



**BANK OF ENGLAND**

**Mark Carney**  
Governor

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Chairman of the Treasury Committee  
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*Dear Andrew,*

When the Treasury Committee took evidence on 15 July from members of the Financial Policy Committee (FPC), you asked about the consultation process being followed by the FPC in reviewing a leverage ratio framework for the UK (Q114-121 of the transcript).

It will be for HM Treasury to consult formally on any proposed new rules or powers that may follow the FPC's leverage review and, as you know, the guidelines on public consultations apply to this process.

The FPC itself is under no formal obligation to consult on its proposals since it is not the body that will make new rules. However, the FPC does want to inform its view on the design of a framework for a leverage ratio with external perspectives before making its proposals to HM Treasury. The FPC published a consultation paper on 11 July for this reason. The published paper complements the extensive engagement that the Bank is already undertaking with the industry on this issue.

Nonetheless, I would observe that, though the FPC has no formal obligation to consult and therefore guidelines on public consultation do not apply in this case, the consultation period for the paper published by the FPC does conform to the guidelines to which you referred<sup>1</sup>. These state that:

*"Timeframes for consultation should be proportionate and realistic to allow stakeholders sufficient time to provide a considered response and where the consultation spans all or part of a holiday period policy makers should consider what if any impact there may be and take appropriate mitigating action. The amount of time required will depend on the nature and impact of the proposal (for example, the diversity of interested parties or the complexity of the issue, or even external events), and might typically vary between two and 12 weeks. The timing and length of a consultation should be decided on a case-by-case basis; there is no set formula for establishing the right length."*

<sup>1</sup> "Consultation principles: guidance", Cabinet Office, Updated 5 November 2013.

As I mentioned at the Committee hearing, the timeline also reflects the need for the FPC to provide advice in sufficient time for any consultation by HM Treasury and, if legislative proposals are made, for consideration in this Parliament. The timeframe for the process in part reflects the recommendation of the Parliamentary Commission on Banking Standards to expedite consideration of a leverage framework for the UK.

However, given the concerns you expressed at the session a week ago, and to avoid any suggestion that these important proposals have not been adequately and properly considered, the FPC has decided to extend the period for responses to its paper by 4 weeks to end on 12 September. This will amount to a response period of 9 weeks in total. This is more than adequate for an issue that has been widely debated.

As agreed between the FPC and HM Treasury, the appropriate numerical calibration of any leverage framework is outside the scope of the ongoing review. However, I can confirm that it is the intention of the FPC to prepare a draft Policy Statement on any proposed leverage ratio direction powers early in 2015. The statement would include the FPC's initial view on the appropriate calibration of the framework and would be available to Parliament as it considers any new powers for the FPC. That mirrors the approach previously taken with direction powers over other capital instruments.

As this letter provides a more detailed response to questions asked at a Treasury Select Committee hearing, we will place it in the public domain on the Bank of England's website.

Yours,  
