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RECORD OF THE FINANCIAL POLICY COMMITTEE MEETING

20 NOVEMBER 2013

This is the record of the Financial Policy Committee meeting held on 20 November 2013.

It is also available on the Internet:
http://www.bankofengland.co.uk/publications/Documents/records/fpc/pdf/2013/record1312.pdf

The Financial Policy Committee (FPC) was established under the Bank of England Act 1998, through amendments made in the Financial Services Act 2012. The legislation establishing the FPC came into force on 1 April 2013. The objectives of the Committee are to exercise its functions with a view to contributing to the achievement by the Bank of England of its Financial Stability Objective and, subject to that, supporting the economic policy of Her Majesty's Government, including its objectives for growth and employment. The responsibility of the Committee, with regard to the Financial Stability Objective, relates primarily to the identification of, monitoring of, and taking of action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC is established as a sub-committee of the Bank of England's Court of Directors.

The FPC will next meet on 19 March and the Record of that meeting will be published on 1 April.

RECORD OF FINANCIAL POLICY COMMITTEE MEETING HELD ON 20 NOVEMBER 2013

At its meeting on 20 November 2013, the Financial Policy Committee agreed the following recommendation:

1. **The Financial Conduct Authority (FCA) should require mortgage lenders to have regard to any future FPC recommendation on appropriate interest rate stress tests to use in the assessment of affordability.**

The Committee's review of its pre-existing recommendations is set out in this Record. A list of extant recommendations is given in the Annex.

1. The Committee reviewed the risks to financial stability and, in the light of that assessment, progress against its outstanding set of recommendations. The Committee also considered its initial response to a request on leverage issues from the Parliamentary Commission on Banking Standards (PCBS) and agreed its response to a request by the Chancellor to set out the medium-term risks that it will pursue as a priority.

Potential risks to financial stability

2. The Committee's full assessment of the macroeconomic and financial environment and the associated prospects for financial stability are set out in the November 2013 *Financial Stability Report*. A summary of that assessment is provided below.

3. Economic recovery in the United Kingdom, and in some other advanced economies, had strengthened and UK banks' capital positions had improved. Indicators of financial market volatility had been at low levels and the Bank's latest *Systemic Risk Survey* had suggested that market concerns about tail risks had fallen. Furthermore, the sharp rise in long-term interest rates that had occurred over the summer and the increased concerns in the autumn about a possible technical default by the US Federal Government had not had lasting effects on financial stability indicators.

4. Risk appetite in advanced economies appeared to have returned. Since June, equity indices had increased, equity risk premia had fallen and corporate bond spreads had tightened slightly. In addition, there had been increased issuance of higher yield debt instruments, collateralised loan obligations (CLOs) and bonds that incorporate less restrictive covenants.

5. The Committee's assessment was that financial stability risks remained, including from the high indebtedness of some sovereigns, corporates and households. These vulnerabilities had been kept in check by the low interest rate environment and a range of other policy interventions. While perceived tail risks from the euro area had receded, reflecting a somewhat improved economic outlook and progress on strengthening banking systems, the Committee considered that the economic outlook in the euro area remained challenging.

6. The Committee remained concerned about two potential sources of risk from the current low interest rate environment: a sharp rise in interest rates could test financial system resilience, especially if it were not associated with a strengthening in incomes; and a broadening and intensification of the search for yield could be associated with investors increasingly underestimating and mispricing risk.

7. In June, the Committee had recommended that the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA), with other Bank staff, assess the vulnerability of borrowers and financial institutions to a sharp upwards movement in long-term rates and credit spreads. That work had suggested that the UK banking sector would be resilient to direct losses caused by the impact of a moderate increase in long-term rates. But the work had also found that market participants had not always considered potential amplification mechanisms working through the financial system. Reflecting this evidence, firms might not be fully prepared for a snap-back in interest rates. The work had also thrown up areas of uncertainty, including: the potential sensitivity of commercial property portfolios to movements in short-term interest rates; the exposure of some intermediaries to shifts in credit spreads; and gaps in the data available to the authorities on the risks that hedge funds were running. In addition, the Committee judged that unexpectedly steep rises in short-term rates could expose carry trades and other maturity and/or currency mismatches.

8. In September, the Committee had requested additional work to improve the understanding of the authorities and the boards of key financial firms on these points. Ahead of its November policy meeting, Bank staff had provided the Committee with an interim report of this work; the Committee agreed to consider these issues in greater depth in Q1 2014 when a further staff assessment would be available.

