



BANK OF ENGLAND

Financial Stability Report

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In June 2010, the Chancellor of the Exchequer set out a plan for fundamental changes to the system of UK financial regulation. In July 2010 and February 2011, the Government published consultation documents on the proposed changes, and in January 2012 introduced the Financial Services Bill to Parliament. The legislation will establish a Financial Policy Committee (FPC). The responsibility of the Committee will relate 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, and subject to that, supporting the economic policy of Her Majesty's Government, including its objectives for growth and employment.

The Government intends the FPC to be a Committee of the Bank of England's Court of Directors, and in February 2011 the Court created an interim FPC to undertake, as far as possible, the future statutory FPC's macroprudential role. Although lacking the proposed statutory powers of Direction and Recommendation of the statutory FPC, the interim FPC contributes to maintaining financial stability by identifying, monitoring and publicising risks to the stability of the financial system and advising action to reduce and mitigate them. It also carries out preparatory work and analysis in advance of the creation of the permanent FPC.

The proposed legislation will require the FPC to publish a *Financial Stability Report* twice a year. This *Financial Stability Report* was produced under the guidance of the interim FPC. It covers the Committee's assessment of the outlook for the stability and resilience of the financial sector at the time of preparation of the *Report*, and the policy actions it advises to reduce and mitigate risks to stability.

The interim Financial Policy Committee:

Mervyn King, Governor

Paul Tucker, Deputy Governor responsible for financial stability

Charles Bean, Deputy Governor responsible for monetary policy

Andrew Bailey, Head of the Prudential Business Unit of the Financial Services Authority

Adair Turner, Chairman of the Financial Services Authority

Alastair Clark

Michael Cohrs

Paul Fisher

Andrew Haldane

Robert Jenkins

Donald Kohn

John Kingman attended as the Treasury member.

Martin Wheatley, Head of the Conduct Business Unit of the Financial Services Authority and CEO Designate of the Financial Conduct Authority, also attended in a non-voting capacity.

This document was delivered to the printers on 28 November 2012 and, unless otherwise stated, uses data available as at 20 November 2012.

The *Financial Stability Report* is available in PDF at www.bankofengland.co.uk.