

From the Chair



OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS

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BUSINESS APPOINTMENT APPLICATION: Bim Afolami FRSA, former Economic Secretary to the Treasury. Paid appointment with HSBC UK Bank Plc.

1. You sought advice from the Advisory Committee on Business Appointment (the Committee) under the government's Business Appointment Rules for Former Ministers (the Rules) on an appointment you want to take up with HSBC UK Bank Plc (HSBC).
2. The purpose of the Rules is to protect the integrity of the government. The material information taken into consideration by the Committee is set out in the annex.
3. The Committee¹ considered whether this work was unsuitable given the overlap between your responsibilities as the Economic Secretary to the Treasury and HSBC, a British universal bank and financial services company. The Committee also considered the information provided by you and the department about your access to information and decision making in office.
4. The Committee has advised that a waiting period and a number of conditions be imposed to mitigate the potential risks to the government associated with this appointment under the Rules. This is not an endorsement of this appointment in any other respect.
5. The Ministerial Code sets out that ministers must abide by the Committee's advice. It is an applicant's personal responsibility to manage the propriety of any appointment. Former ministers of the Crown, and Members of Parliament,

¹ This application for advice was considered by Andrew Cumpsty; Hedley Finn OBE; Sarah de Gay; Dawid Konotey-Ahulu CBE DL; The Rt Hon Lord Eric Pickles; Michael Prescott; The Baroness Thornton and Mike Weir. Isabel Doverty was unavailable.

are expected to uphold the highest standards of propriety and act in accordance with the 7 Principles of Public Life.

The Committee's consideration of the risks presented

6. HSBC is the largest bank in Europe and as a national financial institution, HSBC is regulated by the Financial Conduct Authority². HSBC is a significant stakeholder to several government departments, including your former department, HM Treasury. You seek to take up a role as Non Executive Director (NED) which involves helping to develop proposals on the company's strategy.
7. As Economic Secretary to the Treasury, you met with HSBC and other companies operating in banking and financial services; and you were responsible for overall policy related to regulation in financial services. Whilst this included a programme of reform to UK banking, the opening of more banking hubs and regulation of financial services institutions, HM Treasury said you were not responsible for decisions which specifically advantaged HSBC. Therefore, the Committee considered the risk this role could reasonably be perceived as a reward for decisions made, or actions taken, in office is limited.
8. You would have had access to information that could be seen to benefit HSBC. For example, you were involved in multiple discussions and decisions which afforded you such access. In particular, policy development on financial stability contingency planning and payments infrastructure. There are factors that help to reduce these risks, including that: the risk relates to your general access to information, as opposed to any specific information or relevance; and a range of fiscal and economic decisions being made by the current government, including the recently announced Autumn budget³, puts information into the public domain and changes the direction of policy.
9. The Committee agreed with HMT that, despite those limiting factors, there remains a risk associated with your access to information on policy discussions, alongside your engagement in the sector including with competitors of HSBC. Whilst you cannot know what decisions will be made in the future, you do have privileged insight generally into policy options being considered and you had access to companies operating within the sector, until recently.
10. HSBC has a clear interest in government policies, regulation and funding decisions. There is a significant risk that you could provide the company with unfair access to, or influence within, government. Given HSBC's stakeholder relationship with government predates your time in office, the risk n you have

² The Financial Conduct Authority is an arm's length body of His Majesty's Treasury

³ <https://www.gov.uk/government/publications/autumn-budget-2024>

been employed to provide access is somewhat limited. You stated that your role will not involve contact with, or lobbying of government and that your role is internal to advising HSBC.

11. The Committee has also taken into account that you gained experience within this sector, some years ago, prior to joining government.

The Committee's advice

12. There are risks under the Rules associated with your responsibilities in office directly overlapping with this work. The main risk is that your closeness to the sector risks being seen as offering unfair access to information about policy options within the investments landscape – which could confer an unfair advantage to HSBC. The Committee is also mindful of major decisions now made and in the public domain as a result of the Autumn Budget and other decisions by the government since you left office.
13. To mitigate the risks, the Committee recommends a gap between your access to information and responsibilities in office, and a limitation to the role. The Committee determined that a six-month gap from your last day in ministerial office would be appropriate. Further, your role must remain internal as described and you should not advise HSBC on matters that directly relate to your privileged insight – such as investment reforms, policy development on financial stability contingency planning and payments infrastructure.
14. The remaining risks associated with your access to privileged information, contacts and influence gained from your time in office are appropriately mitigated by the remaining conditions below.
15. The Committee advises, under the government's Business Appointment Rules, that your role with **HSBC UK Bank Plc** should be subject to the following conditions:
 - a waiting period of six months from your last day in ministerial office;
 - you should not draw on (disclose or use for the benefit of yourself or the persons or organisations to which this advice refers) any privileged information available to you from your time in ministerial office;
 - for two years from your last day in ministerial office, you should not become personally involved in lobbying the UK government or its arms' length bodies on behalf of HSBC UK Bank Plc (including parent companies, subsidiaries, partners and clients); nor should you make use, directly or indirectly, of your contacts in the government to influence policy, secure business/funding or

otherwise unfairly advantage HSBC UK Bank Plc (including parent companies, subsidiaries, partners and clients);

