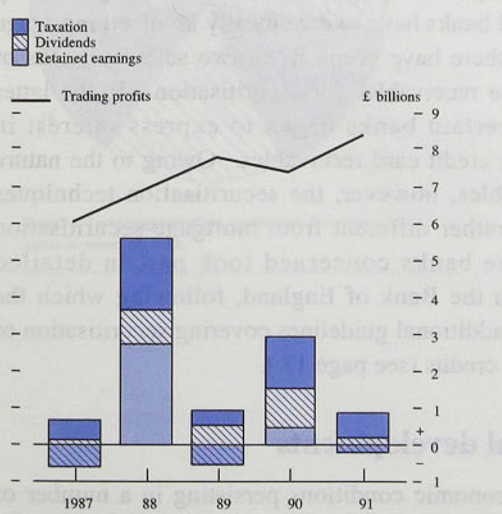
Percentages in italics	1987	1988	1989	1990	1991
Trading profits before bad debts	6.02	6.86	7.72	7.29	8.28
Pre-tax profits	0.73	5.67	0.86	2.81	1.64
Post-tax profits	0.09	3.68	0.50	1.36	1.05
Pre-tax return on equity	*4.00*	*27.50*	*3.80*	*11.70*	*7.26*
Post-tax return on equity	*0.50*	*17.80*	*2.20*	*5.70*	*4.64*
Return on total assets	*0.21*	*1.51*	*0.19*	*0.60*	*0.34*

Table VII
Large British banks: sources of new capital (a)

£ billions	1987	1988	1989	1990	1991
Retained earnings	-0.64	2.74	-0.57	0.52	-0.24
Perpetual debt	0.09	0.01	0.93	0.10	—
Term subordinated debt	0.44	1.56	0.11	0.18	1.19
Share issues	1.96	1.33	0.33	0.23	0.51
Total	**1.85**	**5.64**	**0.80**	**1.03**	**1.46**

(a) Excludes certain items affecting reserves, such as surpluses on property revaluations.

Chart 4
Large British banks' retained earnings



of the larger banks, and has included reviews of credit assessment procedures, tightening of lending criteria where appropriate, and some cost rationalisation. Throughout the year, the Bank has urged institutions to improve information systems to enable them to identify problem debts at the earliest possible stage.

In addition to addressing weaknesses in credit assessment practices, many banks are also focussing on the adequacy of the information obtained from borrowers as a basis for making lending decisions. A number of the biggest company failures in 1990 and 1991, associated with over-gearing and obscure financial reporting, have contributed to a widespread feeling that more information on corporate borrowers would be of benefit to creditors and investors alike. Moves have been made by accounting regulators to improve the usefulness of company accounts, and in a speech in April 1992 to the Institute of Chartered Accountants, the Governor expressed strong support for the reforms being proposed by the Financial Reporting Council and its subsidiary bodies. There have also been signs in the past year that bilateral lending relationships are returning to favour after the prevalence of 'transactions banking' in the late 1980s. Such relationships are recognised to have some advantages for both borrowers and lenders, one of which tends to be a fuller and more timely flow of information.

Capital and risk asset ratios

As in 1990, UK bad debt levels and associated heavy provisioning had a severe impact on both the pre-tax profits and the retained earnings of the large banks (Tables VI and VII). Few of these institutions felt able to increase their dividend, but several nevertheless ended up drawing on reserves to meet the full cost of the dividend payment. The sector as a whole was unable to generate positive retentions (Chart 4).

Several banks raised funds from capital issues during 1991 (Table VII). New issues included one rights issue of ordinary shares and two preference share issues. There were also several issues of subordinated debt, including one in ECUs. With minimal growth in risk assets, and after some benefit from exchange rate movements, the overall result was a rise in the large banks' combined risk asset ratio over the year (Table IX). At 9.7% it is well in excess of the 8% minimum required by the Basle Accord and EC Directives.

Last year's report touched on the concerns that were being voiced that the supply of credit by UK banks to creditworthy borrowers was being constrained by shortages of bank capital. During 1991, it was recognised that the principal factor behind the slowdown in bank lending was lack of demand, but doubts began to be expressed regarding the ability of banks to meet increased demand for finance during the recovery while at the same time continuing to observe minimum capital adequacy ratios. The Bank conducted its own examination in 1991 into this and other questions relating to the interaction of the financial and real economies. Looking at the major UK banks, the study concluded that the headroom of existing excess capital above the target ratios set by the banking supervisors, together with the potential for some banks to issue more Tier 2 capital, made these concerns premature at this stage. It recognised, however, that many banks will regard it as prudent to operate with capital levels in excess of the level required by supervisors, particularly given the uncertain outlook on further loan loss provisions.

There is, on the other hand, an increasing focus amongst all banks on techniques for using their existing capital more efficiently. One such technique is securitisation, whereby banks sell assets to independent special purpose vehicles which finance the purchase through the issue of securities. While transferring the ownership of the assets, banks frequently continue to receive a stream of income after the sale, for instance in the form of fees from the buyer in respect of the bank's continued administration of the loans. Provided the transaction meets the detailed guidelines laid down by the Bank in 1989—which are designed to ensure that sellers divest themselves of all risk on the assets—banks may regard the securitised assets as sold for prudential purposes, so releasing the capital held against them.

In the United Kingdom, securitisations of assets originated by UK-incorporated banks have to date mostly involved mortgage loans, although there have been one or two sales by banks of car hire-purchase receivables for securitisation. In the latter part of 1990, certain banks began to express interest in securitising their credit card receivables. Owing to the nature of such receivables, however, the securitisation techniques proposed were rather different from mortgage-securitisation structures. The banks concerned took part in detailed discussions with the Bank of England, following which the Bank published additional guidelines covering securitisation of such 'revolving' credits (see page 17).

Table VIII
Large British banks: capital constituents

Convergence basis (a)

£ billions	1987	1988	1989	1990	1991
Tier 1					
Shareholders' funds excluding property revaluation reserves	16.44	19.54	20.08	20.35	20.32
Preference shares	0.01	0.01	0.41	0.47	0.47
Minorities	0.41	0.50	0.59	0.63	1.11
Total Tier 1	**16.86**	**20.05**	**21.08**	**21.45**	**21.91**
Tier 2					
Property revaluation reserves	2.29	3.04	2.22	1.47	0.65
Hybrid capital	4.19	5.20	6.67	5.40	5.56
General provisions	1.09	1.07	1.10	1.48	1.72
Tier 2 minorities	—	0.07	0.08	0.01	—
Qualifying subordinated loan stocks	5.07	7.21	7.61	7.63	8.41
Headroom deduction	-1.13	-0.42	-0.53	-0.49	-0.17
Total Tier 2	**11.51**	**16.17**	**17.15**	**15.50**	**16.18**
Total capital	**28.37**	**36.22**	**38.23**	**36.95**	**38.08**

(a) The convergence figures for 1987 and 1988 are not strictly comparable with those for 1989, 1990, and 1991, as in the earlier years the banks did not need to meet the new capital requirements.

Table IX
Large British banks: capital ratios (a)

£ billions	1987	1988	1989	1990	1991
Total assets	345.3	392.8	461.7	471.1	476.8
Weighted assets	268.3	315.4	377.1	374.9	364.8
Adjusted capital base (b)	26.1	31.6	34.7	34.5	35.5
Risk asset ratio (per cent)	**9.7**	**10.0**	**9.2**	**9.2**	**9.7**

(a) On the convergence basis from 1989: the capital base is adjusted to allow for deductions from the capital constituents when calculating the risk asset ratio.
(b) Total capital (from Table VIII) minus deductible holdings.

International developments

With difficult economic conditions persisting in a number of the major economies, activities in overseas markets on the whole failed to provide UK banks with any significant counter-cyclical balance to recession at home. Indeed, certain of the large British banks incurred a very high level of bad debts in their banking operations overseas, most notably in the United States. Typically, the problem loans were property related.

On the other hand, a number of banks felt able to release provisions set aside in previous years against problem country debt following reassessment of the prospects for some debtor countries (mainly Latin American). At the same time, some banks managed to reduce their exposure to problem country debtors by means of debt swaps and sales in the secondary market. The result was quite a marked fall in both the gross exposure and the unprovided exposure of the large banks as a group (Table X). Conditions deteriorated in some countries in the former Eastern bloc, leading to debt servicing problems, but in general, the exposure of the large UK banks to these countries was not significant enough to affect the continued strengthening of the banks' positions.

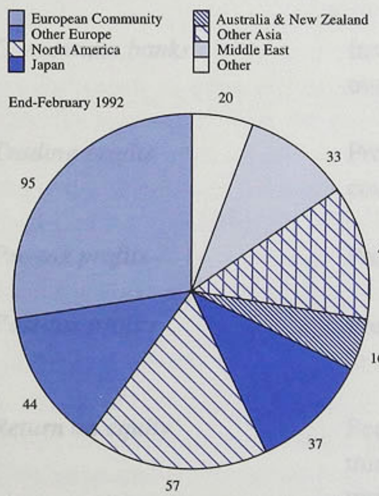
Table X
Large British banks: country provisioning

£ billions (end-year)
Percentages in italics

	1987	1988	1989	1990	1991
Total assets	345.3	392.8	461.7	471.1	476.8
Shareholders' funds	18.7	22.6	22.3	21.9	20.3
Gross exposure to problem country debtors	16.3	15.8	15.2	11.5	10.1
Provisions	5.0	5.1	9.2	6.5	6.0
as a percentage of gross exposure	*30.5*	*32.3*	*60.3*	*56.5*	*59.6*
Unprovided exposure	11.3	10.7	6.0	5.0	4.0
as a percentage of total assets	*3.3*	*2.7*	*1.3*	*1.1*	*0.8*
as a percentage of shareholders' funds	*60.7*	*47.3*	*27.1*	*22.8*	*19.9*

Many foreign banks in the United Kingdom in turn experienced increased UK-related credit losses, concentrated in the corporate sector. This, together with pressure on domestic earnings and (in some countries) on capital adequacy ratios, led to a general reassessment of strategies in the United Kingdom. The result was some refocussing of activities by foreign banks away from involvement in UK corporate lending and low margin business such as interbank lending. A common theme has been a stricter concentration on traditional or core products—frequently home-country related business. This consolidation has taken place against an international background of sharp contraction in cross-border banking activity, particularly interbank lending.

Chart 5
Geographical representation of overseas institutions



Branch and subsidiary operations, together with controlling stakes in consortium banks.

At the same time, interest from overseas institutions in establishing a London presence continued to be in evidence. In particular, a number of Japanese and other Far-Eastern banks established new branches during the year. There was a further reduction of US presences, however, continuing the trend of recent years.

In the case of some Scandinavian countries, the difficulties of the domestic banking industry have been critical, and have led to state or central bank intervention. Some of the banks affected have branches or subsidiaries in London. The Bank has followed closely the measures taken by the home authorities to assist the banks concerned and to strengthen their banking systems.

The concern amongst foreign—and UK—banks over the issue of swaps with local authorities has been touched on in previous reports. In May 1991 the government announced it would not take any action in response to the House of Lords' judgement declaring these transactions to be outside the powers of local authorities. A number of banks began legal proceedings against local authorities to secure restitution of payments made under their contracts. In an attempt to streamline proceedings half a dozen lead cases were identified for hearing in the spring of 1992; those scheduled for March and April were in the event settled out of court.

