



OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS

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1. You sought the Committee's advice on taking up work under your independent consultancy, Matrix Partners Ltd.

The Committee's role and remit

2. As you will be aware, it is the Committee's role to advise on the conditions that should apply to appointments or employment under the Government's Business Appointments Rules for Former Ministers (the Rules), which apply to former Ministers for two years after they leave office. The Rules seek to counter suspicion that:

- a) the decisions and statements of a serving Minister might be influenced by the hope or expectation of future employment with a particular firm or organisation; or
- b) an employer could make improper use of official information to which a former Minister has had access; or
- c) there may be cause for concern about the appointment in some other particular respect.

3. When the Committee considers applications, it must have in mind that Government has judged that it is in the public interest that former Ministers with experience in Government should be able to move into business or into other areas of public life, and to be able to start a new career or resume a former one. It is equally important that when a former Minister takes up a particular appointment or employment, there should be no cause for any suspicion of impropriety.

4. It is not the Committee's role to pass judgment on whether an appointment is appropriate or suitable in any other regard.

Appointment details

5. You sought the Committee's advice on taking up a paid, part time role with Nomura Holdings, under your independent consultancy. Nomura is an Asia-headquartered financial

services group. Its website states that it connects markets and works with individuals, institutions, corporates and governments through its four business divisions: Retail, Asset Management, Wholesale (Global Markets and Investment Banking), and Merchant Banking. You state you will offer strategic advice to the Advisory Board of this Japanese Bank. You said Nomura, as Asian bank, was seeking to increase its global perspective and were adding yourself and a northern American member to its Global Advisory Board to allow it to take a more global view on future trends.

6. You informed the Committee as one of Japan's largest investment banks with a significant presence in the UK, Nomura will have been included with other industry representatives in many sectoral meetings with you/ the Prime Minister and Her Majesty's Treasury (HMT) officials. The purpose of these meetings was to reassure foreign banks operating in London, such as Nomura, of the continuation of a favourable operating environment post-Brexit. You further said you only held one bilateral meeting with Nomura senior management. This was at the residence of the HM Ambassador in Tokyo in the presence of the Ambassador, in summer 2019. However, you noted that as with all major banks operating in London, Nomura will have regular contact with HMT via its officials.

7. In relation to your access to information about competitors, you said that in your role as Chancellor you would have had numerous meetings with other individual banks and representatives of the banking sector in London. You further stated as Chancellor you would have been privy to sensitive information regarding the stability, solvency and liquidity of individual institutions in the UK banking sector considered to be '*potentially at risk*'. You said this information was extremely market sensitive at the time, and therefore also highly time sensitive. You confirmed you have had no access to such information since you left office, noting this was over six months. You did not consider any information you had access to during your time in office would now be considered market sensitive.

8. You also noted you were involved in the development of departmental policy towards the foreign-owned bank sector in the UK in the aftermath of the Referendum decision, and in the development of both EU and UK regulatory policy. You confirmed none of the decisions taken were specific to Nomura or in response to lobbying by Nomura.

9. The Permanent Secretary at HMT was consulted about this application. HMT confirmed your meeting with Nomura and further stated it regularly meets with Nomura at official and ministerial level to discuss priority issues in financial services. HMT's meetings with Nomura were part of a wider programme of engagement with the sector, issues discussed include: Brexit, UK-Japan economic relations, and UK financial services policy.

10. HMT said over the period you were Chancellor of the Exchequer:

- you would have been privy to sensitive information related to specific financial institutions in line with HM Treasury's financial stability objective. For example the underlying causes of risks to certain 'potentially at risk' firms That information in particular was shared through a confidential information gateway, explicitly set out in legislation (Regulation 3 of the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001). Section 348 of of this highlights the

restrictions on disclosure of such information and therefore disclosure, may constitute a **criminal offence**.

- any information you were privy to through the gateway above is extremely market sensitive and, over time the market sensitive nature of such information may diminish and information may cease to be confidential.
- your role covered much of the Brexit planning process. HMT said it considered it worth noting that while a significant amount of Brexit policy was started under yourself, it was not completed, and was taken forward by the next Chancellor; and
- you had regular meetings with financial services firms, as would be expected with any Chancellor. Many of these meetings were roundtables (where firms are unlikely to reveal commercially sensitive information in front of their competitors) or bilateral meetings largely focused on Brexit, often with a focus on government reassuring firms.

HMT said it did not consider you hold any sensitive information, though it could not guarantee all information you had access to in office is no longer relevant (in particular, the underlying causes of risks to certain 'potentially at risk' firms could still remain extremely sensitive). However, it gave weight to the fact disclosure of this information is likely to be against the law, as above. HMT therefore wanted to make you aware that you continue to remain subject to your obligations for handling market sensitive information and the disclosure restrictions set out in section 348 of FSMA 2000¹ for the information that you had access to during this period as Chancellor.

11. HMT has no concerns about you taking up this commission, in light of the above.

The Committee's consideration

12. The Committee noted that this work is consistent with the description of your consultancy which you described as a vehicle for development of an advisory and consultancy business, offering advice to companies and organisations in the UK and overseas.