9. In addition to the above considerations, Committee members had become more concerned about the potential risks to financial stability that might arise from developments in the UK housing market. The upturn in UK house prices had gathered momentum since June and had also broadened regionally; surveys indicated that prices were expected to increase further in the period ahead. While house price-to-income and house price-to-rent measures were below levels reached in 2007, they were above their historical averages. Against that, an alternative indicator of the sustainability of prices, the household income gearing ratio, remained just below its historical average, though that reflected the impact of currently exceptionally low interest rates. Housing transactions had picked up, but remained at relatively low levels.

10. The Committee discussed the potential channels through which house prices and household indebtedness might pose a threat to financial stability. Rising house prices, and any subsequent falls, did not in themselves pose a threat to financial stability. Rather, it was the interaction of developments in the housing market with a range of factors, including household indebtedness and leverage in the banking sector, which could give rise to financial stability risks.

11. A key consideration for all Committee members was the likely ability of households to accommodate the increase in debt servicing costs that would result from a rise in interest rates. In this regard, it was noted that some cohorts of households had particularly elevated debt-to-income ratios. As a result, there was a risk of sharp adjustments to household spending in response to a rise in interest rates.

12. For banks and building societies, threats to resilience from a housing downturn could arise directly from credit losses if defaults were to rise and house prices to fall. This could, in turn, lead to additional losses on exposures to a range of related sectors, such as commercial real estate and construction, as well as broader impacts on the economy. This could affect financial stability. Vulnerabilities could also arise if banks and building societies were increasingly to resort to short-term wholesale funding sources to finance mortgage lending, thereby increasing their vulnerability to funding runs. The likelihood of such funding runs would increase if expectations of potential future credit losses were to rise.

13. Committee members agreed that there was little evidence of an immediate threat to financial stability from house prices and household indebtedness. Relative to the period prior to the financial crisis, banks and building societies held more capital, and of better quality, and mortgage underwriting standards were materially stronger. Nevertheless, risks would grow if stronger activity were accompanied by substantial and rapid increases in house prices and a further build-up in household indebtedness. These risks would be accentuated if underwriting standards on mortgage lending were to deteriorate, as had been the case in previous house price cycles.

Possible policy actions to mitigate risks from the housing market

14. The Committee noted that several actions were already in train that would help to guard against a build-up in vulnerabilities. The capital that banks and building societies held against threats from the housing sector had increased, both as a result of regulatory reforms and through the recent capital raising exercise conducted by the PRA following the FPC's March 2013 Recommendations. This development, together with enhanced supervision of lenders' liquidity and funding, would bolster resilience to shocks. In addition, the Bank's stress testing initiative in 2014 would look at resilience to housing and other shocks. Tighter underwriting standards were also being introduced as part of the FCA's Mortgage Market Review.

15. Going beyond these actions, the Committee agreed that it would be appropriate to implement additional measures immediately as a proportionate response to prospective risks from

the housing market. It also considered the range of further steps that it could take in the future, should that be necessary to meet its statutory financial stability objective.

16. The Committee began by considering two current sources of stimulus to the housing market: (i) the Capital Planning Buffer (CPB) offset policy of the PRA; and (ii) the elements in the Funding for Lending Scheme (FLS) that incentivise mortgage lending. There was general agreement that housing market conditions had strengthened materially since the introduction of these policies.

17. Under the CPB offset policy, certain new lending to households and firms was eligible for capital relief. To date, there had been only a limited take-up of the available CPB offset. Mr Bailey (Deputy Governor with responsibility for prudential regulation) informed the Committee that, given the improving economic environment and housing market in particular, the PRA Board was likely to decide to end the capital relief for new household lending from the beginning of 2014. Committee members welcomed this.

18. The FLS incentivised banks and building societies to increase their lending to households and firms by providing the lenders with low-cost funding. The scheme had been established at a time when lenders had faced high funding costs and credit conditions had been tight. Since then, market-based funding costs had fallen substantially and the Bank had announced changes to its liquidity facilities to improve the lenders' ability to access liquidity in future periods of stress.

19. The FLS scheme is operated jointly by the Bank of England and HM Treasury. The Governor informed the Committee that HM Treasury and the Bank agreed that an amendment to the FLS to remove the incentive for new lending to households would be sensible, while ensuring that support for lending to non-financial corporations would be maintained. Committee members welcomed this. The Governor noted that the Monetary Policy Committee had indicated that it saw no difficulty with such an amendment to the FLS scheme.

