Bank of England

# Record of the Financial Policy Committee meetings on 25 November and 1 December 2025

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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 His 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 a committee of the Bank of England.

The FPC's next meeting will be on 27 March 2026 and the record of that meeting will be published on 1 April 2026.

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## Headline judgements and policy actions

- **Risks to financial stability have increased during 2025.** Global risks remain elevated and material uncertainty in the global macroeconomic outlook persists. Key sources of risk include geopolitical tensions, fragmentation of trade and financial markets, and pressures on sovereign debt markets.

- **In the FPC's judgement, many risky asset valuations remain materially stretched, particularly for technology companies focused on Artificial Intelligence (AI).** The role of debt financing in this sector is increasing quickly as AI-focused firms seek large scale infrastructure investment. Deeper links between AI firms and credit markets, and increasing interconnections between those firms, mean that, should an asset price correction occur, losses on lending could increase financial stability risks.

- **Credit spreads remain compressed by historical standards.** Two recent high-profile corporate defaults in the US have intensified focus on potential weaknesses in risky credit markets previously flagged by the FPC. These include high leverage, weak underwriting standards, opacity, complex structures and the degree of reliance on rating agencies. While the impact of these specific defaults has been limited, a diverse range of financial market participants were exposed. It is important that market participants have a clear understanding of their exposures, including in stress scenarios where correlations and losses can shift outside historical norms, that underwriting standards are robust, and that they do not over-rely on credit ratings as a substitute for carrying out due diligence.

- **Public debt-to-GDP ratios in many advanced economies have continued to rise this year.** Governments globally face spending pressures, given the context of changing demographics and geopolitical risk, potentially constraining their capacity to respond to future shocks. Significant shocks to the global economic or fiscal outlook, should they materialise, could be amplified by vulnerabilities in market-based finance (MBF), such as leveraged positions in sovereign debt markets.

- **As an open economy with a large financial centre, the UK is exposed to global shocks, that could transmit through multiple, interconnected channels.** Stress in one market, such as a sharp asset price correction or correlation shift, could spillover into other markets. Simultaneous de-risking by banks and non-banks can lead to fire sales, widening spreads and tightening financing conditions for UK households and corporates. Market participants should ensure their risk management incorporates such scenarios.

- **UK household and corporate aggregate indebtedness remains low. The UK banking system is well capitalised, maintains robust liquidity and funding positions, and asset quality remains strong.** The results of the 2025 Bank Capital Stress Test demonstrate that the UK banking system is able to continue to support growth even if economic and financial conditions turned out to be materially worse than expected.
- **As part of ensuring the UK banking sector is both resilient and able to support growth, the FPC has reviewed its assessment of the appropriate level of capital requirements for the UK banking system.** The Committee judges that the updated appropriate benchmark for the system-wide level of Tier 1 capital requirements is now around 13% of risk-weighted assets (RWAs) (equivalent to a Common Equity Tier 1 (CET1) ratio of around 11%), 1 percentage point lower than its previous benchmark of around 14%. That judgement is consistent with the evolution in the financial system since the FPC's first assessment in 2015, including a fall in banks' average risk weights, a reduction in the systemic importance of some banks, and improvements in risk measurement. The Committee has also identified areas for further work, including on buffer usability, the implementation of the leverage ratio in the UK, and initiatives by the Bank to respond to feedback on interactions, proportionality, and complexity.
- **In response to the Chancellor's request on the FPC's November 2024 remit letter, the FPC has assessed and identified areas where the financial sector could contribute further to supporting sustainable growth.** This work has focused on: facilitating long-term investment in productive assets; fostering technological innovation; and the supply of debt or equity finance to high-growth firms (HGFs), which make an outsized contribution to economic growth and employment growth.
- **The FPC supports**: the changes made by the PRA to Solvency II to encourage investment in productive assets by UK insurers (noting the industry's commitment to invest £100 billion in UK productive assets over 10 years); work to ease impediments to HGFs accessing funding; and efforts by authorities and industry to deliver practical advancements in the UK financial system's adoption of innovative technology.
- **The FPC has maintained the UK countercyclical capital buffer (CCyB) rate at 2%.** Although the global risk environment remains elevated, UK household and corporate aggregate indebtedness remains low. The easing of credit conditions since the FPC's Q3 meeting has been in line with the macroeconomic outlook, with some additional easing in the mortgage market related to policy developments.
- **The Committee supports the Bank's plans for a private markets system-wide exploratory scenario (SWES).** This would deepen understanding of the private markets ecosystem, including how firms' behaviours in stress might interact and whether these interactions could amplify stress across the financial system and pose risks to UK financial stability and the provision of finance to the UK real economy.