13. This work is related to your time in office. As former Chancellor, the Committee noted you have significant knowledge of fiscal and monetary policy, including taxation and trade policy. The Committee was mindful that any Chancellor is inevitably involved in policy that impacts widely on almost all business sectors. This information could be perceived to offer Nomoura or any business an unfair advantage. However, whilst any company stands to gain from your profile, skills and experience in these matters, there are significant mitigating factors which reduce the scope for you to offer an unfair advantage to your new employer. The Committee gave weight to HMT's view that there is a low risk in connection with your access to sensitive information that could provide an unfair advantage. This is due to:

- a. the amount of time that has passed since you were in office, including movement in market sensitivity in the last several months and that your focus was on no deal planning;
- b. and the scope of some of the information you might have had access to, which, if drawn on by you, would likely constitute a criminal offence

¹ Regulation 3 of the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001

As with all former ministers, you are prevented from drawing on privileged information from your time in office.

14. The Committee also noted that during your time as Chancellor you would have led on Brexit related policy and no deal planning. The Committee considered HMT's comments that now the UK has left the EU, there is little risk that the information gained from no deal preparation will offer a significant advantage to your potential clients. However, the Committee recognised that negotiations are still ongoing, so there could be a risk, however small, you might offer an unfair advantage with regard to your insight here. Therefore, the Committee would draw your attention to the ban on use of privileged information that applies to all former Ministers. In his context, it would remind you this prevents you from advising on matters related to the UK's exit from the EU insofar as it relates to your time in office, including ongoing negotiations between the UK and other countries where it would draw on privileged insight.

15. Given your seniority and profile as the former Chancellor of the Exchequer, there is a risk it could be perceived your contacts might assist Nomura. Not only will you have built a substantial network of contacts across the UK Government/ Whitehall, as Chancellor you will also have contacts in foreign governments. You confirmed this work with Nomura will not be focused on the UK, but rather on strategic issues at a global level. While this helps mitigate some risk, the Committee would like to draw your attention to the restrictions on lobbying contacts you have formed in other Governments and organisations for the purpose of securing business for future clients. Further, the Committee would also draw your attention to the restriction on providing advice on the terms of, a bid or contract relating directly to the work of the UK Government, so as to not provide an unfair advantage to your clients if they apply for contracts or funding from the Government. These restrictions would be in keeping with your proposed role to offer strategic advice on global issues.

16. As this proposed work relates to your time in office there are inherent risks associated with the sensitive information you may have had access to. The Committee considered a waiting period would normally be required to put a gap between your time in office and the taking up of this role with Nomura. However, given the amount of time that has passed since your time in office (8 months) and the conditions imposed below, the Committee considered no further waiting period is necessary.

17. Taking into account the above, in accordance with the Government's Business Appointment Rules, the Committee advises your work with **Nomura Holdings Inc** be subject to the same conditions as your independent consultancy:

- that you should not draw on (disclose or use for the benefit of yourself or the organisation to which this advice refers) any privileged information available to you from Ministerial office. In the context of this general provision, the Committee considers you should specifically avoid giving those you advise under your independent consultancy, or its subsidiaries, partners or clients, privileged insight into the Brexit related issues, insofar as it as it pertains to the negotiating position of the UK Government and other parties to the negotiations prior to the date upon which you left ministerial office, whether generally or regarding fiscal matters;

- for two years from your last day in ministerial office, you should not become personally involved in lobbying the Government on behalf of those you advise under your independent consultancy (including parent companies, subsidiaries and partners). Nor should you make use, directly or indirectly, of your government and/or Ministerial contacts to influence policy, secure funding/business or otherwise unfairly benefit those you advise under your independent consultancy (including parent companies, subsidiaries and partners);
- for two years from your last day in ministerial office, you should not become personally involved in lobbying contacts you have developed during your time in office and in other Governments and organisations for the purpose of securing business for any company or organisation (including parent companies, subsidiaries and partners);
- for two years from your last day in ministerial office, you should not provide advice to any company or organisation on the terms of, or with regard to the subject matter of, a bid with, or contract relating directly to the work of the UK Government; and
- for two years from your last day in ministerial office, before accepting any commissions for your independent consultancy and or/before extending or otherwise changing the nature of your commissions, you should seek advice from the Committee. The Committee will decide whether each commission is consistent with the terms of the consultancy and consider any relevant factors under the Business Appointment Rules.

18. By 'privileged information' we mean official information to which a Minister or Crown servant has had access as a consequence of his or her office or employment and which has not been made publicly available. Applicants are also reminded that they may be subject to other duties of confidentiality, whether under the Official Secrets Act, the Ministerial Code/ Civil Service Code or otherwise.

19. The Business Appointment Rules explain that the restriction on lobbying means that the former Crown servant/Minister *"should not engage in communication with Government (Ministers, civil servants, including special advisers, and other relevant officials/public office holders) – wherever it takes place - with a view to influencing a Government decision, policy or contract award/grant in relation to their own interests or the interests of the organisation by which they are employed, or to whom they are contracted or with which they hold office."*

20. I should be grateful if you would inform us as soon as you take up this consultancy and/ or commission, or if it is announced that you will do so, either by returning the enclosed form or by emailing the office at the above address. We shall otherwise not be able to deal with any enquiries since we do not release information about appointments that have not been taken up or announced. This could lead to a false assumption being made about whether you had complied with the Ministerial Code. Similarly, I should be grateful if you would inform us if you propose to extend or otherwise change your role with the organisation as depending on the circumstances, it might be necessary for you to seek fresh advice.

21. Once this consultancy is in operation, or has been publicly announced, we will

publish this letter on the Committee's website, and where appropriate, refer to it in the relevant annual report.

The Rt Hon Philip Hammond

The Baroness Browning