Questionnaire to Alex Brazier, Executive Director for Financial Stability Strategy and Risk, Bank of England

Conflicts of interest and performance of role

1. Do you have any business or financial connections, or other commitments, which might give rise to a conflict of interest in carrying out your continuing duties as a member of the FPC?

No. For full disclosure I note that my wife is a Global Economist at an economics research consultancy.

2. Do you intend to serve for the full term for which you have been appointed?

Yes.

3. What have you learned from your experience of being on the FPC so far? Do you plan to approach your work differently during your further term?

I have four particular reflections on my first term. These are common themes in many of my answers in this questionnaire.

a) **The EU referendum showed there to be real economic value in ensuring the financial system is resilient to, and prepared for, risks.** After the referendum, equity markets priced in a UK recession and sharp falls in property prices. Despite that, bank funding costs remained low. Banks were well capitalised and the system had been stress tested against more severe economic scenarios than markets were pricing in for the UK. We had been transparent about the possible risks and preparations had been made to backstop liquidity. The FPC was able to release regulatory capital buffers, supporting credit supply. The market expectation of a downturn did not, as so often in the past, become self-fulfilling.

b) **Pockets of risk can emerge quickly and the FPC needs to remain agile.** In the aftermath of the financial crisis, risk-taking and credit growth were subdued. It took a long time for that risk appetite to re-emerge in general. But the rapid growth of consumer credit showed how a pocket of risk taking can emerge quickly. These developments require an agile response.

This need for agility reaffirms my judgement (as stated in my TSC questionnaire response in 2015) that the staff support for the FPC should: (a) be biased to worry intelligently and (b) have the confidence to propose sometimes novel policy actions. It also drives our research priorities (see question 4), where I think the FPC has more work to do (question 11) and my thoughts on how the FPC's toolkit might develop (question 12).

c) **The financial system is re-shaping to improve efficiency and access to finance. But regulation needs to keep up with the way the system works.** Our objective to ensure the wider economy is protected from financial instability is an outcome rather than a rule book. We have a duty to ensure the rules and standards keep up with the way the system works so the economy stays protected.

The non-bank financial system has grown in importance since the financial crisis and the corporate sector is increasingly reliant on market-based finance. In the past decade, on net, all new corporate credit has been accounted for by issuance of bonds rather than loans from banks. And fintech developments could transform aspects of the system in the future. Consistent with this, the FPC has developed its assessments of risks outside the banking system. I plan to extend this in my second term.

This informs my views on research priorities (question 4), fintech developments (question 6), areas that may need greater regulation in the future (question 9) and where the FPC has more work to do (question 11).

d) **Enduring support for the statutory mandate of the FPC cannot be taken for granted.** As memories of the financial crisis begin to fade, we will need to step up our efforts to explain the costs of financial instability and how our actions reduce those costs.

We will need to explain our judgements on how best to balance the benefits of our actions against any immediate costs they have on economic activity. This is not easy: like an insurance policy, it amounts to explaining how a benefit in an unlikely future event is worth the premium that is certainly paid today. But Parliament and public must be able to hold us to account for our judgements.

Delivering the FPC's response to Brexit has meant that I have done less of this in my first term than I had intended, but I plan to pick this up again in my second term as part of the Bank of England's wider agenda to improve the way we communicate.

This informs my views on pressure for light touch regulation (question 9), where the FPC has more work to do (question 11) and the need for public understanding (question 13).

4. What are the research priorities for you and your directorate next term?

I – and the directorate I lead – have four research priorities. **To support our ability to remain agile** in our response to risks, research is underway to:

- **Develop indicators and measures of risk.** In parallel with similar work at the IMF and other central banks we are seeking to build indicators of the degree of stress the economy could face in the future. These indicators are based on features of the economic environment that tend to increase downside risks to GDP, such as: levels of household debt, reliance on foreign capital inflows and reliance of corporate debt levels on risky asset valuations.

- **Design macro-prudential policy tools**. The FPC has the tools it needs to manage current risks, but research is needed into possible tools to address future risks if we are to continue to be agile. This research programme is open minded; many ideas for macro prudential tools will not make it from the drawing board. I discuss the FPC's toolkit further in question 12.