The Bank has been particularly concerned by the legal risk uncovered by this affair. Last year the Governor invited Lord Alexander to chair a Legal Risk Review Committee to examine areas of legal uncertainty that may affect financial markets in London, and to consider ways of addressing these. The Committee published a preliminary report for consultation at the end of February 1992.

Glossary of terms for Part 1

Sources of data:	Audited financial statements for the large British banks: tables on capital ratios, lending to UK residents and mortgage lending are from Bank of England statistical returns. The tables relating to loan portfolios adopt the sectoral classifications used in the *Bank of England Quarterly Bulletin* and in the Central Statistical Office's *Financial Statistics*. Figures appearing in this report for lending to UK residents may differ from those in other Bank of England publications. This is because certain large adjustments made in the final quarter of 1991/92 (to exclude the notional principal amounts of some swaps which had been included by certain banks on their reported balance sheets) have been stripped out for the purposes of this report. Not all the columns in the tables balance, on account of rounding.
Large British banks	Barclays, Lloyds, Midland and National Westminster together with Bank of Scotland, The Royal Bank of Scotland, Standard Chartered and the TSB. All data for these banks are consolidated. Calendar year-end information except for Bank of Scotland (1991 data for Bank of Scotland are based on interim figures), The Royal Bank of Scotland (end-September) and the TSB (end-October).
Four largest banks	Barclays, Lloyds, Midland and National Westminster.
Consortium banks	Institutions majority-owned by two or more banks but none individually holding over 50% of the equity.
Trading profits	Profit before taxation and bad debt provisions (including the exceptional problem country charges in 1987 and 1989).
Pre-tax profits	Profit after bad debt provisions but before taxation.
Post-tax profits	Profit after taxation and before extraordinary items; includes amounts attributable to minority shareholders in subsidiary operations.
Return on equity	Percentage ratio of pre/post-tax profits to average shareholders' funds plus minority interests. Shareholders' funds defined as paid-up share capital and reserves.
Return on total assets	Percentage ratio of pre-tax profits to average total assets.
Retained earnings	Current year's post-tax profits after extraordinary items and distributions.
Term subordinated debt	Subordinated debt with a fixed maturity and satisfying the Bank of England's conditions for Tier 2 capital.
Hybrid (debt/equity) capital	Perpetual cumulative preferred shares, including such shares redeemable at the option of the issuer and with the prior consent of the Bank, and such shares convertible into ordinary shares; and perpetual subordinated debt meeting the requirements for primary perpetual subordinated debt.

Primary perpetual debt	Perpetual debt eligible for inclusion as primary capital under Bank of England rules. Qualifying criteria require that the debt can only be converted into equity, is available at all times to absorb losses, and provides for the deferment of interest payments in certain circumstances.
Weighted assets	Total assets adjusted in accordance with the risk weightings as set out in the supervisory notice, Measurement of Capital (as amended); for 1989, *Implementation of the Basle Convergence Agreement in the United Kingdom* (BSD/1988/3); *and, for* 1990 *and* 1991, *Implementation in the United Kingdom of the Solvency Ratio Directive* (BSD/1990/3).
Adjusted capital base	Total capital (Tier 1 and Tier 2) less; goodwill, connected lending of a capital nature, investments in subsidiaries and associates, and holdings of bank paper in excess of market dealing concession.
Risk asset ratio	Percentage ratio of adjusted capital base to weighted assets.
Tier 1 and Tier 2 capital	As defined in the Bank's notice to institutions (BSD/1990/2) *Implementation in the United Kingdom of the Directive on Own Funds of Credit Institutions.*
Headroom deduction	Tier 2 capital which cannot count towards capital because of insufficient Tier 1 or upper Tier 2 on an institution's books.
Net interest income	Gross interest income less interest paid on borrowings.
Other income	Includes investment income.
Interest margin	Net interest income/average interest-earning assets.
Endowment effect	Net interest income earned by employing interest-free deposits.

Part II
Policy developments

(i) Changes implemented in the United Kingdom

Capital adequacy

Last year's Banking Act Report mentioned international concerns about the inclusion in Tier 1 capital of UK banks' scrip issues capitalising property reserves. Over the last year there was further discussion of this issue in the Basle Supervisors' Committee in which disquiet was again expressed by other countries regarding this practice. The Bank concluded that this method of raising Tier 1 capital should not in future be available to UK banks. Issues made before 1 January 1992, however, will continue to be eligible for inclusion in Tier 1 capital. The Bank published a notice(1) in January 1992 formally putting this decision into effect.

In November 1991, the Basle Supervisors' Committee with the approval of their central bank Governors agreed to implement an amendment to the Capital Accord. The text of the amendment, which related to the inclusion of general provisions in capital, was virtually unchanged from the proposals issued by the Committee on this subject in February 1991. The changes to the Agreement were in accordance with the Bank's existing policy and therefore no changes were made to the Bank's present treatment of general provisions in capital.

Large exposures

In February 1992 the Bank published a notice making further amendments to its notice on large exposures.(2) This amended the original policy in two respects. Banks' exposures to building societies will now be treated in the same way as exposures to banks, and the range of collateral which can permit an exposure to exceed 25% of capital has been broadened.

Loan transfers and securitisation

In April 1992, the Bank published a supplementary notice(3) to its 1989 notice on loan transfers and securitisation. The purpose of the new notice is threefold: it proposes some amendments and refinements to existing policy (in respect of charges in subparticipations and transfers of equipment and consumer finance loans); it sets out the criteria on which the Bank will allow securitised revolving credits (such as receivables from credit cards) to be regarded as sold for prudential purposes; and it clarifies the meaning of the 1989 notice in two places.

The policy outlined on securitisation of revolving credits was reached after extensive discussions with a number of banks who had expressed interest in using the technique. Securitisation of, for instance, credit card receivables differs from mortgage securitisation; typically the bank transfers only a part-interest in the pool of current and future receivables, for a limited period only. This structure reflects the fact that drawings on credit card lines fluctuate in amount and have no fixed repayment period. The guidelines which the Bank has laid down in the new notice will allow banks to undertake securitisation on these lines, but in controlled amounts and in a way which, in so far as is possible, ensures that they will not retain or reassume risks on the share of the receivables transferred to the buyer.

In October 1991, The Accounting Standards Board published new proposals regarding the accounting treatment of securitisations (Bulletin 15). These showed some significant differences between the approaches of the ASB and the Bank, reflecting the different concerns of the banking supervisors and the accounting regulators. The Bank reviewed the ASB's proposals and took the view that the treatment of securitisations established by the Bank in 1989 was still the correct one for supervisory purposes. The final accounting treatment of securitised assets is still to be decided, however, so the implications for banks—including any arising from EC Directives on bank accounting and supervision—are as yet not certain.

Work of other bodies

(a) Accounting developments

In December 1991, the Companies Act 1985 (Bank accounts) Regulations 1991 were enacted, implementing the EC Bank Accounts Directive. This

(1) Amendment to the Bank's notice *Implementation in the United Kingdom of the Directive on Own Funds of Credit Institutions (BSD/1990/2)* issued in December 1990 (BSD/1992/1).
(2) Further amendments to the Bank's notice *Large Exposures Undertaken by Institutions Authorised under the Banking Act 1987 (BSD/1987/1)*, BSD/1992/2.
(3) Amendments to the Bank's Notice *Loan Transfers and Securitisation (BSD/1989/1)*, BSD/1992/3.

Directive prescribes the valuation rules and the format of individual and consolidated accounts that banks and other financial institutions are required to follow. The Regulations apply to accounting periods commencing on or after 23 December 1992.

To complement the requirements of these regulations, the British Bankers' Association published in November a Statement of Recommended Practice (SORP) on off-balance-sheet instruments and other commitments and contingent liabilities. This sets out an accounting framework for these types of transactions and gives guidance on valuation, income recognition and disclosure aspects. Banks are encouraged to apply its provisions to their accounts in respect of year-ends beginning on or after 23 December 1992, the same date the Regulations come into force.

(b) Client money

After a major review, the Securities and Investments Board introduced revised client money regulations with effect from 1 January 1992. Three changes in particular have implications for banks. First, investment firms are now allowed to offer a facility under which clients can choose at which bank their money is held. The effect of this is that clients will be exposed to loss arising from a bank default only if the bank they have chosen is the defaulter. Before, they were exposed to the default of any bank with which the investment firm may have placed client money. Second, firms are now required to disclose to their clients in writing if their money is to be held with a bank belonging to the same group as the investment firm. Third, it has been made explicit that the regulations do not apply to banks and building societies when holding clients' funds relating to their own investment business activities.

(ii) Implementation in progress

The Second Banking Co-ordination Directive

Work is in hand on drafting the legislation which will bring the provisions of the Second Banking Co-ordination Directive into force on 1 January 1993. The Directive will be implemented—as regards the banking business done by banks—by means of secondary legislation to the Banking Act 1987.

The Second Banking Co-ordination Directive is one of the centrepieces of the single market legislation in financial services, prescribing minimum standards for the authorisation and supervision of credit institutions throughout the EC. Important changes which will follow from the implementation of the Directive in the UK include new definitions of controllers and the introduction of a minimum level of capital for credit institutions of ECU 5 million (approximately £3.5 million). Credit institutions which are already authorised but do not have this amount of capital may continue to be authorised provided their level of capital does not fall below the highest level attained since December 1989 (when the Directive was adopted), and provided also that the control of the institution does not change.

The most significant change introduced by the Directive, however, will be that authorisation in one Member state entitles that institution, subject to the agreement of the supervisor in that state (the 'home' state), to branch into and provide services in all other Member states ('host' states). Certain notification requirements will have to be met (and local laws laid down for the general good must be observed by the institution). Supervision of the institution and its EC branches will be the responsibility of the supervisory authority in the home state. Host supervisory authorities will be generally restricted to monitoring the liquidity of branches and ensuring that monetary policy regulations are obeyed. Implementing this change in roles will involve close co-operation between EC supervisors; bilateral discussions have commenced between the Bank and other EC supervisors on the practical arrangements.

Money laundering

The EC Money Laundering Directive[1] was adopted in June 1991; Member States are required to bring into force laws, regulations and administrative decisions necessary to comply with the Directive before 1 January 1993.

The Directive applies to all credit and financial institutions and covers requirements for customer identification; record keeping; examination of transactions; reporting of suspicions to and co-operation with law enforcement authorities; and systems of internal control and staff training. The

(1) 91/308/EEC.

degree, if any, to which the banks' existing systems and controls will be affected will depend upon the ultimate form of UK implementation. A consultation paper is expected to be issued shortly by HM Treasury. Meanwhile, the Bank continues to monitor the adequacy of banks' systems and controls in this area against the standards set out in the Guidance Notes issued by the Joint Money Laundering Working Group.[1]

Consolidated Supervision

The second EC Directive on the supervision of credit institutions on a consolidated basis was adopted in April 1992 (replacing the 1983 directive on Consolidated Supervision (83/350/EEC). The Directive is scheduled for implementation by 1 January 1993.

Under the new directive, consolidated supervision will cover capital adequacy and large exposures to a single counterparty, and will extend to banks' parents and the financial subsidiaries of parents where the majority of the group's activities are financial in nature. Where banks belong to a group in which the majority of activities are not of a financial nature, consolidation is not required, but supervisors will have the power to require banks to supply information about the groups to which they belong.