- **Heighted geopolitical tensions and continued advances in technology have underlined the critical importance of operational resilience to the provision of vital services to households and businesses**. The Committee supports further actions to be taken by firms and financial market infrastructures (FMIs) to build resilience to operational disruption.
- **The Committee welcomes the Bank's recent consultation paper setting out its proposed regulatory regime for sterling-denominated systemic stablecoins.** The regime should aim to support responsible innovation in payments and money and avoid a disorderly transition as this new form of money is adopted.

## Record of the Financial Policy Committee meetings on 25 November and 1 December 2025

1: The Financial Policy Committee (FPC) seeks to ensure the UK financial system is prepared for, and resilient to, the wide range of risks it could face, so that it is able to absorb rather than amplify shocks, and serve UK households and businesses, thus supporting stability and long-term growth in the UK economy.

2: The Committee met on 25 November 2025 to agree its view on the outlook for UK financial stability. The FPC discussed the risks faced by the UK financial system and assessed the resilience of the system to those risks. On that basis, the Committee agreed its intended policy actions.

3: The Committee met subsequently on 1 December 2025, with the Prudential Regulation Committee (PRC), to confirm its response to the final results of the 2025 Bank Capital Stress Test.

## The overall risk environment

4: The FPC discussed recent developments in financial markets; global vulnerabilities; UK household and corporate debt vulnerabilities; and the resilience of the UK banking sector and market-based finance. The FPC's judgements for these areas would be set out in the December 2025 **Financial Stability Report** (FSR).

## Contributing to sustainable growth

5: The Committee agreed that maintaining financial stability was a necessary foundation for sustainable economic growth. Periods of financial instability – such as the global financial crisis (GFC) – had negatively impacted the provision of vital services to households and businesses in the UK and weighed on output and productivity growth. In contrast, a stable financial system supports lower risk and term premia, lowering the cost of borrowing and improving incentives to invest in long-term productive investment.

6: The FPC primarily contributes to sustainable economic growth by maintaining financial stability through identifying, monitoring and addressing systemic risks to the UK financial sector, as required under its statutory objective. The Committee also has a secondary objective of supporting the Government's economic policy, including in relation to growth and employment. The FPC judged that these objectives were complementary over the medium to long-term: financial stability was necessary for sustainable growth, and sustainable growth supported financial stability.

7: The Committee noted that over the past 15 years, UK labour productivity growth had been low by historical standards and relative to some other advanced economies. The financial sector plays a role in contributing to productivity growth by providing vital services to UK households and businesses, including the provision of financing for investment in capital and technology. But there are a broader range of factors across the economy at play, such as trade conditions, scientific and technological innovation and human capital.

8: The Committee agreed that factors other than financial regulation had been the primary driver of low investment and so low productivity. The volume of lending to the UK real economy had not decreased as a share of GDP in the long run, and the increased diversification of the UK financial system had enhanced the supply of productive finance to the real economy.