To **support us in ensuring regulation keeps pace with changes in the way the financial system works**, research is underway to:

- **Assess how the financial system beyond banks could amplify an economic shock.** This research programme is centred on how market structures can result in forced sales ('firesales') of financial assets, and how that affects the wider economy. It looks at how incentives facing investors in open-ended funds, combined with constraints on market-makers and insurance companies, could generate such firesales. It is also considering the measurement of leverage in the non-bank financial system and the role leverage could play in generating firesales.

- **Explore the opportunities and risks presented by Fintech.** This is part of a broad Bank of England research programme. I discuss some of the topics this will consider in question 6.

Financial stability

5. What do you think are currently the most significant risks to global and domestic financial stability?

The principal risks stem from global debt and Brexit.

Debt in the global economy

Debt has built up rapidly in China. Notwithstanding China's large foreign exchange reserves and fiscal space, a correction of debt levels would create a sharp economic slowdown.

Global debt markets are priced for perfection. At current prices, there is very little compensation to investors for interest rate and credit risk. Against that backdrop, levels of corporate debt in the United States and emerging markets have risen. Any adjustment in global debt markets could expose a debt overhang, resulting in a sharp slowing of demand and rising corporate defaults.

One third of UK banks' loans are exposed to these risks in some way. 10% of the UK banking system's loans are to China and Hong Kong; 13% to other emerging markets and 14% to the US. Reflecting these direct risks, recent stress tests have ensured the system could withstand a sharp global downturn.

If these global risks materialised, they could also spill over to the UK through trade, confidence and financial linkages. For example, activity in the UK is currently reliant on inflows of foreign capital and, hence, the risk appetite of foreign investors. A sudden shift in risk appetite of global investors could tighten domestic financing conditions.

Brexit

My judgement is that the macroeconomic risks from Brexit are encompassed by the stress test scenarios to which banks have been subjected and that Brexit does not therefore warrant additional capital for the banking system. That judgement is strengthened by – at the time of writing - recent progress towards a transition agreement.

However, it remains possible that at the end of a transition period, barriers could emerge to the cross-border flow of financial services. There remains a range of technical issues to be addressed by authorities before then in order to prepare the system and minimise the risk of disruption to end users of financial services. These are covered in the FPC's checklist of actions.

For example, measures will be needed to:

- **Allow the transfer of personal data** across the UK-EU border. This is needed to ensure existing contracts can continue to be serviced and that there will be no sudden restriction of new services to end users.

- **Ensure the continuity of existing derivative contracts** between UK and EU counterparties. Concerted action by UK and EU authorities is needed because both parties to a derivative contract typically require regulatory permission to deal with the other. The UK government's commitment to legislate, if necessary, to allow EU insurance companies to service UK policyholders after Brexit demonstrates how contractual risks can be addressed.

In addition to these principal risks, I am looking closely at how **risk-taking in the domestic economy is evolving**.

While overall credit levels are fairly stable, there are some signs that the risk appetite that was first evident in the rapid growth of consumer credit could be spreading to other areas.

In the **mortgage market**, the sharp slowdown in buy-to-let activity since 2016 Q1 has been masked by a pickup in owner-occupier mortgage lending. Although house price inflation has slowed, this type of mortgage debt is now rising more rapidly than household incomes for the first time since the financial crisis.

We have put in place insurance against a marked loosening of underwriting standards (with limits on lending at loan-to-income multiples above 4.5 and borrowing affordability tests). But within those limits, mortgage risk taking is showing signs of increasing: loan to income ratios are bunching up against the 4.5 threshold and, especially outside London, loan-to-value ratios have increased.

Although, in contrast to other countries, levels of **corporate debt** in the UK are not unusually high, there are some signs of increased risk taking in corporate debt markets. Issuance of leveraged loans and high yield bonds (the riskier types of corporate debt) was strong in 2017 and that has continued into 2018. And early indications are that, this year, the balance of that issuance has shifted, away from refinancing existing debts on cheaper terms, towards taking on new debt. This warrants close scrutiny.