The main issue in the UK concerns the position of regulated securities subsidiaries of banks, whose capital adequacy position is supervised under the Financial Services Act regime and not currently included in consolidated supervision by the Bank. The details of how the capital adequacy of such subsidiaries should be treated for the purposes of consolidated supervision will be set out in the Capital Adequacy Directive (CAD). If, as seems likely, implementation of the CAD is delayed until after 1 January 1993, an interim arrangement will be put in place.

(iii) Areas under discussion

Mortgage-backed securities

Following the publication of its Notice implementing the Solvency Ratio Directive (SRD),[2] the Bank continued to promote discussions in international fora on the appropriate risk weighting of mortgage-backed securities with a view to securing an amendment to the SRD which would explicitly recognise MBS as 50% weighted assets. The outcome of these discussions has been disappointing in that it has not been possible to reach unanimous agreement on the appropriate weighting for MBS. However, the Bank, in conjunction with HM Treasury and participants in the UK MBS market, has been conducting a detailed review of the legal structure of MBS, with a view to establishing whether some issues would in fact qualify as 50%-weighted assets under the current wording of the SRD.

Investment Services Directive

Council discussions have continued on the draft Investment Services Directive,[3] but negotiations are proving very difficult. The draft directive would establish common authorisation procedures for non-bank investment firms and a 'single passport' to do business either through branches or on a cross border services basis throughout the Community (paralleling the Second Banking Co-ordination Directive already agreed for banks). Many of its provisions would also apply to banks' investment business. Little progress has been made during the year on the key issues of banks' access to stock exchanges, post-trade publication of securities transactions, and the extent to which trading in securities should be permitted outside the major exchanges in each country.

Market risks

Work on a capital adequacy framework for so-called market risks (see box page 20) has continued both in the EC and in Basle. In January the Basle Supervisors' Committee held a meeting with the Technical Committee of the International Organisation of Securities Commissions (IOSCO) in Geneva which reviewed the product of several years' work in a number of sub-groups. The outcome was a preliminary consensus regarding the definition of permitted regulatory capital and on capital requirements against the market risk aspects of investment activities undertaken by banks and securities firms. Since then, work has continued with the objective of producing proposals in the form of consultation papers to be issued during the summer. Following the example of the Basle Accord, any policy

(1) Money laundering guidance notes for banks and building societies (December 1990). The Working Group was chaired by the Bank and included representatives of commercial banks, building societies, and the law enforcement authorities.
(2) *Implementation in the United Kingdom of the Solvency Ratio Directive* (BSD/1990/3).
(3) Com(89) 629.

Market risks

Banks face a number of different kinds of risk. For most, credit risk in the form of counterparty failure is the main element, but other risks need to be taken into account. The Basle Accord, although focussing on credit risks, recognised the existence of 'market' risks (principally interest rate risk, foreign exchange risk, and position risk on equities). It acknowledged that interest rate risk in particular required further study with a view to developing a satisfactory method of measurement and some appropriate system of control.

The latest work in Basle and the EC has sought to develop a framework which applies to both banks and securities houses. This has led to complex and lengthy negotiations and has, *inter alia*, raised questions about the appropriate regulations for the two types of institutions. Some countries have sought to challenge the need for different regulations for banks and securities firms, and instead have proposed a common standard which follows more closely the banking model. The United Kingdom has sought to argue that banks and securities firms have important differences and as such merit different regulatory treatment.

At present, both Basle and Brussels are seeking to identify that part of banks' activities which can be treated as truly market risk and subjected to an appropriate capital requirement. This has come to be known as the 'trading book' of banks. Inevitably, the line between the trading book and the banking book is a hard one to draw. The approach adopted has been to treat as trading activities those instruments that are marked to market daily and are held for short-term benefit. However, interest rate and foreign exchange risk typically arise in many non-trading activities of banks, and it is with this in mind that Basle is seeking to develop a broader framework applying to the whole of banks' positions.

The next step has been to agree a method for measuring risks. For position risk, measurement will be based on the so-called 'building block' approach. This seeks to divide the specific (credit or counterparty) risk on an instrument from the general market risk and assigns a capital requirement to each. The sum of the two building blocks is the overall capital requirement. However, in Basle it is envisaged that the adoption of the building block approach will not be obligatory. Rather, it will provide a standard against which the rigour and acceptability of other methods should be judged. For foreign exchange risk, work is under way to develop a methodology which combines the attributes of simplicity and an acceptable measure of accuracy. The latter aim implies a method which ideally would take some account of volatility between each currency pair.

The measurement of risk has to be complemented by a definition of acceptable capital. Negotiations have been difficult in this area, a reflection of the importance attached to capital instruments and the different instruments used by banks and securities firms. In particular, the latter use shorter-term subordinated debt as a means of adjusting the capital base to the often rapid fluctuations in the size of balance sheets. In contrast, banks have been limited to longer term instruments in recognition of the risks that they run.

Finally, discussions in Brussels have taken in the issue of risk concentrations or large exposures which can arise in investment activities. Here again, different practices and markets have made the course of negotiations difficult. Much as with capital, the aim is to develop a prudent system of control against the background of widely differing structures and techniques in the various EC markets.

agreed would result in minimum standards applying to internationally active banks and securities firms, with national supervisory authorities having discretion to impose higher capital requirements. Similarly, a transition period is envisaged in order to allow firms to adjust to the new requirements.

In the EC progress has been slow, despite extensive discussions throughout last year on the Capital Adequacy Directive. This reflects a number of factors including the impasse reached on the Investment Services Directive, the desire of many member countries not to prejudge the outcome of the Basle/IOSCO talks and the difficulty of reaching agreement on some of the main issues. (See box for further detail.)

Large Exposures Directive

Since September of last year, the Council Working Group has been meeting regularly to discuss the Commission's proposal for a Large Exposures Directive.[1] The proposal, which builds on the

(1) *Proposal for a Council Directive on Monitoring and Controlling Large Exposures of Credit Institutions*—COM(91) 68.

Commission's 1986 Recommendation and aims to establish common limits for all banks on credit exposures to individual customers (or groups of closely related customers), is broadly in line with the Bank's existing large exposures policy.

Deposit Protection

The Commission Working Party on the Co-ordination of Banking Legislation met a number of times in 1991/92 to discuss what proposals the Commission should make regarding the provision of deposit insurance in the EC. The Commission adopted a formal proposal for a deposit protection Directive on 6 May.

The proposal provides for the establishment of a 'home country' system of deposit protection in the EC. The 1986 EC Recommendation on Deposit Guarantee Schemes is based around the 'host country' principle, whereby schemes extend protection to deposits placed in bank branches on their territory, including deposits in branches of credit institutions with their head office in another member state. A move to a 'home country' system would mean that where a credit institution headquartered in one EC member state—the 'home' state—has a branch in another member state, the deposits in that branch would be covered by the protection scheme established in the home state and not by any scheme established in the host territory.

This shift in responsibility for compensating depositors is seen as consistent with the allocation of supervisory responsibilities under the Second Banking Co-ordination Directive. However, as is reflected in the draft directive, any legislation would have to ensure that depositors in all countries received a minimum acceptable level of protection (as well as that they were provided with information on the compensation they can claim). This implies a certain amount of harmonisation between schemes in different EC countries which at the moment show wide variations in their terms and provisions. (The box on page 22 describes the terms of the existing UK scheme for bank deposits in more detail).

Netting

Following the November 1990 report of the Basle Committee on Interbank Netting Schemes, the treatment of bilateral and multilateral netting set out in the 1988 Capital Accord has been reviewed by the off-balance-sheet sub-group of the Basle Committee on Banking Supervision. In April 1992, a technical paper was distributed to banks and other interested parties which set out the issues and suggested what amendments would need to be made to the Basle Accord to enable the recognition of a wider variety of legally robust netting arrangements. The paper is intended to provide a basis for informal discussions with the industry prior to the formulation of recommendations by the sub-group to the main committee.

(iv) Liaison with other supervisors

Domestic

Co-operation between the Bank and other UK supervisors continues as described in previous reports.

The Basle Committee on Banking Supervision

The Committee met four times during the year. In its work it continued to monitor the progress of implementation in the G10 countries of the 1988 Basle Agreement and the impact of the Agreement. During the year an amendment to the Agreement was published which relates to the inclusion of general provisions in capital (described on page 17).

A particular focus of the Committee has been the continuing work to extend the Agreement to cover market risks. A joint meeting of the Committee and IOSCO was held in January 1992. The Committee is also studying the implications of the collapse of BCCI for international supervision, in particular for the 1983 Basle Concordat on the supervision of banks' foreign establishments.

A second joint meeting with insurance regulators was held in December 1991 at which the supervision of financial conglomerates was the main point of discussion.

The seventh International Conference of Banking Supervisors will take place in Cannes in October 1992.

EC Supervisory bodies

The Banking Advisory Committee (BAC) and the Contact Group of EC Supervisory Authorities ('Groupe de Contact') have each held regular meetings during the year to discuss practical and technical supervisory matters.

Protection arrangements for bank deposits in the United Kingdom

Statutory protection arrangements for deposits placed with institutions authorised under UK banking legislation were laid down by Parliament in the Banking Act 1979. The scheme now operates according to the provisions of the Banking Act 1987, modified in minor respects by subsequent statutory instruments.

Eligibility for protection

The legislation provides for the maintenance of a standing fund, to be drawn on when institutions authorised under the Banking Act become insolvent or subject to administration orders under the Insolvency Act 1986. The fund provides a measure of protection for sterling deposits in the UK offices of such institutions. No distinction is made between protection for corporate or personal accounts and a deposit may be considered for protection regardless of whether or not the depositor is a UK resident.

Certain deposits are not eligible for any payment from the Fund. Apart from all non-sterling deposits, these include secured deposits and deposits with an original term to maturity of more than five years; and deposits placed by other authorised institutions, by companies in the same group, or by directors, controllers and managers of the institution (or their close relatives).

A depositor who is eligible for protection is entitled to receive a payment equal to 75% of his/her protected deposit. The protected deposit is defined as the bank's total liability to the depositor in respect of principal and accrued interest on sterling deposits made with the bank's UK offices. This may be reduced, however, by amounts which the depositor owes to the bank. The maximum amount of a protected deposit is £20,000; accordingly, the maximum payment available to any one depositor is £15,000.

For the purposes of calculating protection payments, separate deposits in the same name are aggregated, while joint accounts are divided equally between the account holders (and protection extended separately to each share). Special provisions apply in the treatment of trustee accounts.

Funding and administration

The scheme is funded by contributions from all authorised institutions. Each institution makes a one-off initial contribution at the time that it is authorised. The resources available to the Fund can be supplemented by the levy of 'further' contributions at the end of the Board's financial year (when necessary to restore the Fund) and 'special' contributions (which may be levied at any time if payments from the Fund are likely to exhaust its cash resources before the end of a financial year). The Deposit Protection Board may also borrow funds up to a maximum of £125 million. Contributions are calculated with reference to an institution's sterling deposit base in the United Kingdom (as defined for the scheme's purposes), subject to a lower limit on the initial contribution (£10,000) and an upper limit on the initial contribution or further contributions (£300,000). An overall ceiling of 0.3% of the sterling deposit base also applies to net payments made under all calls. The Fund's administrators recently undertook an exercise to collect information on contributory institutions' deposit bases with a view to making a call for special contributions. A number of the larger institutions made provisions in 1991 against their likely liability.

The scheme is managed by the Deposit Protection Board, which includes, as *ex-officio* members, the Governor (Chairman), Deputy Governor, and Chief Cashier of the Bank of England. The Chairman has the power to appoint additional members, three of whom must be directors, controllers or managers of contributory institutions. The Board is a separate statutory body from the Bank of England.