9: The Committee observed that lending to UK households and corporates had in the past fluctuated due to changes in financial and macroeconomic conditions. Incentives in the financial system in the past had led to unsustainable lending growth in boom times followed by periods of deleveraging during the resulting downturn. However, post-GFC regulation had increased bank resilience. Combined with the FPC's use of the countercyclical capital buffer (CCyB) in stress, this had enabled the banking sector to continue to support households and businesses through recent shocks to the economy.

10: In working to advance its primary objective, the FPC would continue to take steps to ensure that its resilience-building policies were implemented efficiently in a way that supported sustainable growth as the financial system evolved.

## How the UK financial sector can better contribute to sustainable economic growth

11: In November 2024, via the Committee's annual **remit letter**, the Chancellor asked the FPC to undertake work to assess and identify areas where there is potential to increase the ability of the financial system to contribute to sustainable economic growth and potential solutions to the impediments the sector might face in doing so. The Committee discussed the conclusions of this work.

12: The Committee had agreed in its **April 2025 Record** that its work in response to the Chancellor's commission would focus on improving the long-term productive growth capacity of the economy by identifying barriers to the provision of credit and vital services to the real economy by the financial services sector. The FPC had focused on the provision of finance to high growth firms (HGFs) because they made an outsized contribution to economic and employment growth in the UK and globally.

13: The FPC agreed that HGFs faced growing challenges in accessing domestic finance. The FPC identified three impediments to the supply of debt or equity finance to HGFs. First, HGFs found it progressively more difficult to raise funds as funding rounds got larger, due to an underdeveloped domestic funding landscape. Second, HGF finance could be an extremely complex funding ecosystem for funders and founders to navigate. And third, many HGFs had little tangible collateral, and HGFs struggled to secure lending using intellectual property (IP) as collateral due to valuation and recovery constraints.

14: In addition, the FPC noted that UK pension funds and insurers faced barriers in supporting long-term capital investment in the UK economy. The Committee identified the impediments to the investment of long-term capital by pension funds and insurers. First, UK Defined Contribution (DC) pension schemes were smaller in scale and allocated less to riskier assets than international peers. Second, UK insurers reported a lack of opportunities to invest domestically that align with their expertise and risk and reward targets.

15: The FPC noted the package of measures announced by HM Treasury in the Budget. The Committee also underscored the importance of considering greater use of public-private partnership funding initiatives to channel financing to HGFs and the broader population of small and medium-sized enterprises (SMEs) to support productivity improvements. The FPC noted the key role the British Business Bank could play in this context, building on the experience of a number of other countries with similar organisations.

16: The FPC also identified issues in the financial sector's responsible adoption of innovative technology. First, the technology cost of building and maintaining resilience against cyber threats was challenging for new and small FinTechs. Many cyberattacks target third-party suppliers – which FinTechs often aspire to become – as a point of entry into larger corporates. The costs of cyberattacks could be large, and elevated geopolitical tensions and continued advances in technology had increased the potential for operational incidents to disrupt the provision of vital services (see below). Second, the UK's payments infrastructure needed to keep pace with innovation to support economic activity. Seamless and frictionless payments are critical to economic activity. Coordinated action and investment was needed to create the next generation of payment infrastructure that drives innovation, supports competition, and ensures security.

17: Having considered the above, the Committee concluded that it would:

- Support the changes made by the Prudential Regulation Authority (PRA) to Solvency II to encourage investment in productive assets by UK insurers. This included reforms to the Matching Adjustment (MA) regime – and the investment in UK productive assets the UK insurance industry had indicated those reforms would enable – and its introduction of a Matching Adjustment Investment Accelerator (MAIA). As part of this, the FPC noted the UK insurance industry's commitment to invest £100 billion in UK productive assets over 10 years.

- Support work led by other authorities to ease impediments to HGFs accessing funding. This included the use of public-private partnership funding initiatives to channel financing to HGFs and the broader populations of SMEs, and engaging with the working group established as part of HMG's Industrial Strategy with the aim of removing barriers to IP-backed lending.
- Support efforts by authorities and industry to deliver practical advancements in the UK financial system's adoption of innovative technology, including through the National Payments Vision, the Bank's AI Consortium and the Financial Conduct Authority's (FCA) AI Lab's Live Testing service.