6. How far could banks' business models be affected by open banking and developments in financial technology, and what implications will open banking and Fintech have for financial stability?

By allowing customers to connect to a range of banks and service providers through a single interface, open banking should, over time:

- **Aid price comparison of, and competition for, customer deposits.** I expect the deposit rate advantage that large banks currently benefit from to be gradually eroded. These banks are typically able to pay around 0.2% less for customer deposits than smaller banks – a benefit currently worth £1bn annually.

- **Facilitate the 'unbundling' of banking services,** making it easier for customers to use different providers for their deposit and their payment services. This should help to spur competition and innovation in payments, resulting in a more diverse population of payment providers. This is supported by the Bank of England's approach to enable Payment Service Providers to access the UK's central payment system – RTGS.

The low rate of current account switching to date suggests these changes may not be rapid. Nevertheless, they should over time be positive for consumers. But to avoid unintended financial stability risks, the system and regulation will need to keep pace with the change. The impact of these changes on incumbent bank business models was assessed as part of the exploratory stress test scenario in 2017. In addition, our research is considering how:

- **Deposits could become less stable sources of funding** for individual banks, particularly if customers enable automated sweeping of balances to the highest-paying accounts. Liquidity regulation (which treats deposits as stable funding), as well as central bank liquidity backstops, will need to keep pace with this.

- **The resilience of financial services could rely increasingly on the operational resilience and security of the account information and payment initiation service providers** (AISPs and PISPs) that will link customers to all their banking services. These are authorised by the FCA. The operational resilience and security standards to which they are subjected should adjust as their importance grows. I expect them in future to be a part of the FPC's regular reviews of risks beyond the core banking system (see question 9 below).

More broadly, the application of new technology could support and challenge existing bank business models. Our research is exploring how it could:

- **Support** existing business models by making processes more efficient. For example, the application of distributed ledger technology to wholesale banking activities could, by eliminating complex webs of different intermediaries, boost efficiency of activities like settlement of securities transactions and custody of assets.

- **Challenge** existing business models as new competitors are able to harness data to assess credit risks and make profitable loans. Legacy IT infrastructure can make it difficult for banks to harness the full potential of their existing data. And banks are no longer the only companies with access to large amounts of payments data.

  Amazon, for example, is beginning to extend credit facilities and trade finance to small businesses that use its Marketplace to reach customers. By 2017, it had lent more than $3bn to more than 20,000 small businesses in the US, UK and Japan. In China, Ant Financial demonstrates this on a much larger scale, using online payments data to extend credit to households and companies.

The harnessing of data could open up access to credit. Society will want to consider the right balance between that opportunity on the one hand and privacy and data protection on the other. In the narrower sphere of financial stability, our exploratory stress scenario included a loss of major banks' share of corporate lending markets in order to assess how they could respond to the challenge to business models. And in the event that non-bank companies were to become important lenders to businesses in the UK, we would need to adjust the perimeter of regulation to ensure the same financial stability standards.

7. To what extent has the problem of "Too big/important to fail" been solved? Are any institutions in the non-banking sector "too big/important to fail"?

We are on track to solve the problem of banks that are too big to fail. All of the tools are in place. Loss absorbing capacity has been substantially increased. Common barriers to resolution have been identified and are being addressed. Cross-border co-operation arrangements have been developed.

As a result, UK banks are significantly more resolvable than they were in 2008. A large part of a bank's losses must – and would – be borne by investors, and the critical functions of banks could be maintained. As a result, markets no longer assume banks will benefit from state support.

To solve the problem fully and minimise the wider economic disruption of bank failure, banks must complete:

- The build-up of capital and debt that could be bailed in to absorb losses by 2022. We estimated last year that UK banks needed to issue £116bn of 'bail in' debt (based on end-2016 balance sheets). £80bn of such debt had been issued by end 2017.

- Necessary operational and structural changes, including ring-fencing, that will ensure services can be sustained through a resolution.

