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12th December 2011  
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Ref: 11/971

Dear Mr Smith

## FREEDOM OF INFORMATION ACT 2000: INDEPENDENT COMMISSION ON BANKING

Thank you for your request for information dated 12<sup>th</sup> November 2011 which we received on 14<sup>th</sup> November 2011.

You asked for information covering –

- Any evidence that the secretariat called the attention of members of the commission to the evidence submitted by Richard Werner to the ICB Issues Paper.
- Whether a draft version of either the interim report or the final report make any reference to Richard Werner's evidence.
- Whether any written criteria were set as to what evidence should have been selected for consideration by the commission.

The Treasury has evidence that the secretariat did call to the attention of the Commissioners of the ICB to evidence submitted by Richard Werner in a paper discussing the issue of narrow banking. This paper refers to the issues raised by Richard Werner's individual work and his collaborative submission with the New Economics Foundation (Nef) and Positive money. An extract is below:

### **"Narrow and limited purpose banking (27 unique responses)**

*Very few responses supported stand alone narrow banks, with reasons against them ranging from the costs, the levels of value destruction in doing so, the implications for the wider economy and the nature of the financial system as it is today. Larry Kotlikoff did respond in favour of his limited purpose banking model, and others did see it favourably where it was part of a wider banking group, such as Accenture. JPMorgan saw it as making credit more procyclical and allowing governments huge deficits, which would enhance instability. A subgroup of these responses, including The New Economics Foundation, Jonathan Semple and Bill Clarke, took a more fundamental approach and want to see the end of fractional reserve banking, with the central bank as the only body able to create credit. This is part of the Positive Money campaign which wants to see the end of private money creation as a means to better control the money supply and avoid overexpansion of credit. Paul Wiscombe wanted to see a bank in which retail deposits were merely stored and not used for maturity transformation, and the Bank of Britain*



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*want to see the Post Office set up as a state-backed provider of financial services to the public."*

The Treasury does not hold Richard Werner's individual submission or his collaborative submission with Nef and Positive Money within the documents that were received from the ICB on its closure. However, submissions can still be viewed on the ICB's website:

<http://bankingcommission.independent.gov.uk/responses/>

The final report was published at on 12<sup>th</sup> September at <http://bankingcommission.independent.gov.uk>. The final report was informed by Mr Werner's submission amongst others, but did not include explicit references to all submissions received by the ICB.

I can confirm there are no documents held by the Treasury that contain criteria as to what evidence should have been selected for consideration by the ICB. None the less, the ICB did summarise the responses on its website, with links to all responses received at the link above.

If you have any queries about this letter, please contact me. It will help us if you remember to quote the reference number above in any future communications.

Information Rights Unit

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Any review request must be made within 2 months of the date of this letter.

It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

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