The BAC once again commissioned a Community-wide solvency observation exercise, to assess the impact of the requirements of the EC Own Funds and Solvency Ratio Directives on credit institutions in Member States. The observation exercise in the coming year will focus on compliance with the provisions of the Directives (due to be implemented in full in all member states by the beginning of 1993), and will monitor developments in the solvency position of the European banking system as a whole.

The Groupe de Contact has been primarily involved in work on the practical implications of the implementation of the Second Banking Co-ordination Directive. Other subjects discussed include country risk provisioning, investigation and enforcement powers, the control of banks by non-banking groups and internal controls and organisation in the foreign exchange area of banks.

EC Governors' Sub-Committee

The EC Governors' Banking Supervisory Sub-Committee, established in accordance with the Delors report, met three times last year.

In March 1991 the Sub-Committee submitted to the Committee of Governors a report on the EC Commission discussion paper 'Making Payments in the Internal Market' which noted that central banks and supervisors have a range of interests in the field of retail payments. As a result of this report, the Committee of Governors is represented on the EC Commission's consultative group on retail payments. During the year the Sub-Committee has taken forward work on a report to the Committee of Governors on the supervision of conglomerates providing financial services and has addressed the practical implications for EC banking supervisors of the introduction of the single 'passport' arrangements under the EC Second Banking Co-ordination Directive. The Committee of Governors has asked the Sub-Committee to review the implications of the closure of BCCI for international banking supervision in conjunction with the Basle Supervisors' Committee.

The Sub-Committee has also discussed the role of the European System of Central Banks in the area of banking supervision and is keeping this matter under review.

(v) The GATT

The 8th (Uruguay) Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) aims, among other things, to create disciplines in new areas of trade, including services. Multilateral rules governing trade in services are laid down in the draft General Agreement on Trade in Services (GATS). Special attention has been given to drafting a set of commitments in financial services which participants can elect to take on. The draft includes a 'prudential carve out' confirming that prudential measures can be taken provided they are not used as a means of avoiding obligations under the agreement. There is also provision for the panels which adjudicate on disputes under the Agreement to include appropriate financial services expertise.

Negotiations under GATT re-opened following the failure to produce agreement at the Brussels Ministerial meeting in December 1990, and in January 1992 the Trade Negotiations Committee endorsed a proposal for a programme of limited work on a draft 'Final Act'. The negotiation of initial commitments in services are one important element in this.

Part III
Operational supervision

The authorised population

Authorisations

In the year to end-February 1992, twenty-five applications for authorisation were granted—six to UK-incorporated institutions and nineteen to institutions incorporated overseas which wished to open a branch in the United Kingdom. The level of authorisations was the highest since 1987, but some of the increase in activity was more apparent than real. It included five reauthorisations of foreign branches consequent upon a change in their legal identity at home, and another five surrenders and reauthorisations which were necessitated by institutions changing their country of incorporation (see below).

Table XI
New authorisations

Year to end-February	1986	1987	1988	1989	1990	1991	1992
Authorisations	18	37	21	12	15	15	25

518 institutions were authorised under the Banking Act at the end of February 1992. 255 of these institutions were represented in the United Kingdom by branches of institutions incorporated overseas, and 263 were incorporated in the United Kingdom. Of the UK-incorporated institutions, 78 were subsidiaries of overseas companies and 8 were joint ventures involving overseas institutions. Institutions from 72 nations have presences in the United Kingdom, although for 8 countries these are only representative offices.

Table XII
Number of authorised institutions

End-February	1986	1987	1988	1989	1990	1991	1992
UK-incorporated	343	334	313	295	289	275	263
Incorporated outside the United Kingdom	252	254	254	256	259	255	255
Total	**595**	**588**	**567**	**551**	**548**	**530**	**518**

Surrenders

Thirty-six authorisations were surrendered in the year 1991/2 compared with thirty in 1990/1. Restructurings and rationalisations of groups and mergers between banking institutions accounted for 11 surrenders. In six instances, institutions made a decision to stop taking deposits in the United Kingdom, while one institution became an exempt person by means of a statutory instrument (see below). In five cases institutions were obliged to surrender because of a change in the legal identity of the institution in its country of incorporation; on these occasions reauthorisation occurred immediately. Four UK-incorporated institutions surrendered their authorisations on becoming branches of their overseas parents; authorisations were granted to the parent institutions concerned. One institution hitherto incorporated overseas became incorporated in the United Kingdom.

In cases where an institution surrenders its authorisation but retains deposits, the Bank's supervisory role continues until such time as all depositors are repaid. The Bank has the power, *inter alia*, to give directions to former authorised institutions. However, no directions were given in 1991/2.

Revocations and restrictions

Sections 11 to 14 of the Banking Act provide the Bank with wide powers to take formal action against an authorised institution if the Bank considers that the institution does not, or may not, fulfil any of the minimum criteria for authorisation set down in Schedule 3 to the Act. In the year 1991/2, one institution had its authorisation revoked without notice following the making of a winding-up order against the institution in the United Kingdom. One notice of intention to revoke was issued by the Bank under section 13 of the Act. Four institutions had their authorisations restricted by the Bank by the imposition of conditions on their businesses—in two cases restrictions were carried out urgently under section 14 of the Act.

Table XIII
Revocations and restrictions(a)

Year to end-February	1986	1987	1988	1989	1990	1991	1992
Revocation of authorisation	5	1	2	—	—	3	1
Restriction of authorisation (b)	4	2	5	2	2	4	4
Revocation of restricted authorisation (b)	—	3	—	—	—	—	—

(a) The table records cases in the year that the Bank's formal notice of revocation or restriction was given. In some cases the revocation did not take effect until the following year and in a few cases the institution surrendered its authorisation, or a conditional authorisation expired, before the revocation took effect. In addition the Bank has used its powers more than once in respect of a few institutions. It is not therefore a record of authorisations revoked or restricted but of the use of the Bank's powers.

(b) The terms of the 1987 Act are here used to record use of the corresponding powers under the 1979 Act.

Appeals

No appeals were lodged against the Bank's decisions in 1991/2.

Administration orders and liquidations

Two institutions were put into liquidation in 1991/2, one as the result of the Bank exercising its powers under Section 92. One institution was placed in administration, and, in the case of one other institution, an administration order was lifted.

When an administration order has been made in relation to an institution (or a provisional liquidator appointed), the institution may nevertheless remain authorised. The box opposite explains the Bank's powers in this area in more detail.

Supervision and enforcement

Statement of principles

The following papers are added to the table in paragraph 2.5 of the Statement of principals published in May 1988 under section 16 of the Act.

(i) Amendment to the Bank's Notice 'Implementation in the United Kingdom of the Directive on Own Funds of Credit Institutions' (BSD/1990/2) (BSD/1992/1). Issued January 1992.

(ii) Further Amendments to the Bank's Notice 'Large exposures undertaken by institutions authorised under the Banking Act 1987' (BSD/1987/1) (BSD/1992/2). Issued February 1992.

(iii) Amendments to the Bank's Notice 'Loan transfers and securitisation' (BSD/1989/1) (BSD/1992/3). Issued April 1992.

Statutory instruments

In the year since end-February 1991 four statutory instruments have been made under the Act:

1991 No 1776: The Banking Act 1987 (Meaning of Deposit) Order 1991

This Order amended the definition of deposit in section 5 of the Act to exclude any sum to which a person becomes entitled after a petition has been presented for the winding up of an institution.

1991 No 1684: Deposit Protection Board (Increase of Borrowing Limit) 1991

This Order prescribed a limit of £125 million for the borrowing power of the Deposit Protection Board

Administration orders, liquidation proceedings, and authorisation under the Banking Act

When an institution is in difficulties, in addition to considering whether the Schedule 3 criteria are met, the Bank considers whether the interests of depositors need to be protected by the Bank petitioning the courts for a winding-up or administration order.

The court has the power to make winding-up orders in respect of companies regardless of their place of incorporation. Under section 92 of the Act, the Bank may apply for winding-up orders in relation to authorised institutions. Reports commissioned under section 39 or 41 of the Act can be used to obtained further information about the solvency of an institution or the state of its business, and in some cases such reports will be used to provide evidence in support of a petition presented by the Bank. As well as being wound-up on the petition of the Bank, authorised institutions may go into liquidation under the general provisions of the Insolvency Act 1986.

In certain circumstances the courts may decide to appoint provisional liquidators to take temporary control of the business and assets of an authorised institution until such time as the court decides whether it would be appropriate for a winding-up order to be made. While provisional liquidators are responsible for the running of the institution it may sometimes be appropriate for the Banking Act authorisation of the institution to be retained (although the Bank has the powers to revoke the authorisation or to impose restrictions). However, once a winding-up order is made in the United Kingdom against an authorised institution, or a resolution for its voluntary winding-up is passed in the United Kingdom, Section 11(6) of the Banking Act requires the Bank to revoke the authorisation.

Where an institution incorporated outside the United Kingdom is subject to events in foreign jurisdictions which in the Bank's judgement correspond to winding-up orders or resolutions for voluntary winding-up in the United Kingdom, the Bank has discretion whether to revoke authorisation.

The Banks (Administration Proceedings) Order 1989 made the administration procedure available in respect of authorised institutions which are companies incorporated in the United Kingdom. A petition for an administration order may be made by the authorised institution or its directors, by a creditor or by the Bank. Section 11(8) of the Banking Act states that the Bank *may* revoke the authorisation of an institution if an administration order has been made in respect of that institution; however, revocation is not mandatory in this case.

contained in section 64(1) of the Banking Act 1987. The limit replaced the limit of £50 million prescribed by the Deposit Protection Board (Increase of Borrowing Limit) (No 2) Order 1990, which was revoked.

1991 No 2168 The Banking Act 1987 (Exempt Transactions) (Amendment No 2) Regulations 1991

These Regulations amended the Banking Act 1987 (Exempt Transactions) Regulations 1988. They replaced references to 'the Council of The Stock Exchange' with references to 'The Stock Exchange' (defined in regulation 1(2) to mean the International Stock Exchange of the United Kingdom and Republic of Ireland Limited) consequent on a change in the constitution of The Stock Exchange.

1991 No 2734 The Banking Act 1987 (Exempt Persons) Order 1991

This Order added Keesler Federal Credit Union to the list in Schedule 2 to the Act of persons exempted from the restriction on the acceptance of deposits in respect of deposits made by members of US forces, members of the civilian component of US forces, and their dependents.

Interviews, visits and prudential/statistical returns

1991/92 was a busy year with over three and a half thousand meetings held. The most frequent—over 2,000—were non-routine meetings held to discuss specific issues. The Bank's routine meetings are of two types: the prudential interview to discuss the institution's performance; and the trilateral meeting attended by the Bank, the institution and its reporting accountants where reports under section 39 of the Act produced by the reporting accountants are discussed. There were 462 prudential interviews with institutions incorporated in the United Kingdom, 310 routine interviews with branches and 356 trilateral meetings. These meetings were evenly split between those held on institutions' own premises and those held at the Bank.

The review team system, whereby Bank staff together with seconded bankers and accountants visit the premises of authorised institutions to assess the quality of their lending and the adequacy of their systems and controls, continues to operate. In addition, visits are conducted to review the foreign-exchange operations of institutions and assess the guidelines set by the Bank for foreign-exchange positions. These visits are conducted with the co-operation of the institution and do not involve the use of the Bank's statutory powers. They include both planning and follow-up visits. The total number of meetings in this part of the supervisory process was 250.