Progress must remain on track or banks would need to have even more capital to minimise their risk of failure even further. I view current levels of bank capital to be appropriate only if bank resolution plans are completed. Without them, bank failure will be more disruptive to the economy and contagion much greater than we have factored in. If that were the case – as I said in a speech in 2015 - I believe capital levels of around 20% of risk weighted assets to be warranted, rather than the 13-14% level I currently consider appropriate in a standard risk environment.

In the non-banking sector, the failure of a **large central counterparty** (CCP) would have a serious economic impact.

However, the existence of CCPs acts overall to reduce systemic risk in the financial system by stripping back the complex webs of derivative transactions that were present before the financial crisis. They have extensive layers of protection in place to mitigate and manage the risk if they incur losses. And a CCP is typically exposed to losses only if one of its counterparty bank defaults, leaving the CCP with an ‘unmatched book’. By ensuring that failing banks can be resolved without defaulting, the risk of loss to CCPs is substantially reduced. Together these safeguards mean that CCPs are not assumed to benefit from state support, despite the economic impact their failure would have.

8. What are your key concerns regarding international regulation? What still needs to be done, and how much influence does the UK have over these decisions?

With the main aspects of the post-crisis regulatory reforms now complete, my concerns are that:

- As a large global financial centre, the UK is exposed to financial instability elsewhere. So the agreed common minimum standards on bank resilience, resolution, shadow banking and derivatives markets must be **implemented fully** – and continue to be implemented fully - by all major jurisdictions. This commitment remains in place and was re-iterated by the G20 at their March meeting.

- The UK **remains able to set standards that are tougher** than agreed international minimum standards, where that is warranted. The size of the UK financial system relative to the wider economy sometimes means that higher standards are needed to protect the economy. I support fully the statement made repeatedly by the FPC since the EU referendum that, irrespective of the particular form of the relationship between the UK and the EU, we will remain committed to implementing robust prudential standards, delivering a level of resilience at least as great as today, which itself exceeds that required by international minimum standards.

- The **international community does not consider it ‘mission accomplished**’ and allow reform fatigue set in. Just as the FPC must be agile in response to new risks and changing face of the financial system, global standards will need to adapt too. For example, international co-operation is needed to address cyber threats and the risks posed by crypto assets, as well as in diagnosing any risks posed by the growth of bond market finance of companies.

The UK remains active and highly influential in the design of international regulations. It was at the forefront of the design of many post-crisis regulations and is respected for its thought leadership, as well as the technical expertise gained from managing a large financial centre. For example, the UK – through the Bank and FCA – has made a major contribution to recent efforts at the Financial Stability Board to diagnose and address vulnerabilities associated with asset management.

9. To what extent is there growing pressure for a lighter-touch regulatory regime in the UK? How do you respond to such pressure? Are there any areas of the financial sector you consider to be over- or under-regulated?

I see no serious pressure today. Obviously many regulated companies would prefer a lighter touch. The whole purpose of regulation is to ensure firms do things that that they would not choose to do solely in their own private interest but that are in the interest of wider society. A degree of unhappiness on the part of the regulated is inevitable and a sign of market failures being corrected.

Were there to be pressure, our response should be straightforward: we have a statutory remit from Parliament to ensure a resilient financial system. There is simply no choice but to stick to that. It follows that what actually matters is not our response to any pressure for lighter-touch regulation, but the response of Parliament. We should not take our remit from Parliament for granted. It is essential that we step up our efforts to explain to a broad audience why we've been given the job of maintaining financial stability and how we are going about it (I discuss this further in questions 11 and 13).

I do not think areas of the financial system are, in general, over regulated. However, there are areas where refinements to existing regulations could and should be made that remove unintended side effects without compromising on resilience. We must never lose sight of the fact that the purpose of regulation is to increase growth and prosperity. Regulations that damage the real economy today without making it safer for the future must be changed. Examples include:

- Adjustments to leverage ratios applied to banks. The FPC has already excluded central bank reserves from the measure, to avoid a perverse situation in which QE tightened constraints on banks. In addition (as the FPC said in July 2016) there is probably merit in excluding from leverage measures the initial margin posted to banks by clients who use the bank to access the clearing services of central counterparties.