- for two years from your last day in ministerial office, you should not provide advice to HSBC UK Bank Plc (including parent companies, subsidiaries, partners and clients) 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 or its arm's length bodies; and
- for two years from your last day in ministerial office, your role should be limited to your duties as Non-Executive Director, as described in this advice; and you should not advise HSBC UK Bank Plc clients directly or indirectly. In doing so, you must not advise HSBC UK Bank Plc on matters that draw from your privileged insight from your time as Economic Secretary to the Treasury – for example, reforms to the investment research rules and regulatory matters from your time in office that remain in flux.

16. The advice and the conditions under the government's Business Appointment Rules relate to your previous role in government only; there are separate rules administered by other bodies such as the Office of the Registrar of Consultant Lobbyists, the Parliamentary Commissioner for Standards and the Registrar of Lords' Interests.⁴ It is an applicant's personal responsibility to understand any other rules and regulations they may be subject to in parallel with this Committee's advice.

17. 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 Civil Service Code or otherwise.

18. 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."

⁴ All Peers and Members of Parliament are prevented from paid lobbying under the the House of Commons Code of Conduct and the Code of Conduct for Members of the House of Lords. Advice on your obligations under the Code can be sought from the Parliamentary Commissioners for Standards, in the case of MPs, or the Registrar of Lords' Interests, in the case of peers

19. You must inform us as soon as you take up employment with this organisation, or if it is announced that you will do so. Please also inform us if you propose to extend or otherwise change the nature of your role as, depending on the circumstances, it may be necessary for you to make a fresh application.
20. Once the appointment has been publicly announced or taken up, we will publish this letter on the Committee's website, and where appropriate, refer to it in the relevant annual report.

The Rt Hon Lord Pickles

Annex – Material information

The role

1. HSBC is one of the world's largest banking and financial services, covering 62 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America. Its present form was established in London by the Hongkong and Shanghai Banking Corporation (HSBC). Its customers include individual savers, investors, companies, governments and international organisations. HSBC's website states its services cover 3 main areas:
 - Wealth and personal banking
 - Commercial banking
 - Global banking and markets
2. HSBC has a dual primary listing on the Hong Kong Stock Exchange and London Stock Exchange and is a constituent of the Hang Seng Index and the FTSE 100 Index. It has secondary listings on the New York Stock Exchange, and the Bermuda Stock Exchange. HSBC is a major stakeholder with government, including HM Treasury.
3. In your, paid, role as Non Executive Director, you said you will have no contact with government and will:
 - challenge constructively and help develop proposals on strategy;
 - scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
 - consider the integrity of financial information and that financial controls and systems of internal control and risk management are robust and defensible;
 - devote sufficient and appropriate time to developing and refreshing knowledge and skills;
 - uphold high standards of integrity and probity and support the Chairman and the other Directors in instilling the appropriate culture, values and behaviours

in the boardroom and beyond.

In doing so you will:

- insist on receiving high-quality information sufficiently in advance of board meetings; and
 - take into account the views of shareholders and other stakeholders, where appropriate.
4. You also noted that this draws on experience gained before entering parliament in 2017:
- ten years in the City of London; first as a corporate lawyer at Freshfields Bruckhaus Deringer and Simpson Thacher & Bartlett; moving into banking in restructuring and strategy; and a senior executive at HSBC from May 2015 to May 2017 where you did financial strategy.

Dealings in office

5. You gave the Committee the following information about your role as Economic Secretary to the Treasury:
- You met HSBC and several other British banks on several occasions (at roundtables) whilst in office, as part of the programme of engagement that you and the Chancellor were doing in order to discuss finance in the UK. You said these meetings were designed as intelligence gathering meetings ahead of formulating their policy towards the British banking environment as a whole. Senior HMT officials and your private secretary were present. You stated no decision resulted from these meetings.
 - You stated the only precise regulatory decision that you made that affected HSBC also affected all British banks – your policy to press the sector to open more banking hubs and close fewer branches. You said that you believe this led to considerable disquiet with you in the sector.
 - You were not involved in any decisions that would have provided an unfair advantage to HSBC.
 - You do not consider you have any access to sensitive information that could grant HSBC or its clients an unfair advantage.