20. The Committee then considered underwriting standards for mortgage lending. Measures were already being put in place by the FCA to deliver more demanding mortgage underwriting standards as part of the implementation of the Mortgage Market Review (MMR). From April 2014, the FCA would require mortgage lenders to: (a) verify the customer's income; (b) undertake an affordability assessment which would include a test of whether the borrower would be able to service the loan if interest rates were to rise; and (c) ensure that interest-only mortgages were only made available where the borrower had a credible strategy to repay the capital. With regard to the affordability assessment, lenders would be required to undertake an interest rate test to gauge

borrowers' resilience to an increase in interest rates at least as large as that given by the market yield curve over a minimum five-year period. The Committee welcomed this tightening in the framework of underwriting standards.

21. The Committee considered that the interest rate used in the MMR affordability test might not always prove to be sufficiently prudent. They noted that some lenders already appeared to be using a higher interest rate than required by the MMR. Reflecting these considerations, the Committee agreed that it would be appropriate to take action now to introduce a policy tool that could be adjusted, if needed, to guide changes in the stress-test interest rate used in MMR affordability assessments.

22. **Recommendation: The Financial Conduct Authority (FCA) should require mortgage lenders to have regard to any future FPC recommendation on appropriate interest rate stress tests to use in the assessment of affordability.** The Committee judged that this recommendation would not prejudice the advancement by the FCA of its operational objectives and did not affect the United Kingdom's international obligations.

23. Mr Wheatley (Chief Executive of the FCA) noted that the FCA would have to consult regarding the Committee's recommendation. The consultation paper would need to set out why the proposed rule change would be compatible with the FCA's general duties and include a cost/benefit analysis. Subject to the FCA Board's agreement, Mr Wheatley indicated it would be possible to amend the rule so that it came into effect shortly after implementation of the MMR in April 2014; from that point onwards, any FPC recommendation in this area would then come into effect with firms in a timely manner.

24. The Committee agreed that, in the future, it should monitor the affordability tests that lenders were actually applying. Given the past tendency for mortgage underwriting standards to be relaxed during periods of rising house prices, the Committee wanted to ensure that there would be no such deterioration in underwriting standards as the housing market strengthened.

25. It was possible that any decision by the FPC to raise the MMR stress test interest rate in the future might encourage borrowers to switch to mortgage products with fixed interest rates, rather than floating rates. Some members noted that this would enhance households' resilience to changes in short-term interest rates; but, it was also noted that this could lead to an increase in duration mismatches on lenders' balance sheets. Additionally, it would be important to ensure that any FPC guidance on the appropriate interest rate to use in MMR affordability assessments

was clearly understood to be a prudent assumption for possible stress situations; it should not be confused with any MPC policy guidance.

26. Going beyond these considerations, the Committee noted that it had a number of additional actions that it could take as part of a proportionate and graduated response to mitigate risks to financial stability from developments in the housing market, should that become necessary.

27. The Committee had been asked by the Chancellor, on an annual basis from September 2014, to assess the impact of the Government's Help to Buy scheme. This scheme had been put in place to tackle problems faced by some borrowers in accessing the mortgage market for high loan-to-value mortgages. The Committee agreed that it could recommend changes to the scheme at any time if it felt this was necessary to achieve its financial stability objective. This message would be included in the Governor's response to the 8 November letter from the Chairman of the Treasury Committee regarding the FPC's role in the Help to Buy scheme.

28. In addition, the Committee noted that it could, if necessary, take actions to enhance the resilience of lenders' balance sheets by giving a recommendation or direction to increase capital requirements. Depending on the nature of the risks to resilience, the Committee could decide to apply the requirements to specific types of mortgage lending, just to new lending, or to the entire portfolio of loans. The Committee could also take actions where it was concerned about risks to financial stability stemming primarily from the indebtedness of households. For example, it could recommend that regulators curtail the extension of mortgages with certain characteristics through limits on the loan-to-value or loan-to-income ratios of mortgages. These tools would be set out in Section 5 of the November *Financial Stability Report*.

29. The Committee discussed the experiences of other countries in using some of these tools and requested a fuller assessment from Bank staff of the potential impacts of these instruments in the UK context.

30. The Committee agreed that it would closely monitor housing market indicators covering: house price affordability and sustainability; indicators of indebtedness; underwriting standards; exposures of lenders to highly indebted households; and the reliance of lenders on short-term wholesale funding.