Bank officials regularly undertake visits to the head offices of institutions overseas and overseas subsidiaries of UK-institutions. This year officials visited countries in Europe, the Far East, Middle East, and North America. 74 meetings were held at home and abroad with overseas supervisors.

Investigations into authorised institutions

Section 39 of the Act gives the Bank powers to require a bank to commission reports from reporting accountants to establish the adequacy of its systems and controls and the accuracy of its prudential returns. In addition to routine Section 39 reports, special reports may be commissioned if a specific area of concern is identified. Section 39 also allows the Bank to require the institution, or other persons, to provide documents and information to the Bank.

In the year 1991/2, 728 section 39 reports were carried out (414 of them on foreign branches), including special reports on four institutions.

Section 41 of the Act empowers the Bank itself to commission reports from competent persons on authorised institutions where areas of concern have been identified. This occurred four times in the year 1991/2.

Shareholder controllers of authorised institutions

The Banking Act provides that persons must notify the Bank of their intention to take or increase a controlling interest in an authorised institution. The Bank assesses, *inter alia*, their fitness and propriety to become shareholder-controllers at the proposed level. 45 notifications for new or increased control were received in 1991/2, some on behalf of more than one person. 11 notifications were withdrawn, 2 are still to be considered, and 32 were passed without objection by the Bank.

Representative offices of overseas institutions

In the past year, 21 overseas institutions notified the Bank of their intention to establish representative offices in the United Kingdom, and 8 institutions notified the Bank of their intention to change the name used by them in the United Kingdom.

The Bank continues to receive, and to investigate, reports of institutions which appear to have established representative offices contrary to section 75 of the Act. Such investigations, involving liaison with local police forces and overseas regulators, invariably indicate that if establishment did take place it was either via a mail forwarding service or a short-term rental of office accommodation facilities. Typically, the 'banks' purporting to be represented are fictitious, or are incorporated where no control exists over registration of banking names or in centres which issue banking licences in the absence of a banking authorisation/supervision regime. During the year, no prosecutions resulted from the Bank's investigation of such reports.

Banking names and descriptions

Twenty-six authorised institutions changed their registered names during the year after giving notice to the Bank under section 70 of the Act. No notices of objection to the proposed name changes were issued.

The Bank also dealt with 130 names submitted during the year by unauthorised institutions in order to consider whether such names would be likely to breach the prohibition on banking names in section 67 of the Act. The Bank indicated that 8 of the proposed names did appear to breach the prohibition.

During the year the Bank also became aware of, and pursued, a number of cases where names and descriptions were being used in a manner that appeared to breach the prohibitions in sections 67 and 69 of the Act. Such cases were either regularised without formal action being required or no physical presence of the entities in question or their representatives could be identified.

Prohibition on unauthorised deposit-taking

The number of new investigations of unauthorised deposit-taking increased sharply to 37 (26 in 1990/91), although a half dozen major cases, some commenced in earlier years, absorbed the bulk of the investigators' attention.

The Bank exercised its powers of investigation on 21 occasions during the year, with an average of two notices under section 42 of the Banking Act 1987 being served in each investigation. These powers require the person on whom a notice is served to provide relevant documents, information and answers to the investigator's questions. In the course of one investigation, search warrants were obtained and executed at a number of premises in the company of the police.

During the year the Bank obtained injunctions in three cases under section 93(1) restraining further deposit-taking. In two of these cases the Bank also obtained orders freezing the assets of those involved and requiring them to disclose details of their assets. The Bank made one application for a section 48 repayment order against unauthorised deposit-takers, but the defendants proved to have insufficient assets to meet their debts and proceedings were abandoned. The Bank petitioned under the provisions of section 92 for the compulsory winding-up of one company which had accepted deposits without authorisation; pending the hearing of the petition, the court appointed a provisional liquidator.

Following prosecution by the Bank, two former directors of a former authorised institution were convicted under section 94(3) of failing to provide the Bank with relevant information. A prosecution for offences under sections 39 of the 1979 Act and 35 of the 1987 Act was abandoned on the death of the defendant shortly before trial. A third prosecution, commenced last year, has been committed for trial at the crown court.

Discount houses

It has been a difficult period for the discount houses and they have not been immune from a deterioration in asset quality, particularly in those activities outside their traditional money-market business.

There was one change in the number of discount houses during the year, when one house surrendered its authorisation in February 1992. The group concerned now has a sterling money-market relationship with the Bank through its gilt-edged market maker. As a result, the Bank has a direct dealing relationship in the sterling money market with seven discount houses authorised under the Banking Act and two gilt-edged market makers.

The discount houses are supervised by the Wholesale Markets Supervision Division of the Bank. Supervisory arrangements are largely unchanged from those set out in the Bank's paper of October 1988 *(Bank of England Operations in the sterling money market)* although minor refinements continue to be made to accommodate new developments. In addition, the Bank now monitors the position of the discount houses with respect to the terms of their exemption from the full provisions of the EC Solvency Ratio

Directive. Over the past year, the Bank has paid particularly close attention to credit issues, the management of liquidity and the systems and controls necessary to avoid money laundering.

Part IV
Organisation and staffing of Banking Supervision Division

Staff

Staff numbers in Banking Supervision Division over the year 1991/2 showed no material alteration from those of the past 3 years. For the year to end-February 1993 the budgeted number of staff, at some 193, is only marginally smaller than the budgeted number in the year to February 1992. The Division continues to value highly the work of its inward secondees of whom 3 come from clearing banks, 5 from firms of chartered accountants and 2 from firms of solicitors.

Training

The Division's extensive training programme has continued with staff attending external courses in accountancy, banking and legal issues. In addition to external training, members of the Division again attended various internal management and skills courses. New graduates participated additionally in a Bank-wide graduate training programme and joined other newcomers to the Division on an introductory course covering a number of supervisory topics.

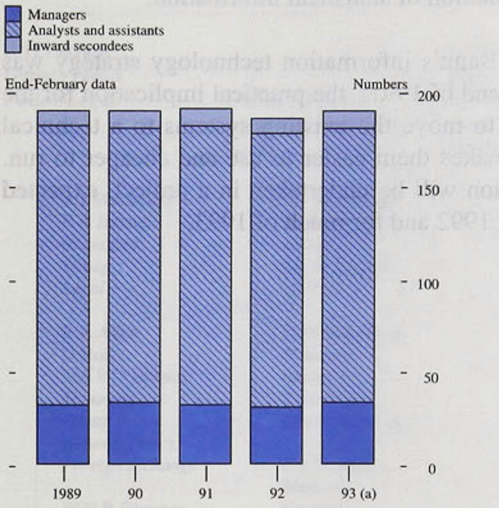
The Division continues to have staff on outward secondments in several overseas areas. Within the United Kingdom, two managers started secondments during the year, at a clearing and at a merchant bank. The Division welcomes the opportunity presented by secondments to broaden the experience of the staff concerned.

Visits to Banking Supervision Division

The number of visitors to the Division from institutions abroad fell from 50 in the previous year to some 25, probably in part owing to travelling conditions associated with the Gulf War.

These visitors are mostly on short-term visits to familiarise themselves with the Bank's supervisory work. In addition, there has been a sharp rise in demand over the last two years for technical assistance and training in banking supervision from countries in Eastern Europe and the developing world. The Bank has sought to play its full part in meeting this demand, and within the Division one manager is wholly employed on this work. In 1991/92, this technical assistance manager spent around a third of the year abroad, mainly on visits to developing countries who made a direct bilateral request to the Bank for advice. The object of the visits is not only to explain the overall principles of banking supervision, but also to offer specific advice on how existing procedures might be strengthened.

Chart 6
Staff numbers in Banking Supervision Division



(a) Budgeted figures shown for 1993.

Table XIV
Allocation of Banking Supervision Division staff

	Staff		Institutions	
End-February	1992	1991	1992	1991
UK retail and merchant banks (a)	23	23	72	70
UK branches and subsidiaries of overseas banks (b)	71	72	328	336
Small and medium-sized UK institutions (c)	34	36	111	116
Policy and legal matters (d)	43	44	—	—
Administration	18	19	—	—
Total	**189**	**194**	**511** (e)	**522** (e)

(a) Groups 3–5 on the organogram at Appendix 1.
(b) Groups 11–18.
(c) Groups 6–9.
(d) Groups 1–2, 10 Information Technology and Confidential Equiries
(e) Excluding the discount houses, supervised by Wholesale Markets Supervision Division.

In addition to this activity, training programmes were held in the course of the year both in London and abroad for staff representing about a dozen overseas supervisory authorities. Further programmes are planned for the coming year. In addition to bilateral training and advice, the Bank continues to provide technical assistance under the auspices of such organisations as the IMF and World Bank.

Information systems

Development of the Division's Management Information System during the year concentrated on the provision of personal computing software tools for the analysis and graphical representation of statistical information.

A review of the Bank's information technology strategy was completed at the end of 1991: the practical implication for the Division will be to move the existing systems to a technical platform which makes them easier to use and cheaper to run. The implementation will be undertaken in a project, expected to run throughout 1992 and for much of 1993.

Appendix 1
Banking Supervision Division organogram

As at 1 May 1992

The Governors — **Board of Banking Supervision**

Brian Quinn
Executive Director

R A Barnes
Assistant Director
Head of Banking Supervision

- R H Farrant
  Deputy Head
  Policy/Legal
  - R J MacDonald, E A Jarman — *Managers*, *Group 1*, *Legal*
  - R A Allen, D Holt, Mrs P D Jackson — *Managers*, *Group 2*, *General Policy, Foreign exchange*
  - W D R Swanney — *Manager*, *Accountancy & special issues, Secretary of Board of Banking Supervision, Secretary of Deposit Protection Board*
  - T A Plumb — *Manager*, *Information Technology*
  - C J C Sparkes — *Manager*, *Confidential Enquiries*
- *United Kingdom retail and merchant banks*
  - J C W Osborn — *Manager*, *Group 3*, *Major English clearers*
  - D M Sutherland — *Manager*, *Group 4*, *Scottish and other UK clearers*
  - C J Thompson — *Manager*, *Group 5*, *Major UK merchant banks*
- D W Green
  Deputy Head
  Medium and smaller UK institutions
  - D A Reeves — *Manager*, *Group 6*, *A-B & T-Z*
  - P J Marr — *Manager*, *Group 7*, *C-E*
  - P W Filmer — *Manager*, *Group 8*, *F-L*
  - Miss J R Cooper — *Manager*, *Group 9*, *M-S*
  - G R Dargie — *Manager*, *Group 10*, *Investigations*
- J Bartlett
  Deputy Head
  Overseas banks North America & West Europe
  - R E P Diggory (1) — *Manager*, *Group 11*, *Denmark, France, Finland, Luxembourg, Norway*
  - P A C Smout — *Manager*, *Group 12*, *USA*
  - J C Cleland — *Manager*, *Group 13*, *Austria, Belgium, Canada, Germany, Switzerland*
  - K S Pooley — *Manager*, *Group 14*, *Greece, Gibraltar, Ireland, Italy, Malta, Netherlands, Portugal, Spain, Sweden*
- D J Reid
  Deputy Head
  Overseas banks Rest of the World
  - Mrs P D Jackson(2) — *Manager*, *Group 15*, *Japan*
  - J A Hoskins — *Manager*, *Group 16*, *Afghanistan, Australasia, Eastern Europe, Indian sub-Continent, Israel, South Africa*
  - M J Fuggle — *Manager*, *Group 17*, *Middle East, Cyprus, Turkey*
  - D A Ware — *Manager*, *Group 18*, *Bermuda, Caribbean, Far East, Latin America, Other Africa*
  - C M D Bird — *Manager*, *Administration, Staff training*
  - P J Marr — *Manager*, *Review Team visits*
  - R D Chalmers — *Manager*, *Technical assistance*

(1) Miss W M Hyde takes over from Mr Diggory on 29 June.
(2) Mr Diggory takes over from Mrs Jackson on 1 June.