- Revisions to insurance regulations. The risk margin element of Solvency II, as defined, has the unintended effect of tightening constraints on insurance companies as long-term interest rates fall. The FPC highlighted this in its 2016 review of the insurance sector's investment behaviour. The Treasury Committee highlighted problems with the risk margin in its Report ('Solvency II and its Impact on the UK Insurance Industry') and the Prudential Regulation Authority is responding. More broadly, the PRA has committed to making improvements to its implementation of Solvency II where appropriate and where it has discretion to do so.

There are also areas where greater – or at least different – regulation may be needed in future to ensure the economy remains protected as the shape of the financial system changes. I think there are currently at least three areas where regulation may need to adapt:

- Standards are needed to ensure important parts of the system have an appropriate level of **resilience to growing cyber threats**. Work is in train to develop these.

- Appropriate standards of **resilience for new entities in the financial system, if they become central to the way that system works.** These might, in future, include new Open Banking service providers, payment service providers or non-bank lenders (see question 6 on fintech).

- **Design standards for open-ended investment funds.** These funds have grown in importance in the past decade and standards may need to evolve. They must capture the potential impact on the wider economy of funds that invest in the most illiquid assets, such as commercial property.

  The UK is rare in permitting funds offering daily redemption to invest in these assets. Although risks to the value of these funds fall on the end investor, the funds can be structured in a way that encourages investors to redeem their investments in times of stress.

  We saw this in property funds in the weeks after the EU referendum. It can result in forced sales of property (or other illiquid assets), driving market prices down. With 75% of small and mid-size businesses in the UK using commercial property to secure bank loans, that can have broad economic effects. The FCA is considering its rules and guidance for these funds. The FPC should keep under review whether any risks to the wider economy then remain.

<u>Performance of the FPC</u>

10. How does the UK's macroprudential regime compare to other jurisdictions, and what international best practice would you like to import into the UK's system?

The UK's macroprudential framework is world leading. Although many countries have adopted financial stability committees since the financial crisis, very few of them have real power to implement regulatory changes for the purpose of protecting the wider economy (as opposed to protecting consumers or depositors and policyholders). Many committees tend to be information sharing and co-ordinating mechanisms.

Only France has a macroprudential committee with 'hard' powers like the FPC. Unlike the FPC, it is a not a committee of the central bank. The HCSF (High council for Financial Stability) is chaired by the Minister of Finance. The UK model of delegating powers to the central bank recognises the 'time inconsistency' problem in financial stability (and monetary policy). That is, what looks like the best course of action for short term growth isn't always best for long term economic prospects. We are tasked with taking that long view.

Our unique position means that it is difficult to find examples of practices to import directly. There are, of course, things we can learn from other countries about policy implementation. In particular, a range of countries have now adopted measures to constrain mortgage lending underwriting standards. A wide variety of approaches have been used: some countries have adopted loan to value restrictions, others debt servicing ratios, for example. We have kept in close touch with counterparts using these measures. As we review our own mortgage lending standards (an annual process) we will review lessons from elsewhere too.

Given the unique extent of both powers and delegation in the UK, we must go further than others to match our framework with levels of accountability. I discuss this further in question 11.

11. What have been the successes of the FPC, and where is there still work to be done?

In addition to the important success of building the resilience of the banking system so that it could withstand very severe economic shocks, I think there are three areas where we have achieved some success but in which further work remains.

a) The FPC has been agile in responding to risks as they emerge. Work is needed to ensure we can continue to be agile.

Our response to market conditions and economic expectations after the EU referendum showed this most clearly. We demonstrated that capital buffers could be released quickly and that we were prepared to innovate and amend regulatory measures in real time to avoid unintended consequences. Our response to the pocket of risk in consumer credit also showed agility to use our existing tools – in this case stress testing – to address risks. Lenders are now capitalised to withstand severe losses on their consumer loans in the event of an economic downturn.