Financial stability 'knockout' for MPC Policy Guidance

31. As part of the Monetary Policy Committee's Policy Guidance announced on 7 August 2013, the FPC had been asked to assess whether the stance of UK monetary policy posed a significant

threat to financial stability that could not be contained by the range of mitigating policy actions available to the FPC, the FCA and the PRA in a way consistent with their objectives. In light of its assessment of the current risks to financial stability, the Committee concluded that the stance of UK monetary policy did not currently pose a significant threat to financial stability that could not be contained by prudential or other regulatory tools.[1]

Previous policy recommendations

32. The Committee reviewed progress on its outstanding recommendations.

33. Capital ratios using the standardised approach to credit risk [13/Q2/5]. In Q2 of this year, the Committee had recommended that the PRA assess the feasibility of the major UK banks and building societies calculating their regulatory capital ratios under end-point Basel III definitions using the standardised approach to credit risk. Responding to this, PRA staff had reported that it would be technically feasible for the lenders to produce these calculations; the aggregate start-up costs of doing so were estimated at around £40 million, with annual system costs of around £7 million thereafter.

34. Given this information, the Committee considered whether it would be useful for the PRA to require lenders to report to the PRA, and possibly to disclose, their regulatory capital ratios using the standardised approach to credit risk weights. A comparison between the Internal Ratings-Based (IRB) approach and the standardised risk weights metric would provide the authorities with an alternative source of information to help judge the prudence of lenders' model-derived risk-weighted asset calculations. The disclosure of this information would also help to enhance market discipline on the banks and building societies since it would provide investors with an additional metric to assess and compare the capital adequacy of firms across the system. This would be beneficial since no single capital adequacy measure captured all of the relevant risks all of the time. In addition, some investors had called for banks to publish capital ratios using the standardised approach.

35. It was noted, however, that there might also be drawbacks to publication. The risk weights used in the standardised approach could be quite coarse; sometimes they delivered lower capital requirements for particular asset classes than estimates generated from firms' IRB models. It was

[1] This paragraph was released on 18 December 2013 on the day of publication of the minutes of the MPC's December 2013 meeting.

noted that if the PRA required lenders to publish their capital ratios using the standardised credit risk approach, this measure might become the metric that market participants exclusively focussed on. On the other hand, however, if investors were to stop using the IRB-based capital metric it would most likely be because they didn't trust it to give a reliable picture of risk-weighted assets. The FPC had also already recommended in December 2011 [11/Q4/3] that banks should be encouraged to disclose alternative solvency metrics, such as a leverage ratio.

36. Reflecting on these considerations, the Committee decided to keep its recommendation in this area open and asked the PRA to prepare an impact assessment of the merits of firms regularly calculating, reporting and disclosing their capital ratios using the standardised risk weights approach and to report back to the FPC in Q1 2014. The Committee was minded at this stage to recommend reporting and disclosure in the future but wanted first to weigh the PRA assessment with its own judgment about the costs and benefits for financial stability.

37. Resilience to cyber attack [13/Q2/6]. In Q2 2013, the FPC had made a recommendation to HM Treasury and relevant regulators to instigate a programme of work to assess, test and improve the financial system's resilience to cyber attacks. The Committee had encouraged the Treasury and the regulators to ensure that there was a concrete plan in place to deliver a high level of protection against cyber attacks for each institution at the core of the financial system by 2014 Q1 and had asked for a progress report in 2013 Q4. Mr Roxburgh (the Treasury member of the Committee) reported that HM Treasury, relevant government agencies and the financial authorities had drawn up a shared programme of work and that this work was on track to meet the Committee's deadline. The priority so far had been to develop diagnostic tools for a list of core firms, focusing in particular on designing a detailed questionnaire to assess cyber resilience on a consistent basis; a Cross-Market Operational Resilience Group, comprised of Chief Risk Officers from across the sector, had been established and had discussed the work programme; and, on 12 November, an exercise to test the financial sector's response to a sustained and intensive cyber attack had taken place, focussing on wholesale markets. The Committee welcomed this progress and looked forward to the update on action plans for institutions by 2014 Q1.