Current supervisory notices

The following is a list of policy and practice notices issued by Banking Supervision Division which are currently in force:

Title	Date of issue
Foreign currency exposure	April 1981
Measurement of liquidity	July 1982
Connected lending; accounts; large exposures; fraudulent invitations; floating charges (BSD/1983/1)	April 1983
Foreign currency options	April 1984
Note issuance facilities/revolving underwriting facilities (BSD/1985/2)	April 1985
Statistical notice to monetary sector institutions (released in conjunction with previous paper)	April 1985
Large exposures in relation to mergers and acquisitions (BSD/1986/1)	February 1986
Subordinated loan capital (BSD/1986/2)	March 1986
Consolidated supervision (BSD/1986/3)	March 1986
Statistical notice to monetary sector institutions (released in conjunction with previous paper)	June 1986
Large exposures (BSD/1987/1)	September 1987
Guidance note on accounting and other records and internal control systems and reporting accountants' reports thereon (BSD/1987/2)	September 1987
Guidance note on reporting accountants' reports on Bank of England returns used for prudential purposes (BSD/1987/3)	October 1987
The Bank of England's relationship with auditors and reporting accountants (BSD/1987/4)	December 1987
Large underwriting exposures (BSD/1987/1.1) (to be read in conjunction with the large exposures paper)	February 1988
Advertising for deposits (BSD/1988/1)	April 1988
Banking Act 1987 Section 16: Statement of principles	May 1988
Supervisory treatment of ECU Treasury bills (BSD/1988/2)	October 1988
Letter to authorised institutions concerning money laundering	January 1989
Loan transfers and securitisation (BSD/1989/1)	February 1989

Consolidated supervision (BSD/1989/2) (amendment to the 1986 paper)	March 1989
Further letter to authorised institutions concerning money laundering	November 1989
Letter to authorised institutions concerning debt provisioning (the new matrix)	January 1990
Large exposures (BSD/1990/1) (amendment to the 1986 paper)	February 1990
Letter to authorised institutions concerning advertising of interest bearing accounts	December 1990
Letter to authorised institutions concerning guidance notes issued by the Joint Money Laundering Working Group	December 1990
Code of conduct for the advertising of savings and deposit accounts and money-market accounts	December 1990
Implementation in the United Kingdom of the directive on own funds of credit institutions (BSD/1990/2)	December 1990
Implementation in the United Kingdom of the solvency ratio directive (BSD/1990/3)	December 1990
Consolidated supervision (BSD/1990/4) (amendment to the 1986 paper)	December 1990
Statistical notice to reporting banks on capital adequacy treatment of deferred tax assets	December 1990
Implementation in the United Kingdom of the directive on own funds of credit institutions (BSD/1992/1) (amendment to the 1990 notice)	January 1992
Large exposures (BSD/1992/2) (amendment to the 1987 paper)	February 1992
Loan transfers and securitisation (BSD/1992/3) (amendments to the 1989 paper)	April 1992

Geographical representation of overseas institutions

The following table shows the geographical origins and status of foreign institutions represented in the United Kingdom at end-February 1992.

Country of ownership	Branch of an overseas bank (1)	UK incorporated subsidiary of an overseas Bank(1)	UK incorporated subsidiary of an overseas Non-bank	Controlling (15% or more) stake in a consortium bank	Representative offices (2)	Total
Afghanistan	—	1	—	—	—	1
Argentina	1	—	—	—	1	2
Australia	8	7	—	—	—	15
Austria	4	—	—	—	1	5
Bahamas	—	—	—	—	2	2
Bahrain	2	1	—	—	2	5
Bangladesh	1	—	—	—	1	2
Belgium	5	1	—	—	—	6
Bermuda	1	—	—	—	1	2
Brazil	4	—	—	—	5	9
Bulgaria	—	—	—	—	1	1
Canada	6	3	—	—	—	9
China	1	—	—	—	2	3
Cuba	—	1	—	—	—	1
Cyprus	2	2	—	—	—	4
Czechoslovakia	1	—	—	—	—	1
Denmark	2	2	—	—	1	5
Ecuador	—	—	—	—	2	2
Egypt	2	—	—	—	—	2
Finland	3	1	—	—	2	6
France	14	7	1	—	10	31
Germany	15	2	—	—	2	19
Ghana	1	—	—	—	—	1
Greece	1	—	—	—	3	4
Hong Kong	4	2	—	—	1	7
Hungary	—	1	—	—	—	1
India	6	—	—	—	—	6
Indonesia	1	—	—	—	4	5
Iran	5	—	—	1	—	6
Iraq	1	—	—	—	—	1
Ireland	7	3	—	—	1	11
Israel	2	2	—	—	3	7
Italy	14	3	—	—	27	44
Jamaica	—	—	—	—	1	1
Japan	27	6	4	—	20	57
Jordan	1	—	—	1	—	2
Kenya	—	—	—	—	1	1
Korea	7	2	—	—	7	16
Kuwait	1	—	—	1	6	8
Lebanon	2	—	—	—	2	4
Libya	—	—	—	1	—	1
Luxembourg	1	—	—	—	2	3
Malaysia	2	—	—	—	2	4
Mexico	4	—	—	1	2	7
Netherlands	5	—	—	—	3	8
New Zealand	1	—	—	—	1	2
Nigeria	2	—	—	—	4	6
Norway	2	1	—	—	1	4
Pakistan	4	—	—	—	—	4
Panama	—	—	—	—	1	1
Philippines	2	—	—	—	—	2
Poland	1	—	—	—	—	1
Portugal	4	—	—	—	1	5

Country of ownership	Branch of an overseas bank (1)	UK incorporated subsidiary of an overseas Bank(1)	UK incorporated subsidiary of an overseas Non-bank	Controlling (15% or more) stake in a consortium bank	Representative offices (2)	Total
Qatar	1	—	—	—	—	1
Romania	—	—	—	1	—	1
Russia	—	1	—	—	—	1
Saudi Arabia	4	—	—	1	2	7
Singapore	4	—	—	—	—	4
South Africa	4	—	—	—	3	7
Spain	7	1	—	—	9	17
Sri Lanka	1	—	—	—	—	1
Sweden	5	3	—	—	—	8
Switzerland	11	1	—	—	15	27
Taiwan	1	—	—	—	3	4
Thailand	3	—	—	—	—	3
Turkey	2	1	—	—	7	10
Uganda	—	—	—	—	1	1
UAE	4	—	—	—	—	4
USA	27	12	6	3	10	58
Venezuela	—	—	—	—	2	2
Yugoslavia	—	—	—	1	7	8
Zambia	1	—	—	—	—	1
Totals	**255**	**67**	**11**	**11**	**185**	**529**
of which				(3)		(4)
EC countries(5)	75	19	1	—	59	154
Other Europe	31	11	—	2	34	78
North America	33	15	6	3	10	67
Japan	27	6	4	—	20	57
Australia & New Zealand	9	7	—	—	1	17
Other Asia	37	5	—	—	20	62
Middle East	25	3	—	5	15	48
Other	18	1	—	1	26	46

(1) Includes institutions authorised to conduct banking business in the country of origin.
(2) This covers only those representative offices included in the list published at the end of January 1992.
(3) Representing 8 institutions.
(4) Representing 526 institutions.
(5) Other than the United Kingdom.

List of institutions authorised at 29 February 1992

1 UK-incorporated(1)

ABC International Bank plc
ANZ Grindlays Bank plc
Abbey National plc
Abbey National Treasury Services plc
Adam & Company plc
Afghan National Credit & Finance Ltd
Airdrie Savings Bank
Aitken Hume Bank plc
Ak International Bank Ltd
Albaraka International Bank Ltd
Alexanders Discount plc
Alliance Trust (Finance) Ltd
Allied Trust Bank Ltd
Anglo-Romanian Bank Ltd (2)
Anglo Yugoslav Bank Ltd (2)
Henry Ansbacher & Co Ltd
Assemblies of God Property Trust
Associates Capital Corporation Ltd
Avco Trust Ltd

BNL Investment Bank plc
Banco Hispano Americano Ltd
Bank Leumi (UK) plc
Bank of America International Ltd
Bank of Boston Ltd
Bank of Cyprus (London) Ltd
Bank of Scotland
Bank of Tokyo International Ltd
Bank of Wales plc
Bankers Trust International plc
Banque Belge Ltd
Banque de la Méditerranée (UK) Ltd
Banque Nationale de Paris plc
The Baptist Union Corporation Ltd
Barclays Bank plc
Barclays de Zoete Wedd Ltd
Barclays Bank Trust Company Ltd
Baring Brothers & Co Ltd
Belmont Bank Ltd
Benchmark Bank plc
Beneficial Bank plc
Birmingham Capital Trust plc
Boston Safe Deposit and Trust Company (UK) Ltd
British & Commonwealth Merchant Bank plc (in administration)
The British Bank of the Middle East
British Credit Trust Ltd
The British Linen Bank Ltd
British Railways Savings Company Ltd
Brown, Shipley & Co Ltd
Bunge Finance Ltd

CLF Municipal Mutual Bank plc
Caledonian Bank plc
Cater Allen Ltd
Chancery plc
The Charities Aid Foundation Money Management Company Ltd
Chartered Trust plc
Chartered WestLB Ltd
Charterhouse Bank Ltd
Chase Investment Bank Ltd
Chesterfield Street Trust Ltd
Citibank Trust Ltd
Citicorp Investment Bank Ltd
City Merchants Bank Ltd
City Trust Ltd
Clive Discount Company Ltd
Close Brothers Ltd
Clydesdale Bank plc
Clydesdale Bank Finance Corporation Ltd
Combined Capital Ltd
Commercial Bank Trust plc
Commercial Bank of London plc
Confederation Bank Ltd
Consolidated Credits Bank Ltd
Co-operative Bank plc
County NatWest Ltd
Coutts & Co
Craneheath Securities Ltd
Credito Italiano International Ltd
Credit Suisse Financial Products

DG Investment Bank Ltd
Daiwa Europe Bank plc
Dalbeattie Finance Co Ltd
Darlington Merchant Credits Ltd
Dartington & Co Ltd
Davenham Trust plc
Deacon Hoare & Co Ltd
Den norske Bank plc
The Dorset, Somerset & Wilts Investment Society Ltd
Dryfield Finance Ltd
Dunbar Bank plc
Duncan Lawrie Ltd

Eccles Savings and Loans Ltd
Edington plc (in administration)
Enskilda Securities-Skandinaviska Enskilda Ltd
Equatorial Bank plc
Exeter Bank Ltd

FIBI Bank (UK) Ltd
Fairmount Trust Ltd
Family Finance Ltd
FennoScandia Bank Ltd
Financial & General Bank plc
James Finlay Bank Ltd
First National Bank plc
First National Commercial Bank plc
The First Personal Bank plc
Robert Fleming & Co Ltd
Ford Credit plc
Foreign & Colonial Management Ltd
Forward Trust Ltd
Robert Fraser & Partners Ltd
Frizzell Banking Services Ltd

Gartmore Money Management Ltd
Gerrard & National Ltd
Girobank plc
Goldman Sachs Ltd
Goode Durrant Bank plc
Granville Trust Ltd
Gresham Trust plc
Greyhound Bank plc
Guinness Mahon & Co Ltd

(1) Including partnerships formed under the law of any part of the United Kingdom.
(2) Consortium banks.