As I outlined in question 4, research work is now underway to develop indicators that will allow us to monitor whether, and how far, risks are building. My intention is that these will feed in to our stress test of banks, which is now transparent and systematised. If risks faced by banks were to increase, the test should get tougher and banks will need more capital (and vice versa). We will need to be able to calibrate – and explain clearly why – the severity of our stress tests, and our settings of bank capital levels, have changed.

Work is also underway to ensure our macroprudential toolkit gives us the necessary flexibility to respond to future risks. I elaborate on this in question 12.

b) The FPC has developed its assessments of the non-bank financial system and of how the financial system is changing. Further work is needed so we can ensure regulation keeps pace with the way the system works and the threats it faces.

The FPC has a duty to make recommendations to the Treasury if the perimeter or nature of regulation needs to change. Partly in support of that, we have supplemented the FPC's regular horizon scanning with in-depth reviews of: open-ended investment funds, insurer's investment behaviour, derivative markets and risks from crypto assets.

The FPC is now assessing the extent of, and risks created by, leverage in the non-bank financial system. Leverage, whether created through borrowing or use of derivatives, can mean investors face calls to put up more collateral after a shock. Without sufficient liquid assets, leveraged investors can become forced sellers of assets, driving market prices down, prompting further margin calls and creating a feedback loop that could harm the wider economy.

Our efforts to ensure regulation keeps pace with the changing financial system need now to be extended. This will be supported by the research I outlined in question 4, on fintech and the non-bank financial system.

As I outlined in question 9, our work should cover: standards of resilience for growing cyber threats; standards of resilience for new entities that become important parts of the financial system, and design standards for some open-ended funds.

c) **The FPC has improved its levels of transparency in order to promote its accountability. Further work is needed to explain our mandate to a broad audience and ensure the highest levels of accountability across the full range of our work.**

A particular challenge is that – in contrast to monetary policy – financial stability objectives cannot be boiled down to a precise numerical target. However, we have taken some big steps towards clarifying the level of bank resilience we are aiming for. The FPC has been completely transparent in its annual stress tests about the severity of economic shock it requires the banking system to be able to withstand. We base our judgement about that on detailed analysis of the economic benefits of greater resilience and the economic costs of that resilience.

As a result, we can be held to account publicly for our judgement about the appropriate stress test severity. And having transparently assessed the system as adequately capitalised, we can be held to account for its ability to deal with a stress if one materialises.

Further work is now needed to enable us to be held to the same level of account in other areas, including our policies in the mortgage market and, in time, our judgements about the appropriate levels of resilience to aim for against cyber threats or of non-bank entities.

In addition, to support the continuation of our mandate, further work is needed to explain to a broad audience: our mandate, the reasons for it, and how the actions we take deliver it. I elaborate on this in question 13.

12. What is your assessment of the macroprudential tools that are available to the FPC? Are there additional tools or powers which you think it would be useful for the FPC to have?

I view the current tools as adequate.

The FPC has powers to direct regulators to change bank capital and mortgage lending standards. These give us the ability to manage the risks that have characterised many historic systemic crises. We also have sufficient flexibility to respond to new risks through wide-ranging powers to make 'comply or explain' recommendations to regulators.

To ensure our readiness to use that flexibility, there are a number of areas where work is warranted to investigate the merits and drawbacks of possible macroprudential tools. As I stated in my answer to question 4, this is a research priority for my directorate. In my view, particular areas where open-minded investigation is warranted are:

- **Time-varying liquidity requirements for banks.** The FPC has said it will consider the merits of these once baseline international standards are in place. My current view is that the usability of the baseline liquidity buffers is of most importance, rather than the ability to build greater buffers.

- **Measures to address risks stemming from build-up of corporate debt**, including in the commercial property sector. The main practical problem here – in contrast to mortgage lending – is that the banking system need not be involved in any lending: companies can borrow in bond markets.

13. How well do you think the public understands the work of the FPC, and to what extent does it matter if they don't? How have you worked to increase the public profile of the FPC?

Public understanding of the Bank of England's financial stability work has improved from a low base but remains limited. In a recent survey conducted for the Bank, almost half of respondents did not know whether the Bank of England was doing a good or poor job of making sure the financial system could deal with difficult circumstances.