38. The Committee received a summary of progress made against its other outstanding recommendations. With the exception of its recommendation on stress testing, these recommendations all related to aspects of capital planning and disclosure requirements for UK banks and building societies − a full assessment of progress in these areas could only be made when the end-year reporting from the lenders was available in the Spring of 2014. With regard to the stress testing recommendation [13/Q1/6], the Bank of England had, on 1 October, published a

discussion paper – prepared under the guidance of the Committee and the PRA Board – setting out proposals for annual, concurrent stress tests of the UK banking system. The Committee would develop its proposals in this area in light of the comments on the Discussion Paper, which are due by 10 January 2014.

39. The Committee agreed that publication of its initially private September 2011 recommendation to HM Treasury on contingency planning [11/Q3/4(P)] remained contrary to the public interest. The Committee agreed to revisit this judgment once the bail-in provisions of the Banking Reform Bill had become law, expected to occur in 2014 Q1.[2]

40. The Committee reviewed the text that had been redacted from its June 2013 Record relating to its private recommendation [13/Q2/7(P)] that, working with other bodies, the Bank and FCA should together promote the development of credible contingency plans in the event that Libor or other interest-rate benchmark quotes became unavailable. This recommendation had subsequently been closed by the Committee at its September meeting. While it was recognised that potential financial market risks relating to the existence of contingency planning work in this area had diminished, the FSB had not disclosed the existence of its Financial Benchmarks Contingency Working Group and this group had not yet finalised its report. Reflecting these considerations, it was agreed that publication of the Committee's recommendation in this area remained contrary to the public interest; this decision would be revisited once the FSB's contingency planning report had been finalised.[3]

PCBS recommendation on leverage

41. In its June 2013 report, the Parliamentary Commission on Banking Standards (PCBS) had requested that the FPC provide its assessment of the appropriate leverage ratio and consider "whether the leverage ratio should be a regulatory front-stop rather than a back-stop given the recognised deficiencies in the risk-weighted assets approach to assessing capital adequacy".

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[2] The text in this paragraph was omitted from the version of the Record that was initially published on 3 December 2013. The Committee agreed at its June 2014 meeting to release this text, for the reasons set out in the Record of that meeting.

[3] The text in this paragraph was omitted from the version of the Record that was initially published on 3 December 2013. The Committee agreed at its September 2014 meeting to release this text, for the reasons set out in the Record of that meeting.

42. The Committee had noted in September that a full assessment would depend on the definition of leverage and that this was being negotiated internationally. Pending the completion of these negotiations, the Committee considered the main points to be included in a box on the leverage ratio[4] in the November *Financial Stability Report*. The agreed main points were:

(i) The definition of the leverage ratio needed to be finalised before considering the appropriate calibration of its level.

(ii) No single capital-adequacy metric could capture well all of the risks to balance sheets all of the time; as a result, the leverage ratio, the IRB risk-weighted approach and the capital ratio derived from the Basel standardised credit risk approach could be helpful complements to each other. The extent to which a leverage ratio or a risk-weighted capital requirement would bind depended on their respective calibration and on the types of risk to which banks and building societies were exposed. As such, the language of 'frontstops' and 'backstops' was potentially unhelpful.

(iii) There would be merits in using time-varying changes in minimum leverage ratio requirements as a tool to help ensure financial stability.

43. With regard to calibration, the Committee discussed the potential merits of proportional changes in the leverage ratio and risk-weighted requirements to enhance the effectiveness of capital regulation in containing risks, including avoiding adverse incentives. It was noted that the Independent Commission on Banking (ICB) had recommended that ring-fenced banks should be subject to a higher risk-weighted minimum capital requirement (eg 10% core equity tier one capital) and a proportionately higher leverage ratio requirement. This approach was intended to ensure that both metrics retained their respective roles in the regulatory framework and to ensure that appropriate assets were placed within the ring-fence. The Committee decided to return to these issues once an international agreement on the definition of the leverage ratio had been reached.

The FPC's medium-term priorities

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[4] Subsequent to the FPC Policy meeting, the Chancellor of the Exchequer wrote to the Bank of England Governor on 26 November requesting that the FPC prepare a review of whether, and when, it needs any additional powers of direction over the leverage ratio, how it should use these additional powers, and how any powers would fit in with the rest of the FPC's macroprudential tool-kit.

44. The Committee approved the text in Section 5 of the November *Financial Stability Report* outlining the Committee's objectives for each of its identified medium-term priorities: the medium-term capital framework for banks; ending 'too-big-to-fail'; and identifying and addressing risks in shadow banking while working to support a diverse and resilient source of market-based finance.

