

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT BANK FOR INTERNATIONAL
SETTLEMENTS (IMMUNITIES AND PRIVILEGES)
ORDER 2021

Tuesday 9 February 2021

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Saturday 13 February 2021

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The Committee consisted of the following Members:

Chair: †DR RUPA HUQ

Abrahams, Debbie (*Oldham East and Saddleworth*)
(Lab)

Andrew, Stuart (*Treasurer of Her Majesty's
Household*)

Bacon, Gareth (*Orpington*) (Con)

† Docherty, Leo (*Aldershot*) (Con)

† Doughty, Stephen (*Cardiff South and Penarth*)
(Lab/Co-op)

† Duddridge, James (*Parliamentary Under-Secretary
of State for Foreign, Commonwealth and
Development Affairs*)

Eagle, Maria (*Garston and Halewood*) (Lab)

Freer, Mike (*Comptroller of Her Majesty's
Household*)

Harris, Rebecca (*Lord Commissioner of Her Majesty's
Treasury*)

Morris, Grahame (*Easington*) (Lab)

Morrissey, Joy (*Beaconsfield*) (Con)

Pursglove, Tom (*Corby*) (Con)

Thompson, Owen (*Midlothian*) (SNP)

Throup, Maggie (*Lord Commissioner of Her
Majesty's Treasury*)

Timms, Stephen (*East Ham*) (Lab)

† Tomlinson, Michael (*Lord Commissioner of Her
Majesty's Treasury*)

† Twist, Liz (*Blaydon*) (Lab)

Seb Newman, *Committee Clerk*

† **attended the Committee**

Third Delegated Legislation Committee

Tuesday 9 February 2021

[Dr Rupa Huq *in the Chair*]

Draft Bank for International Settlements (Immunities and Privileges) Order 2021

9.25 am

The Chair: Before we begin, I would like to remind Members to observe social distancing; I think everyone is sitting where ticks indicate availability. Mr Speaker has stated that masks must be worn when Members are not speaking. All notes should be sent to Hansardnotes@parliament.uk.

The Parliamentary Under-Secretary of State for Foreign, Commonwealth and Development Affairs (James Duddridge): I beg to move,

That the Committee has considered the draft Bank for International Settlements (Immunities and Privileges) Order 2021.

The Order has been negotiated as part of a host country agreement to support the establishment of the new Bank for International Settlements Innovation Hub in London. The order is required so that the United Kingdom can fully comply with its obligations as host country under the host country agreement.

In 2020, it was announced that the Bank of England was successful in its bid to host the hub in the UK. It will conduct research on the emerging trends in financial technology and help the global central banking community ensure that innovation does not negatively impact on consumers and the stability of the financial system. Of course the UK is a leader in FinTech, and the sector is worth more than £11 billion annually to the UK. It is a success and that is largely based on the UK's policy and regulatory expertise on innovation in the financial sector and FinTech. London's selection very much reflects that success.

The order includes limited immunity for legal processes in respect of staff in relation to their official acts and certain tax exemptions. Those immunities ensure that public funds supporting international financial institutions, such as the Bank for International Settlements, are spent purely on the delivery of their work, and do not simply add to the tax revenue of the country. They were part of a bid condition to host the Bank for International Settlements. Our hosting of the BIS hub is good news for the UK, and to host this beneficial organisation is a success for the UK.

The order simply sets out the logistics to allow the Bank for International Settlements to establish itself in London, and I commend the order to the Committee.

9.28 am

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): It is a pleasure to see you in the Chair, Dr Huq.

As the Minister said, the order is simply designed to put in place the standard diplomatic immunities and privileges that go with the establishment of any international institution in the UK. The Opposition will not vote against it, but I have a number of questions.

