



The Bank of England

The Bank of England is the central bank of the United Kingdom and, therefore, plays a vital role in the country's economy. It dates back to 1694, when it was founded as a private bank to act on behalf of the Government. The bank has been located at Threadneedle Street in the iconic white-stoned building at the centre of London ever since 1734, although it has undergone significant expansion, rebuilding and refurbishment over the years.

As a central bank, the Bank of England doesn't have the same function as a high street bank or building society. It doesn't hold personal bank accounts for citizens in the UK, instead it issues bank notes, sets the interest rate and produces reports and forecasts on the UK economy. These core functions are very much reduced from the past, where the Bank of England acted as a high street bank itself with branches around the country. It was 1946 when it became nationalised and owned by the Government rather than private stockholders.

There are four denominations of UK banknotes and the Bank of England is responsible for producing them. They need to ensure they aren't counterfeits and regularly update the notes, both the prints as well as the safety features. The main interest rate is also set by the Bank of England. Other financial institutions use this interest rate as a base for their own interest on products and services they offer, including mortgages, loans and savings. In times of heightened inflation, they make the decision to increase interest rates to try and balance the economy. Finally, the Bank of England releases regular reports and forecasts on the UK economy. Although the reports and data are not always right and are often seen as offering a

gloomy overview of the economy, they are useful to provide insight to foreign investors, information on trends to citizens of the UK and to support the government in making financial decisions.

The central bank also supports local high street banks and building societies. If banks are on the brink of collapse, the Bank of England could potentially bail them out or ensure that taxpayers and investors in the UK aren't too badly affected.

So, how does the Bank of England make money? It is a public body, however, it isn't funded by the government. Therefore, they are responsible for generating their own funds. This is done through regulation fees of banks, charging to produce banknotes, investments and fees for overseas banking services and government consultancy. At the time of writing, the capital of the bank is around £14.6 million. As a public body, the Bank of England is held to account by the UK Parliament. A special body, the House of Commons Treasury Committee, has the ability to question decisions and management of the Bank of England. Any meetings that take place between staff at the Bank of England and this Committee are broadcast to the public.

The leader of the Bank of England is known as the Governor, who holds a very prominent position in the UK financial sector. Through various legislation, the Government has the power to select the Governor for the Bank of England. This tends to be the recommendation of the Chancellor of the Exchequer, approved by the Prime Minister and officially appointed by the Monarch. Governors can only serve eight years in the role.