18: Given the importance of sustainable economic growth to the FPC's objectives, the FPC would closely monitor progress on these issues and remained committed to identifying further ways in which it could deliver on its objective to support economic growth.

19: Further details on the FPC's findings in relation to sustainable growth would be published in the December 2025 **FSR**.

## The FPC's assessment of bank capital requirements

20: The FPC revisited its assessment of the appropriate benchmark level of capital requirements for the banking system. Details of the assessment would be published in a **Financial Stability in Focus** (FSIF), published alongside the December FSR. The FPC welcomed feedback and evidence from a broad range of stakeholders on it and on the issues identified for further assessment.

21: The Committee judged that the updated appropriate benchmark for the system-wide level of Tier 1 capital requirements was now around 13% of RWAs (equivalent to a CET1 ratio of around 11%), 1 percentage point lower than its previous benchmark of around 14%. That judgement was consistent with the evolution in the financial system since the FPC's first assessment in 2015, including a fall in banks' average risk weights, a reduction in the systemic importance of some banks, and improvements in risk measurement. Given the reduction in the FPC's benchmark, banks should have greater certainty and confidence in using their capital resources to lend to UK households and businesses.

22: The FPC's system-wide Tier 1 benchmark excluded firm-specific PRA buffers, and requirements set by overseas authorities such as the international component of the CCyB. Within the banking system there would be a distribution of capital requirements in practice reflecting individual banks' business models, their level of systemic importance, the degree of gaps and mismeasurement in their risk weighted assets, and the PRA's view of firm-specific risks.

23: In undertaking its review, the FPC had considered how capital requirements had evolved since previous assessments, and feedback it had received from industry and other stakeholders. The FPC noted that:

- Average risk-weights had fallen as banks had changed the composition and riskiness of their balance sheets.
- Systemic buffers were lower than envisaged in 2015 as some banks had decreased in systemic importance.
- The implementation of Basel 3.1 on 1 January 2027 would improve risk measurement, allowing the PRA to reduce Pillar 2A minimum requirements by around ½ percentage point.

24: The FPC considered that the inbuilt responsiveness of nominal capital requirements in the UK banking system – to falls in average risks weights, decreases in UK banks' systemic importance, and improvements in the measurement of risk weights – reflected desirable flexibility in the capital framework. Flexibility in the framework meant that capital requirements could continue to respond to developments in underlying structural and cyclical factors in future, including if risk levels were to change.

25: UK banks had tended to have capital headroom over regulatory minimum and buffer requirements. Such headroom varied considerably across banks and over time. Currently, banks in aggregate had CET1 capital resources of about 2% of RWAs over their requirements. While the PRA and FPC had no requirements – formal or informal – for capital headroom, banks maintain this additional capital for a number of reasons, including a perceived lack of buffer usability.

26: The FPC also considered how the level of capital requirements in the UK compared to international peers. Comparing capital requirements across jurisdictions was challenging given differences in how risks were captured in different regulatory frameworks – for example, the UK and EU regulatory frameworks captured some risks through Pillar 2 capital add-ons, while the US framework under law instead tended to apply higher risk weights.

27: The level of risk-based capital requirements for large banks in the UK was broadly similar to that in the euro area. And analysis that attempted to adjust for some key differences in the way risks were captured between the UK and US suggested that the level in the UK was lower than that in the US. That said, UK requirements appeared to be higher than in other jurisdictions for some more specific aspects and cohorts, particularly leverage ratio requirements for large domestically focused banks.

28: The Committee considered that the change in its benchmark was consistent with its view that the banking sector could support long-term growth in the real economy in both current and adverse economic environments. This was supported by the results of the 2025 Bank Capital Stress Test, which demonstrated that the UK banking system could continue to support the economy even if economic and financial conditions turned out materially worse than expected.