HFC Bank plc
Habibsons Bank Ltd
Hambros Bank Ltd
Hampshire Trust plc
The Hardware Federation Finance Co Ltd
Harrods Bank Ltd
Harton Securities Ltd
Havana International Bank Ltd
The Heritable & General Investment Bank Ltd
Hill Samuel Bank Ltd
Hill Samuel Personal Finance Ltd
C Hoare & Co
Julian Hodge Bank Ltd
Holdenhurst Securities plc
HongkongBank London Ltd
Humberclyde Finance Group Ltd
Hungarian International Bank Ltd

3i plc
3i Group plc
IBJ International Ltd
Independent Trust and Finance Ltd
International Mexican Bank Ltd(2)
Iran Overseas Investment Bank Ltd(2)
Italian International Bank plc

Jordan International Bank plc(2)
Leopold Joseph & Sons Ltd

KDB Bank (UK) Ltd
King & Shaxson Ltd
Kleinwort Benson Ltd
Kleinwort Benson Investment Management Ltd
Korea Long Term Credit Bank International Ltd

LTCB International Ltd
Lazard Brothers & Co Ltd
Lloyds Bank plc
Lloyds Bank (BLSA) Ltd
Lloyds Bowmaker Ltd
Lloyds Merchant Bank Ltd
Lloyds Private Banking Ltd
Lombard Bank Ltd
Lombard & Ulster Ltd
Lombard North Central plc
London Scottish Bank plc
London Trust Bank plc
Lordsvale Finance plc

McDonnell Douglas Bank Ltd
McNeill Pearson Ltd
Manchester Exchange and Investment Bank Ltd
W M Mann & Co (Investments) Ltd
Manufacturers Hanover Ltd
Marks and Spencer Financial Services Ltd
Mase Westpac Ltd
Matheson Bank Ltd
Matlock Bank Ltd
Meghraj Bank Ltd
Mercury Provident plc
Merrill Lynch International Bank Ltd
The Methodist Chapel Aid Association Ltd
Midland Bank plc
Midland Bank Finance Corporation Ltd
Midland Bank Trust Company Ltd
Minories Finance Ltd
Minster Trust Ltd
Samuel Montagu & Co Ltd
Morgan Grenfell & Co Ltd
Moscow Narodny Bank Ltd
Mount Banking Corporation Ltd
Mutual Trust & Savings Ltd
Mynshul Bank plc

NIIB Group Ltd
NWS BANK plc
National Guardian Mortgage Corporation Ltd
The National Mortgage Bank plc
National Westminster Bank plc
NationsBank Europe Ltd
The Nikko Bank (UK) plc
Noble Grossart Ltd
Nomura Bank International plc
Nordbanken UK Ltd
Northern Bank Ltd
Northern Bank Executor & Trustee Company Ltd
Norwich General Trust Ltd
Nykredit Mortgage Bank plc

Omega Trust Co Ltd

PaineWebber International Bank Ltd
Peoples Bank Ltd
Philadelphia National Ltd
Pointon York Ltd
The Private Bank & Trust Company Ltd
Property Lending Bank plc
Provincial Bank plc

Ralli Investment Company Ltd
R Raphael & Sons plc
Rathbone Bros & Co Ltd
Rea Brothers Ltd
Reliance Bank Ltd
Riggs A P Bank Ltd
N M Rothschild & Sons Ltd
Roxburghe Bank Ltd
Royal Bank of Canada Europe Ltd
The Royal Bank of Scotland plc
Royal Trust Bank
RoyScot Trust plc

Sanwa International plc
Saudi International Bank(2)
(Al-Bank Al-Saudi Al-Alami Ltd)
Schroder Leasing Ltd
J Henry Schroder Wagg & Co Ltd
Scotiabank (UK) Ltd
Scottish Amicable Money Managers Ltd
Seccombe Marshall & Campion plc
Secure Homes Ltd
Security Pacific Trust Ltd
Singer & Friedlander Ltd
Smith & Williamson Securities
Société Générale Merchant Bank plc
Southsea Mortgage & Investment Co Ltd
Standard Chartered Bank
Standard Chartered Bank Africa plc
Sterling Bank & Trust Ltd
Svenska International plc

TSB Bank plc
TSB Bank Northern Ireland plc
TSB Bank Scotland plc
Tokai Bank Europe Ltd
Turkish Bank (UK) Ltd
Tyndall & Co Ltd

UBAF Bank Ltd(2)
UCB Bank plc
ULC Trust Ltd
Ulster Bank Ltd
Unibank plc
Union Discount Company Ltd
The United Bank of Kuwait plc(2)
United Dominions Trust Ltd
Unity Trust Bank plc

Wagon Finance Ltd
S G Warburg & Co Ltd
Western Trust & Savings Ltd
Whiteaway Laidlaw Bank Ltd
Wimbledon & South West Finance plc
Wintrust Securities Ltd
Woodchester Bank UK plc

Yamaichi Bank (UK) plc
Yorkshire Bank plc
H F Young & Co Ltd

2 Incorporated outside the United Kingdom(3)

ABN AMRO Bank NV(4)
ABSA Bank Ltd
AIB Capital Markets plc(4)
AIB Finance Ltd(4)
ASLK-CGER Bank(4)
Allied Bank of Pakistan Ltd
Allied Banking Corporation
Allied Irish Banks plc(4)
American Express Bank Ltd(5)
Anglo Irish Bank Corporation plc(4)
Arab African International Bank
Arab Bank plc
Arab Banking Corporation BSC
Arab National Bank
The Ashikaga Bank Ltd(5)
Australia & New Zealand Banking Group Ltd(5)

BfG Bank AG(4)
BSI-Banca della Svizzera Italiana(5)
Banca Cassa di Risparmio di Torino SpA(4)
Banca Commerciale Italiana(4)
Banca Nazionale dell'Agricoltura SpA(4)
Banca Nazionale del Lavoro(4)
Banca Popolare di Milano(4)
Banca Popolare di Novara(4)
Banca Serfin SNC
Banco Bilbao-Vizcaya(4)
Banco Central Hispanoamericano SA(4)
Banco de la Nación Argentina
Banco de Sabadell(4)
Banco di Napoli SpA(4)
Banco di Roma SpA(4)
Banco di Santo Spirito(4)
Banco di Sicilia SpA(4)
Banco do Brasil SA
Banco do Estado de São Paulo SA
Banco Español de Crédito SA(4)
Banco Espirito Santo e Comercial de Lisboa(4)
Banco Exterior Internacional SA(4)
Banco Mercantil de São Paulo SA
Banco Nacional de México SNC
Banco Nacional Ultramarino SA(4)
Banco Português do Atlântico(4)
Banco Real SA
Banco Santander(4)
Banco Totta & Açores SA(4)
Bancomer SA
Bangkok Bank Ltd
Bank Julius Baer & Co Ltd(5)
Bank Bumiputra Malaysia Berhad
Bank Handlowy w Warszawie SA
Bank Hapoalim BM
Bank Mees & Hope NV(4)
Bank Mellat
Bank Melli Iran
Bank Negara Indonesia 1946
Bank of America NT & SA(5)
Bank of Baroda
The Bank of NT Butterfield & Son Ltd
The Bank of California NA(5)
Bank of Ceylon
Bank of China
The Bank of East Asia Ltd
The Bank of Fukuoka Ltd(5)
Bank of India
The Bank of Ireland(4)
Bank of Montreal(5)
The Bank of New York(5)
Bank of New Zealand(5)
The Bank of Nova Scotia(5)
Bank of Oman Ltd
Bank of Seoul
The Bank of Tokyo, Ltd(5)
The Bank of Yokohama, Ltd(5)
Bank Saderat Iran
Bank Sepah-Iran
Bank Tejarat
Bankers Trust Company(5)
Bankorp Ltd
Banque Arabe et Internationale d'Investissement(4)
Banque Banorabe(4)
Banque Bruxelles Lambert SA(4)
Banque Française de l'Orient(4)
Banque Française du Commerce Extérieur(4)
Banque Indosuez(4)
Banque Internationale à Luxembourg SA(4)
Banque Nationale de Paris(4)
Banque Paribas(4)
Banque Worms(4)
Bayerische Hypotheken—und Wechsel—Bank AG(4)
Bayerische Landesbank Girozentrale(4)
Bayerische Vereinsbank AG(4)
Beirut Riyad Bank SAL
Belgolaise SA(4)
Berliner Bank AG(4)
Berliner Handels-und Frankfurter Bank(4)
Byblos Bank SAL

CARIPLO—Cassa di Risparmio
delle Provincie Lombarde SpA(4)
CBI—TDB Union Bancaire Privée(5)
CIC—Union Européenne, International et Cie(4)
Caisse Nationale de Crédit Agricole(4)
Canadian Imperial Bank of Commerce(5)
Canara Bank
The Chase Manhattan Bank, NA(5)
Chemical Bank(5)
The Chiba Bank Ltd(5)
Cho Hung Bank
Christiania Bank og Kreditkasse(5)
The Chuo Trust & Banking Co, Ltd(5)
Citibank NA(5)
Commercial Bank of Korea Ltd
Commerzbank AG(4)
Commonwealth Bank of Australia(5)
Confederacion Española de Cajas de Ahorros(4)
Continental Bank, NA(5)
CoreStates Bank NA(5)
Crédit Commercial de France(4)
Crédit du Nord(4)
Crédit Lyonnais(4)
Crédit Lyonnais Bank Nederland NV(4)
Crédit Suisse(5)
Creditanstalt—Bankverein(5)
Credito Italiano(4)
Cyprus Credit Bank Ltd
The Cyprus Popular Bank Ltd

The Dai-Ichi Kangyo Bank, Ltd(5)
The Daiwa Bank, Ltd(5)
Den Danske Bank Aktieselskab(4)
Den norske Bank A/S(5)
Deutsche Bank AG(4)
Deutsche Genossenschaftsbank(4)
The Development Bank of Singapore Ltd
Discount Bank and Trust Company(5)
Dresdner Bank AG(4)

(3) Includes partnerships or other unincorporated associations formed under the law of any member State of the European community other than the United Kingdom.
(4) Non-UK EC institutions.
(5) Non-EC OECD institutions.