I think the public has a right to be able to understand: (a) why the FPC has the job it has and (b) how it is going about it. For our mandate to endure, we must explain across a range of media how:

- Weak financial systems make economic problems worse as loans dry up and payments can't get through.
- In 2008 that happened on a large scale: a million more people were made unemployed. Our job is to stop that happening in future.
- We have made sure the system can deal with even deep recessions. Like engineers, we've stress tested it to make sure it's strong enough.
- And as part of making it safer we've put limits on the most risky mortgage loans so that borrowers and lenders don't get into trouble if the economy turns down.

I do not think there is public appetite to understand precisely the level of strength in the financial system we are aiming for and the detail of the measures we take to achieve it. The public does not need to know how our stress test scenarios strike the right balance or the detail of our setting of countercyclical capital buffers. The point of financial stability is that people don't have to concern themselves with it.

However, Parliament should have the information to hold us to the highest standards of accountability for our judgements. Given our different audiences, we have been moving towards use of 'layered' communications. In particular:

- We refined our most detailed communications to have more impact on our most detailed audiences. As I indicated in my questionnaire for my first appointment, I thought there was merit in making our financial stability report more focussed. It now has a short chapter on each of our top risks. It no longer tries to cover everything.

- We introduced infographics to capture the headlines of our financial stability reports. These have been widely replicated in print and digital media and have helped to disseminate the headlines of what we are doing to a broader group.

- We will take the next step later this year with the first layered content, digital, financial stability report.

Although I have not been able to do as much public engagement in my first term as I had planned, I have tried to engage with as many people around the UK as possible. My aim has been to broaden the reach of our public explanation, including through:

- Talks and Q&A events in Aberdeen, Glasgow, Edinburgh, Liverpool, Leeds, Nottingham, Leicester, Bristol, Warwick, Birmingham, St Albans and Brighton.

- Working with the Bank of England's Agents I have tried to speak to a wider audience than local large businesses. Increasingly – as part of the Bank of England's wider strategy – I have been engaging with the very smallest businesses, charities and youth groups.

- Local print and radio interviews in Liverpool, Glasgow and the South West, as well as YouTube posts.

- Making my public speeches more widely accessible, even when the underlying material is technical. For example, 'Debt strikes back?' in July 2017 reached a wide audience and served to explain the FPC's approach to household debt and consumer credit.

14. How easy has it been to maintain consensus on the FPC? How far have you had to compromise to achieve consensus? Has there been any decision on which you personally have come close to breaking the consensus?

In my term as a member of the Committee, the formation of consensus has not been unduly challenging.

I attribute that, in part, to the environment being one in which we have not needed to 'fine tune' our policies. For example, on the countercyclical capital buffer, our decisions have relied only on assessments that (a) risk taking had emerged from its post-crisis lull and (b) after the referendum the buffer should be released. These are coarse judgements.

Nevertheless, there has still be lively debate and, on questions about the precise timing of changes in the buffer, committee members have started out in different places. The March 2016 Record documents one such example of consensus being formed from that.

I expect that, if risk taking continues to edge up, our judgements about risk levels will become finer in future. If they do, it is perfectly possible that consensus will not be so easily formed around a single number and a vote of the committee will be required. If that happened, it should not be taken as an indication of the committee changing its mode of operation. It would an indicator of the risk environment entering a new phase in which finer judgements mattered.

Similarly, our ability to form consensus on regulatory perimeter questions can be attributed to the fact that developments outside the banking system have not yet come close to requiring extensions to, or amendments of, regulations. Like the risk taking environment that could change over time and the judgements could become more finely balanced.

For these same reasons, I have not, to date, had to compromise much to achieve consensus.

I probably started out furthest from the average committee position on the importance of the pocket of risk that was developing in consumer credit. But as on other issues, the committee has been open to hearing and designing proportionate responses to risks highlighted by a subset of members, even if there remains a range of views about the significance of the risk for the wider economy. We each recognise the expertise and insights of other members. In this case, it was not challenging to put together a policy response – centred on the stress test – that I could support.