29: The FPC had considered updated evidence related to its previous judgements on the economic costs and benefits of capital and reviewed external academic studies that provided independent estimates of appropriate capital levels:

- The FPC reaffirmed that its previous judgements related to the positive impact of post-crisis reforms remained appropriate. Those judgements were related to credible and effective resolution arrangements, effective supervision, structural reform such as the implementation of ring-fencing, and the Committee's active use of the time-varying countercyclical capital buffer. Together, these judgements materially reduced the FPC's assessment of the appropriate level of capital in 2015.

- Updated analysis suggested that the macroeconomic costs of bank capital may have declined as the spread between banks' cost of equity and the average cost of their debt had fallen. At the same time, various developments may have impacted the macroeconomic benefits of bank capital. Global vulnerabilities, including risks associated with sovereign indebtedness, had increased. But conversely, the indebtedness of UK households and businesses had fallen, and banks' underwriting standards had improved.

- Analysis of the net macroeconomic impact of capital requirements suggested that the Committee's updated 13% benchmark was within, albeit towards the lower end of, the range of capital requirements that were likely to maximise the benefits to long-term growth. The FPC's updated benchmark was also at the lower end of the range of optimal capital levels estimated in the external academic literature.

- Analysis also suggested that reducing structural capital requirements materially below the FPC's updated benchmark of 13% (unless due to further improvements in risk measurement that allow overlaps to be removed from Pillar 2A requirements) could be associated with significant reductions in long-run expected GDP through the costs of greater instability, especially if those reductions in capital were to undermine the credibility of the resolution regime as a result of lower overall loss-absorbing capacity. Materially lower capital levels could also lead to higher risk premia on bank funding costs, which would in turn feed through to higher borrowing costs and lower investment by businesses.

30: The FPC had also considered whether the capital framework might warrant adjustment to make it more effective, efficient and proportionate in the future, and to address any unintended consequences.

31: Significant steps were already being taken to address feedback and improve the efficiency and proportionality of the framework. The FPC had approached the assessment of capital requirements proactively and had identified further broad, material categories of issues in which it supported further work to assess whether changes could make the capital framework more effective, efficient and proportionate. The FPC would expect banks to use any such changes as a means to increase their support of households and businesses in the real economy.

32: Working with the PRA and international authorities, the FPC would work to enhance further the usability of regulatory buffers and so reduce banks' incentives to have capital in excess of regulatory requirements and buffers. Regulatory capital buffers made up just under half of risk-weighted capital requirements. These buffers were explicitly intended to be usable to help banks absorb losses in stress while maintaining the provision of services to the real economy in a downturn – by reducing incentives for banks to deleverage in order to defend their capital position. Experience and a range of research suggested, however, that banks were reluctant in practice to use their buffers, which might have contributed to the size of banks' management buffers above leverage ratio requirements.

33: The FPC would review the implementation of the leverage ratio in the UK, to ensure that it functioned as intended. When the FPC introduced the leverage ratio as a complement to the risk-weighted framework in 2015, it was envisaged that risk-weighted requirements would form the binding constraint for a majority of UK banks most of the time. Over time however, the falls in average risk weights had meant that the leverage ratio was becoming binding – or close to binding – for a greater number of lenders.

34: While there were reasons for the differences in application of the leverage ratio in the UK and some other countries, including previous macroprudential decisions by the FPC to apply buffers alongside Basel minimum standards, international comparisons also pointed to some potentially important areas to consider for reform. As a result, the FPC would review how the leverage ratio had been implemented in the UK, how it was operating in practice, how it was interacting with other policies such as ring-fencing, and whether this matched the original intention of the framework. For example, the FPC would explore the extent to which the leverage ratio had become more binding as a result of underlying reductions in the riskiness of banks' exposures. The Committee intended to prioritise reviewing the UK's approach to regulatory buffers in leverage ratio requirements.