Fidelity Bank NA(5)
First Bank of Nigeria plc
First Commercial Bank
First Interstate Bank of California(5)
The First National Bank of Boston(5)
The First National Bank of Chicago(5)
Fleet Bank of Massachusetts, NA(5)
French Bank of Southern Africa Ltd
The Fuji Bank, Ltd(5)

Generale Bank(4)
Ghana Commercial Bank
Girozentrale und Bank der österreichischen Sparkassen AG(5)
Gota Bank(5)
Gulf International Bank BSC

Habib Bank AG Zurich(5)
Habib Bank Ltd
Hamburgische Landesbank Girozentrale(4)
Hanil Bank
Harris Trust and Savings Bank(5)
Hessische Landesbank—Girozentrale(4)
The Hokkaido Takushoku Bank, Ltd(5)
The Hokuriku Bank Ltd(5)
The Hongkong and Shanghai Banking Corporation Ltd

The Industrial Bank of Japan, Ltd(5)
Internationale Nederlanden Bank NV(4)
The Investment Bank of Ireland Ltd(4)
Istituto Bancario San Paolo di Torino SpA(4)

The Joyo Bank Ltd(5)
Jyske Bank(4)

Kansallis-Osake-Pankki(5)
Korea Exchange Bank
Korea First Bank
Kredietbank NV(4)
The Kyowa Saitama Bank, Ltd(5)

The Long-Term Credit Bank of Japan, Ltd(5)

Malayan Banking Berhad
Manufacturers Hanover Trust Company(5)
Mellon Bank, NA(5)
Merchants National Bank & Trust Company of Indianapolis(5)
Middle East Bank Ltd
The Mitsubishi Bank, Ltd(5)
The Mitsubishi Trust and Banking Corporation(5)
The Mitsui Taiyo Kobe Bank, Ltd(5)
The Mitsui Trust & Banking Co Ltd(5)
Monte dei Paschi di Siena(4)
Morgan Guaranty Trust Company of New York(5)
Multibanco Comermex SNC

NBD Bank, NA(5)
National Australia Bank Ltd(5)
National Bank of Abu Dhabi
National Bank of Canada(5)
The National Bank of Dubai Ltd
National Bank of Egypt
National Bank of Greece SA(4)
The National Bank of Kuwait SAK
The National Commercial Bank
National Bank of Pakistan
NationsBank of North Carolina, NA(5)
NedPerm Bank Ltd
The Nippon Credit Bank, Ltd(5)
Nordbanken(5)
Norddeutsche Landesbank Girozentrale(4)

The Norinchukin Bank(5)
The Northern Trust Company(5)

Oversea-Chinese Banking Corporation Ltd
Overseas Trust Bank Ltd
Overseas Union Bank Ltd

Philippine National Bank
Postipankki Ltd(5)

Qatar National Bank SAQ

The R&I Bank of Western Australia Ltd(5)
Rabobank Nederland (Coöperatieve Centrale Raiffeisen-Boerenleenbank BA)(4)
Rafidain Bank (provisional liquidator appointed)
Raiffeisen Zentralbank Osterreich AG(5)
Republic National Bank of New York(5)
Reserve Bank of Australia(5)
The Riggs National Bank of Washington, DC(5)
Riyad Bank
Royal Bank of Canada(5)

The Sanwa Bank, Ltd(5)
Saudi American Bank
Scandinavian Bank (Skandinaviska Enskilda Banken)(5)
Security Pacific National Bank(5)
Shanghai Commercial Bank Ltd
Shinhan Bank
The Siam Commercial Bank, Ltd
Société Générale(4)
Sonali Bank
State Bank of India
State Bank of New South Wales Ltd(5)
State Bank of South Australia(5)
State Street Bank and Trust Company(5)
Südwestdeutsche Landesbank Girozentrale(4)
The Sumitomo Bank, Ltd(5)
The Sumitomo Trust & Banking Co Ltd(5)
Svenska Handelsbanken(5)
SwedBank(5)
Swiss Bank Corporation(5)
Swiss Volksbank(5)
Syndicate Bank

TC Ziraat Bankasi(5)
The Thai Farmers Bank Ltd
The Tokai Bank, Ltd(5)
The Toronto-Dominion Bank(5)
The Toyo Trust & Banking Company, Ltd(5)
Türkiye Is Bankasi AS(5)

Uco Bank
Ulster Investment Bank Ltd(4)
Union Bank of Finland Ltd(5)
Union Bank of Nigeria Ltd
Union Bank of Switzerland(5)
United Bank Ltd
United Mizrahi Bank Ltd
United Overseas Bank (Banque Unie pour les Pays d'Outre Mer)(5)
United Overseas Bank Ltd

Westdeutsche Landesbank Girozentrale(4)
Westpac Banking Corporation(5)
Wirtschafts- und Privatbank(5)

The Yasuda Trust & Banking Co, Ltd(5)

Z-Länderbank Bank Austria AG(5)
Zambia National Commercial Bank Ltd
Zivnostenská Banka National Corporation

Changes to the list of authorised institutions

The following changes were made during the year to the list of authorised institutions:

Additions

1. UK-incorporated

KDB International (London) Ltd
KLB International Ltd
LTCB International Ltd
Lloyds Bank Financial Services Ltd
Tokai Bank Europe Ltd
Turkish Bank (UK) Ltd

2. Incorporated outside the United Kingdom

ABSA Bank Ltd
Anglo Irish Bank Corporation plc
The Ashikaga Bank Ltd
Banca Cassa di Risparmio di Torino SpA[1]
Banca Popolare di Novara
Banco di Napoli SpA[1]
Banco di Sicilia SpA[1]
Banco Nacional Ultramarino SA
The Bank of NT Butterfield & Son Ltd
The Bank of Fukuoka Ltd
CARIPLO—Cassa di Risparmio delle Provincie Lombarde SpA[1]
Fleet Bank of Massachusetts, NA
Istituto Bancario San Paolo di Torino SpA[1]
The Joyo Bank Ltd
The Norinchukin Bank
Shinhan Bank
Union Bank of Finland Ltd[2]
Wirtschafts—und Privatbank
Z-Länderbank Bank Austria AG

Deletions

1. UK-incorporated

ANZ Merchant Bank Ltd
Anglo Irish Asset Finance plc
Arbuthnot Latham Bank Ltd
Atlanta Trust Ltd
Banca Novara (UK) Ltd
East Trust Ltd
Everett Chettle Associates
First Interstate Capital Markets Ltd
Japan International Bank Ltd
Lloyds Bank (France) Ltd
London Italian Bank Ltd
Mercantile Credit Company Ltd
SP Finance Ltd
Scandinavian Bank Group Ltd
Shire Trust Ltd
WPZ Bank (UK) Ltd
Wallace, Smith Trust Co Ltd
S G Warburg Discount Ltd[3]

2. Incorporated outside the United Kingdom

Amsterdam-Rotterdam Bank NV
Banca CRT—Cassa di Risparmio di Torino[1]
Banco di Napoli[1]
Banco di Sicilia[1]
Bank of Credit and Commerce International SA (in liquidation)
Banque Internationale pour L'Afrique Occidentale SA
Cassa di Risparmio delle Provincie Lombarde[1]
First City, Texas-Houston, NA
Fleet National Bank
Istituto Bancario San Paolo di Torino[1]
Keesler Federal Credit Union
New Bank of New England NA
Österreichische Länderbank AG
The Saitama Bank, Ltd
Swiss Cantobank (International)
Turkish Bank Ltd
Union Bank of Norway
Unitas Bank Ltd
Volkskas Bank Ltd

Name changes

1. UK-incorporated

Anglo Irish Bankcorp (UK) plc	*to*	Anglo Irish Asset Finance plc
Bankers Trust International Ltd	*to*	Bankers Trust International plc
Burns-Anderson Trust Corporation Ltd	*to*	Davenham Trust Ltd
Davenham Trust Ltd	*to*	Davenham Trust plc
English Trust Company Ltd	*to*	Nordbanken UK Ltd
Ford Motor Credit Co Ltd	*to*	Ford Credit plc
KDB International (London) Ltd	*to*	KDB Bank (UK) Ltd
KLB International Ltd	*to*	Korea Long Term Credit Bank International Ltd
London Arab Investment Bank Ltd	*to*	London Trust Bank plc
Lloyds Bank Financial Services Ltd	*to*	Lloyds Private Banking Ltd
Moorgate Mercantile Holdings plc	*to*	Woodchester Bank UK plc
Municipal Mutual Bank plc	*to*	CLF Municipal Mutual Bank plc
Mynshul Bank Ltd	*to*	Mynshul Bank plc
NatWest Investment Bank Ltd	*to*	County NatWest Ltd
Panmure Gordon Bankers Ltd	*to*	NationsBank Europe Ltd

2. Incorporated outside the United Kingdom

Algemene Bank Nederland NV	*to*	ABN AMRO Bank NV
Banco Central SA	*to*	Banco Central Hispanoamericano SA
Bancomer SNC	*to*	Bancomer SA
Bank für Gemeinwirtschaft AG	*to*	BfG Bank AG
Banque de l'Orient Arabe et d'Outre-Mer	*to*	Banque Banorabe
First Bank of Nigeria Ltd	*to*	First Bank of Nigeria plc
The Kyowa Bank, Ltd	*to*	The Kyowa Saitama Bank, Ltd
NCNB National Bank of North Carolina	*to*	NationsBank of North Carolina, NA
NMB Postbank Groep	*to*	Internationale Nederlanden Bank NV
Skandinaviska Enskilda Banken	*to*	Scandinavian Bank (Skandinaviska Enskilda Banken)
Union Bank of Finland Ltd	*to*	Unitas Bank Ltd[2]

(1) Reflecting technical reauthorisations following a change in legal structure in Italy.
(2) Union Bank of Finland Ltd changed its name to Unitas Bank Ltd. On the same date, Pohjoismaiden Ydhyspankki Oy was authorised and simultaneously changed its name to Union Bank of Finland Ltd.
(3) Supervised by Wholesale Markets Supervision Division.

Annual report by the Board of Banking Supervision

Board of Banking Supervision
Membership as at 29 February 1992

Chairman:	The Rt Hon Robin Leigh-Pemberton	} *ex-officio*
	E A J George	} *ex-officio*
	Brian Quinn	} *ex-officio*
	P N Gerrard	
	A J Hardcastle	
	Sir Peter Leslie	
	N J Robson	
	Lord Swaythling	
	Harry Taylor	

This is the Board's report for the year to the end of February 1992.

Membership

The membership of the Board was unchanged throughout the year. Mr Robson and Mr Taylor were reappointed to the Board, each for a five-year term, with effect from 4 November 1991.

Meetings

The Board met 16 times during the year, regularly each month and on other occasions to consider specific matters relating to particular institutions.

General matters considered

The Board maintained under review all aspects of the Bank's work relating to its responsibilities under the Banking Act. The independent members gave advice to the ex-officio members on matters of supervisory policy and on the conduct of individual cases.

Reports on the work of the Banking Supervision Division are received each month, setting out matters of general policy and matters relating to specific institutions. In particular, cases in which formal action under the Banking Act might be required are reported to the Board, as are institutions where the Division has concerns or sees potential concerns. The independent members in these and other cases offered advice where they thought it right to do so. During the year the Board considered matters relating to a large number of authorised institutions and covering a wide range of circumstances.

On one occasion during the year the independent members of the Board gave advice to the ex-officio members, which the latter chose not to follow, and the matter was reported to the Chancellor of the Exchequer, pursuant to section 2(5) of the Banking Act 1987. The advice concerned the application of the confidentiality requirements of Part V of the Act.

Bank of Credit and Commerce International SA (BCCI)

On a number of occasions during the year the Board considered developments concerning the supervision of BCCI, as indeed it had done in previous years. Following receipt by the Bank of the report of an investigation into BCCI under section 41 of the Banking Act the Board was consulted about the action to be taken and endorsed the decision which led to the closure of BCCI.

Other matters

The Board advised on a number of policy issues, in particular the securitisation of receivables and the verification of interim profits. The Board discussed seven papers dealing with specific sectors of the banking industry and continued to review the staffing arrangements for Banking Supervision Division.

Secretary, by order of the Board