

BANK OF ENGLAND Harvard Case Solution & Analysis



In 1998, it became an independent public organization, wholly owned by the Treasury Solicitor on behalf of the government, with independence in setting monetary



Monetary stability

Stable prices and confidence in the currency are the two main criteria for monetary stability. Stable prices are maintained by making sure price increases meet the Government's inflation target. The Bank aims to meet this target by adjusting the base interest rate, which is decided by the Monetary Policy Committee, and through its communications strategy, such as publishing yield curves.



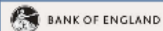
The Bank's Financial Policy Committee held its first meeting in June 2011 as a macro-prudential regulator to oversee regulators of the UK's financial sector.



The Bank of England, formally the Bank of England and Company, is the central bank of the United Kingdom and the model on which most modern central banks have been based.



The Bank is responsible for the currency's long-term stability, for managing monetary policy. The Treasury has complete power to print notes in the currency. It does not regulate the public interest and by extension its main commitment has been to ensure the stability of the currency rather than to



Established in 1694, it is the second oldest central bank in the world, after the Swedish Riksbank, and the world's fifth oldest bank. It was established to act as the English Government's banker, and is still the banker for UK Government. The Bank was privately owned from its foundation in 1694 until nationalized in 1946.



The Bank is custodian to the official gold reserves of the United Kingdom and many other countries. The vault, beneath the City of London, covers a floor space greater than that of the second-tallest building in the City, Tower 42, and needs keys that are three feet long to open. The Bank is the 15th-largest custodian of gold reserves, holding around 4600 tonnes. These gold deposits were estimated in February 2012 to have a current market value of £156,000,000,000.

Financial stability



Maintaining financial stability involves protecting against threats to the whole financial system. Threats are detected by the Bank's surveillance and market intelligence functions. The threats are then dealt with through financial and other operations, both at home and abroad. In exceptional circumstances, the Bank may act as the lender of last resort by extending credit when no other institution will.

Functions of the Bank



The Bank performs all the functions of a central bank. The most important of these is supposed to be maintaining price stability and supporting the economic policies of the Government, thus promoting economic growth.

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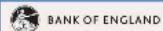
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The Bank is responsible for monetary policy, which is the responsibility for managing the money supply. The Treasury has control over the gold reserves in the country. It also has a role in the public interest and in the economic development of the country. The Bank's role is to ensure that the economy is stable and that the government's policies are effective.



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The Bank's Monetary Policy Committee has devolved responsibility for managing monetary policy. The Treasury has reserve powers to give orders to the committee "if they are required in the public interest and by extreme economic circumstances" but such orders must be endorsed by Parliament within 28 days



**The Bank's
Financial Policy
Committee held its
first meeting in
June 2011 as a
macro prudential
regulator to
oversee regulation
of the UK's
financial sector**