35: The FPC supported initiatives by the Bank to respond to feedback on interactions, proportionality, and complexity in the capital framework. This included further work to consider how the capital requirements that are related to domestic exposures interact. Capital requirements that were related to domestic exposures included the UK CCyB, O-SII buffers, and Pillar 2A requirements for geographic credit concentration risk, which each served different purposes in the capital framework, but were all calibrated based on measures of domestic lending. The FPC and the PRA intended to draw on several sources of information when conducting this work including on the impact of systemic failures and credit concentration, and banks' stress test results. Other initiatives included:

- Further work to develop a systematic approach for updating regulatory thresholds that define which different parts of the regulatory framework apply to firms.
- The PRA's contribution to the government's review of ring-fencing. The government had made clear its intention to maintain the ring-fencing regime to protect financial stability and safeguard depositors, while at the same time driving meaningful reform of the regime as part of plans to focus on growth and the release capital for productive investment in the UK. The PRA would also review the application of the Basel 3.1 output floor at the ring-fenced sub-group level, based on evidence and experience of its implementation. It would do so after Basel 3.1 is implemented but before full weighting of the output floor in 2030.
- Reviewing feedback on the capital requirements for mortgages under internal ratings-based models, to ensure the framework enables an optimal channelling of finance to creditworthy households. Industry had previously raised concerns that Internal Ratings-Based (IRB) requirements were particularly difficult to meet for smaller and newer lenders. While aimed at exploring ways to address challenges faced by medium-sized firms, some policy changes would also affect larger lenders.

36: The FPC had previously judged that the introduction of International Financial Reporting Standard (IFRS) 9 should not lead to an unwarranted increase in capital requirements. In response, and following engagement with industry, the Bank had made changes to the stress test relative to previous concurrent stress tests that were appropriate to make alongside the earlier provisioning under the IFRS 9 accounting standard. The FPC judged these changes had been effective in avoiding an unwarranted increase in capital arising from the interaction of IFRS 9 and the stress test, and made the test simpler and aligned with the accounting standard that would apply in an actual stress. The Bank therefore intended to maintain these changes for future tests (see below).

37: The FPC, along with the PRA, was interested in the views of a broad range of stakeholders – including UK lenders, think-tanks, industry groups, investors and academics – on the material covered in the accompanying FSIF on the FPC's assessment of bank capital requirements, and welcomed feedback and evidence on the issues identified for further assessment. The Bank would engage in structured evidence gathering sessions in early 2026.

38: Further details of the FPC's assessment would be published in an **FSIF**, alongside the December 2025 **FSR**.

## Results of the 2025 Bank Capital Stress Test

39: The Committee discussed the results of the 2025 Bank Capital Stress Test, which indicated that the major UK banks had the capacity to continue to support the economy through a stress scenario that incorporated a severe global aggregate supply shock, high advanced-economy inflation, higher global interest rates, deep and simultaneous recessions in the UK and global economies, with materially higher unemployment, and sharp falls in asset prices.

40: The stress test was not a forecast of macroeconomic and financial conditions in the UK or abroad. Rather, it was intended to be a coherent 'tail risk' scenario designed to be severe and broad enough to allow the FPC and PRC to assess the resilience of UK banks to a range of adverse shocks. The results of the stress test are used to form a view of the resilience of the banking sector and individual banks in it as part of the FPC and PRC's broader framework for financial stability and safety and soundness.

41: The stress test results showed that the aggregate CET1 ratio reduced by 3.5 percentage points to the low point of the test. That left aggregate headroom to regulatory minima and systemic buffers at the low point of the stress of 3.2 percentage points CET1 (the equivalent of around £60 billion). Most of this headroom arose from banks beginning the test with capital in excess of regulatory minima and buffer requirements.