The following members of the Committee were present at the meeting:

Mark Carney, Governor
Jon Cunliffe, Deputy Governor responsible for financial stability
Andrew Bailey, Deputy Governor responsible for prudential regulation
Charles Bean, Deputy Governor responsible for monetary policy
Martin Wheatley, Chief Executive of the Financial Conduct Authority
Clara Furse
Andrew Haldane
Donald Kohn
Richard Sharp
Martin Taylor
Charles Roxburgh attended as the Treasury member in a non-voting capacity.

As permitted under the Bank of England Act 1998, as amended by the Financial Services Act 2012, Dave Prentis was also present as an observer in his role as member of the Oversight Committee of Court.

ANNEX: EXTANT FPC RECOMMENDATIONS

Each recommendation is listed with an identifier to allow ongoing tracking of progress. For example, '12/Q2/3' refers to the third recommendation made at the 2012 Q2 meeting.

Identifier	Recommendation
11/Q3/4(P)	The Committee made an initially private recommendation to HM Treasury that its contingency planning should be as comprehensive as possible and include arrangements for recapitalisation, and the restructuring of bank liabilities in circumstances in which their survival was threatened.[5]
12/Q2/3	The Committee recommended that banks work to assess, manage and mitigate specific risks to their balance sheets stemming from current and future potential stress in the euro area.
13/Q1/2	The PRA should take steps to ensure that, by the end of 2013, major UK banks and building societies hold capital resources equivalent to at least 7% of their risk-weighted assets, as assessed on the basis described in Recommendation 13/Q1/1. Relative to that benchmark, major UK banks and building societies in aggregate currently have a shortfall in capital of around £25 billion.
13/Q1/4	The PRA should ensure that major UK banks and building societies meet the requirements in Recommendations 13/Q1/2 and 13/Q1/3 by issuing new capital

[5] The text in this paragraph was omitted from the version of the Record that was initially published on 3 December 2013. The Committee agreed at its June 2014 meeting to release this text, for the reasons set out in the Record of that meeting.

	or restructuring balance sheets in a way that does not hinder lending to the economy. Any newly issued capital, including contingent capital, would need to be clearly capable of absorbing losses in a going concern to enable firms to continue lending.
13/Q1/5	The PRA should ensure that major UK banks and building societies have credible plans to transition to meet the significantly higher targets for capital and the leverage ratio that will come into effect in 2019 after full implementation of Basel III, the trading book review and surcharge for systemically important banks, and after HM Government's implementation of the ICB proposals, in ways consistent with sustainable expansion of the UK economy.
13/Q1/6	Looking to 2014 and beyond, the Bank and PRA should develop proposals for regular stress testing of the UK banking system. The purpose of those tests would be to assess the system's capital adequacy. The framework should be able to accommodate any judgements by the Committee on emerging threats to financial stability.
13/Q2/1	The FCA and the PRA, with other Bank staff, should provide an assessment to the FPC of the vulnerability of borrowers and financial institutions to sharp upward movements in long-term interest rates and credit spreads in the current low interest rate environment. They should each report back to the FPC in September 2013.
13/Q2/3	The PRA should continue to work with the banking industry to ensure greater consistency and comparability of the Pillar 3 disclosures of the major UK banks and building societies, including reconciliation of accounting and regulatory measures of capital.
13/Q2/4	The PRA should ensure that all major UK banks and building societies comply fully with the October 2012 recommendations of the Enhanced Disclosure Task Force (EDTF) upon publication of their 2013 annual reports.
13/Q2/5	The PRA should assess the feasibility of the major UK banks and building societies calculating their regulatory capital ratios under end-point Basel III definitions using the standardised approach to credit risk. The PRA should report back to the FPC for its 2013 Q4 meeting.
13/Q2/6	HM Treasury, working with the relevant government agencies, the PRA, the Bank's financial market infrastructure supervisors and the FCA should work with the core UK financial system and its infrastructure to put in place a programme of work to improve and test resilience to cyber attack.
13/Q4/1	The Financial Conduct Authority (FCA) should require mortgage lenders to have regard to any future FPC recommendation on appropriate interest rate stress tests to use in the assessment of affordability.

In this list, the following recommendations were made on a 'comply or explain' basis, under Section 9Q(3) of the Bank of England Act 1998 (as amended by the Financial Services Act 2012): 13/Q2/1; 13/Q2/3; 13/Q2/4; 13/Q2/5.