The UK is a global leader in financial innovation and technology, and the Bank of England's success in bidding to host the Bank for International Settlements Innovation Hub reflects our continued high standing. Technology is of course changing all aspects of the global economy, including in the global south, and technology will play a crucial role in ensuring that financial systems are effective, resilient and inclusive. It is also crucial to our economy, and we are at the forefront of many FinTech innovations. The establishment of the UK hub will allow us to collaborate with many others to innovate through research and other technical means.

The Bank for International Settlements is one of the world's oldest financial institutions. It has played a significant role as the bank to central banks for more 90 years, from the central banks gold pool co-ordination during the early days of the Bretton Woods system through to supporting monetary co-operation among European Community central banks. It has also played a supportive role in many active financial co-operation initiatives and continues to do so, including working on new opportunities presented by environmentally friendly and green investment technologies. The Opposition are very happy to see the Bank for International Settlements establish a hub in the UK, and support the granting of the appropriate immunities and privileges.

We have seen some issues in the past associated with diplomatic status in the UK being abused or not used appropriately. Some examples have related to very serious cases, and others have related to the payment of parking charges and the congestion charge in London. How will the new immunities work? I note that the order contains an exemption relating to traffic penalties, but what is the Government's standard on all such institutions? London is a hub, and we host many international bodies, including the International Maritime Organisation just across the river from us, so what is the Government's policy on immunities?

The order allows for the exercise for the first time of the powers in section 12 of the International Development Act 2002. Can the Minister confirm whether any further regulations will be invoked under those powers? Can the Minister confirm that the host country agreement is similar to those put in place wherever the BIS has opened hubs around the world? Are we doing anything different from those other locations where it has established hubs or offices? Will any specific funding or resources be provided to the BIS by the UK Government, for example the use of property or any grant funding? Will any of that be earmarked as official development assistance spending? How will the activities of the London hub be made transparent and accountable, so that we understand the type of work it carries out? I am sure that there is much that we will want to welcome, but many questions surround some of the more negative aspects of international financial technology. We have heard some lively debates in the past few days about crypto currencies and trading based on Reddit tips and so on. I am assuming that the BIS hub will look at the positive ways in which innovation in FinTech can be used for the benefit not just of this country but globally, including those countries currently excluded from many financial processes. How will the hub balance those positive and potential negative aspects of FinTech?

The past three decades have seen the significant internationalisation of the BIS from its original European focus, but Europeans still account for 50% of its membership. Of the rest of the world, the number of countries with central banks and monetary authorities stands at five from South America, three from Africa and two from Oceania. The majority of the developing world across the global south is simply not represented. Will the UK as a member organisation of the BIS and as a host of the hub push for greater global representation to ensure that the work of the bank is fully inclusive?

We support the order and the standard process it represents, but I would appreciate some answers from the Minister to my questions.

9.32 am

James Duddridge: I thank the hon. Gentleman for his constructive approach, and his helpful questions.

On abuse of diplomatic status, the immunities provided would not include parking charges. The immunities and privileges relate to the organisation in pursuit of its activities, not to individuals nor their families.

There is no cross-over between the terms of this limited order and any plans relating to ODA or IDA in any way, shape or form.

In terms of other BIS hubs, the only difference in terms of immunities and privileges is that we have tightened the terms of the order, given recent cases. I am aware of no other differences.

The flow of money to the BIS hub is through the Bank of England, but certainly we will not spend ODA on that hub, so there should be no confusion whatsoever about that: I am leading on this statutory instrument because it is an immunities and privileges order. In terms of the accountability of FinTech, its impact is largely positive although I acknowledge that there are some negative aspects. I will pass on the hon. Gentleman's comments in that respect to Her Majesty's Treasury, which leads on this in a departmental sense, although the Bank of England is the member organisation of the BIS.

The hon. Gentleman made a very good point about wider membership of the BIS. As I said earlier, the hub will have an effect on the developing communities, which in many ways operate in less of a regulatory environment but are moving at faster pace, so the more countries we can bring into the BIS, the better.

Question put and agreed to.

9.34 am

Committee rose.