42: However, the FPC had noted as part of its capital review that there were impediments to banks using their buffers in practice, which could have been contributing to bank' incentives to maintain capital in excess of regulatory requirements. The FPC and PRC did not oblige firms to maintain buffers in excess of regulatory requirements. All elements of capital buffers that had been built up by banks existed to be used to support households and businesses during stress. The existence of usable buffers allowed banks to absorb losses without breaching minimum requirements, enabling them to meet the demand for credit from creditworthy households and businesses in the face of severe adverse shocks. As part of the next phase of its capital review (see above) the FPC would explore further steps that could be taken to enhance the usability of buffers.

43: At the individual firm level, all participating banks and building societies remained above their CET1 risk-weighted and Tier 1 leverage minimum regulatory requirements, and no bank was required to strengthen its capital position as a result of the test.

44: The results of the test supported the FPC's judgement that banks' current levels of capital were sufficient to support the real economy. They showed that the UK banking system had the capacity to support UK households and businesses, even if economic, financial and business conditions became substantially worse than expected.

45: As in previous stress tests, banks' resilience relied in part on their ability in stress to cut dividend payments, employee variable remuneration, and coupon payments on additional Tier 1 instruments, as well as other management actions taken in response to the stress. The FPC judged it important for investors to be aware that banks would take such actions as necessary if such a stress were to materialise.

46: The 2025 Bank Capital Stress Test was the first stress test since the end of transitional arrangements for the IFRS 9 accounting standard, introduced in 2018. In 2018, the FPC had stated that it would seek an enduring treatment for IFRS 9 in the stress test that avoided an unwarranted increase in capital requirements. Reflecting the increased resilience for a given level of capital provided by the earlier recognition of losses under IFRS 9, and following a review of the calibration of the stress tests, the Bank had implemented a number of changes relative to previous stress tests. These changes were designed to be consistent with an unchanged FPC and PRC risk tolerance for the resilience of the UK banking system.

47: In March, the Bank committed to using this year's test to assess the impact of these changes. The FPC judged that the changes had avoided an unwarranted increase in capital requirements and made the test simpler and more aligned with historical advanced economy stresses in terms of the size and timing of the shocks. It intended to maintain these changes for future stress tests and expected to return to assessing resilience against the benchmark of minimum capital requirements and systemic risk buffers.  Further details would be set out in Box E of the FSR.

48: Further details of the 2025 Bank Capital Stress Test and the approach to IFRS 9 would be published in the December 2025 **FSR**.

49: Alongside the results of the Bank Capital Stress Test the FPC also welcomed the results of the Life Insurance Stress Test, published on 17 and 24 November.[1] The results of the test indicated that the sector was resilient to a severe financial market stress scenario that incorporated a decline in risk-free interest rates, falls in equity and property prices, along with widening spreads and subsequent defaults and downgrades.

[1] Aggregate results were published on **17 November** with firm-specific results published on **24 November**.

## The UK countercyclical capital buffer rate

50: The FPC discussed its setting of the UK CCyB rate. The Committee's principal aim in setting the UK CCyB rate was to help ensure that the UK banking system was able to absorb severe but plausible shocks without an unwarranted restriction in essential services, such as the supply of credit, to the UK real economy. Setting the UK CCyB rate enabled the FPC to adjust the capital requirements of the UK banking system to the changing scale of risk of losses on banks' UK exposures over the course of the financial cycle. The approach therefore included an assessment of financial vulnerabilities and banks' capacity to absorb such losses, including the potential impact of shocks.

51: In considering the appropriate setting of the UK CCyB rate, the FPC discussed its judgements around underlying vulnerabilities that could amplify economic shocks. While the global risk environment remained elevated, UK household and corporate aggregate indebtedness remains low. The easing of credit conditions since the FPC's October meeting had been in line with the macroeconomic outlook, with some additional easing in the mortgage market related to policy developments.

52: The FPC observed that UK banks' resilience to these risks continued to be supported by strong asset quality and strong capital positions. There was no evidence that banks were restricting lending to protect their capital positions. As noted above, the results of the 2025 Bank Capital Stress Test suggested that the major UK banks could continue to support UK households and businesses even if economic, financial and business conditions became substantially worse than expected.