Departmental assessment

6. HM Treasury (HMT) provided the Committee with the following information:
- You met with and attended events hosted by or also attended by HSBC, other banks and financial institutions during your tenure as EST which are listed at the bottom of this annex. HMT stated these were information-gathering endeavours, and confirmed that no specific

regulatory, commercial or policy decisions arose from this, nor were you involved in any decisions that had a specific impact that benefitted HSBC.

- HSBC UK Bank plc and HSBC Holdings plc (its parent company) are significant stakeholders and HSBC's extensive operations and influence within both the UK and global financial markets make them important partners and key considerations for HMT in shaping economic policies and financial regulations.
- You were responsible for financial services policy, reform and regulation; financial services tax; financial sanctions and countering economic crime; money laundering and illicit finance; personal savings tax and pensions tax policy; foreign exchange reserves and debt management policy (including green gilt); National Savings and Investment; Debt Management Office (DMO); parliamentary deputy on economic issues; overseas Territories and Crown Dependencies; and supporting the Chancellor with their overall responsibility for appointments.
- You were involved in decisions broadly affecting the banking sector, but none specific to HSBC. You were responsible and made decisions on policy areas that impacted HSBC -such as:
 - Capital Markets Reforms
 - De-banking, Basel 3.1
 - Open Banking
 - Open Finance
 - Ring-fencing, including being sighted on FCA policy decisions that impacted HSBC.

However, such policy reforms have not become law and are now the responsibility of the current government.

- This means you had access to a range of sensitive information relating to the sectors in which HSBC operates, including access to policy discussions and options. This included contingency planning conducted by UK authorities on scenarios that might impact HSBC and financial stability. For example, modelling into what the impact to HSBC's and Standard Chartered Bank's businesses might be under various downside scenarios. Further, you will also have had access to some information at the 'TOP-SECRET' classification relevant to payments infrastructure, in which HSBC will have an interest. However, the department stated and it does not consider this information would be of significant commercial advantage to HSBC and you are legally bound to protect this information,
- You may have received commercially sensitive information in meetings with banks and other financial institutions. .

7. HM Treasury recommended the standard conditions and three month waiting period. This was recommended as a result of HSBC's regular engagement with

government on policy; your regular meetings with competitors in the sector and access to privileged information relating to policy development which likely overlaps with the role as a Non Executive Director in this sector.

Meetings with HSBC:

- UK Finance External Affairs Committee on 21.5.24
- Meeting Sir Mark Tucker (Group Chair) on 8.1.24
- Hosting a Roundtable on Advice Guidance on 18.1.24
- Chancellor's Capital Markets Breakfast on 9.1.24
- Meeting Ian Stuart (UK CEO of HSBC) on 18.1.24
- Chancellor's Financial Services Business Breakfast on 23.1.24
- Debt Management Office (DMO) Annual Conference on 29.1.24
- Meeting with HSBC US Leadership Team in New York on 14.2.24
- Hosting a Roundtable on Digital Gilts on 22.2.24
- Hosting a Roundtable on Open Finance FinTech on 26.3.24

Meetings with competitors:

- J.P. Morgan UK Leaders Conference on 21.11.23
- Financial Times Global Banking Summit on 29.11.23
- Clare Woodman (EMEA CEO, Morgan Stanley) on 6.12.23
- Visiting Morgan Stanley's Glasgow Office on 5.12.23
- Simon Linnett (Executive Vice Chairman, Rothschild) on 18.12.23
- Robert Leitao (Head of Global Advisory, Rothschild) on 22.1.24
- Claire Sudden-Spiers (Global Head of Equity Capital Markets, Rothschild), Nicola King (Head of Government Advisory Business) and Simon Linnett (Executive Vice Chairman in Global Financial Advisory) on 22.1.24
- Gillian Sheldon (Vice Chair of UK Investment Banking, Morgan Stanley) and Ben Grindley (Co-Head of UK & Ireland Investment Banking, Morgan Stanley) on 21.1.24
- Bea Martin (UK CEO, UBS) on 30.1.24
- Richard Gnodde (CEO, Goldman Sachs International) on 1.2.24
- Katharine Braddick (Group Head of Strategic Policy, Barclays) on 7.2.24
- Charlie Jacobs (Co-Head of UK Investment Banking, J.P. Morgan) and Henry Knapman (Managing Director) on 7.2.24
- Eurofi Conference in Gent on 21.2.24
- Emmanuelle Bury, (UK Country Head, BNP Paribas) on 15.4.24
- Bernard Mensah (President of International, Bank of America) on 23.4.24
- Barclays' Canary Wharf Office on 25.4.24
- Lazard Office Lunch Event on 29.4.24
- Lazard T500 Venture & Growth Conference on 8.5.24
- Goldman Sachs UK Investors Roundtable on 21.5.24