53. In view of these considerations, the FPC decided to maintain the UK CCyB rate at 2%. Maintaining a neutral setting of the UK CCyB rate in the region of 2% would help to ensure that banks continued to have capacity to absorb unexpected future shocks without an unwarranted restriction in essential services, such as the supply of credit, to the UK real economy. In considering the appropriate setting of the UK CCyB rate the Committee had taken account of its latest assessment of bank capital requirements (see above).

54: The Committee would continue to monitor the evolution of financial conditions closely to ensure the setting of the CCyB remained appropriate.

## Private markets

55: The Committee discussed how the role and size of private markets had grown significantly over the past decade, including in the UK, and continued to evolve. The FPC noted the benefits of growth in private markets for the UK real economy, including via diversifying sources of funding for UK businesses and supporting their growth. While resilient to date, the private market ecosystem had not been tested through a broad-based macroeconomic stress at its current size. As previously set out by the FPC, key vulnerabilities associated with private markets could arise from the widespread use of leverage (both by private market funds and their portfolio companies), opacity in valuations, complexity of structures, the extent of reliance on rating agencies, and the interconnection with other risky credit markets. The rapid growth of private markets, increasing interconnections with banks and insurers, and significant data gaps made it difficult to assess fully the potential for systemic risks.

56: The FPC supported the Bank’s plans for a system-wide exploratory scenario (SWES) exercise focused on the private markets ecosystem that would be run in collaboration with a group of banks and non-bank financial institutions (NBFIs) active in these markets. The exercise would explore potential risks and dynamics associated with private markets and related risky public credit markets through understanding the actions taken by banks and NBFIs active in private markets in response to a shock, and how these actions might interact at a system level. It would also aim to understand better whether these interactions could amplify stress across the financial system and pose risks to UK financial stability and the provision of finance to the UK real economy.

57: The Committee noted that the exercise was not a test of the resilience of the individual firms that would participate in the exercise. Its focus would be system-wide, exploring the resilience of the provision of private market and related public market finance to the UK corporate sector. Enhancing the transparency of any system-wide dynamics in a stress should help private market participants to better manage the risks they face and allow the Bank, FCA, The Pensions Regulator (TPR) and international authorities to make better-informed judgements about the risks in that ecosystem.

58: The Bank would conduct this exploratory exercise under the guidance of the FPC and the PRC, working closely with, and with the full support of, the PRA, the FCA and TPR.

## Operational resilience

59: The FPC had previously discussed how heightened geopolitical tensions and continued advances in technology had underlined the critical importance of operational resilience to the provision of vital services to households and businesses. This supported the need for firms and financial market infrastructures (FMIs) to continue to build resilience to operational disruption. The FPC met jointly with the PRC, the Financial Markets Infrastructure Committee and the FCA to discuss the UK’s approach to enhancing the operational resilience of the UK financial system given the heightened threat landscape, and the increasing pace of technological change. They agreed the importance of continued co-ordination on these issues.

60: The FPC judged that geopolitical and technological developments further increased the likelihood that operational incidents could affect the provision of vital services such as wholesale and retail payments, clearing and settlement, and other activity such as custody services. Not only could disruption to vital service provision affect the ability of financial sector participants, households and businesses to manage risk, transact or access financing, it could also undermine confidence in the financial system, and therefore negatively affect saving, investment, and economic growth. Cyberattacks and severe operational disruption also had the potential to impact firms' own revenues and valuations.

61: Therefore, the FPC supported further actions to be taken by firms and FMIs to build resilience to operational disruption, including to emerging risks from AI, quantum computing, and more broadly as the risk environment continued to evolve.

62: The Committee agreed that the appropriate management of high-impact operational risks by critical firms and FMIs was essential for system-wide operational resilience. Therefore, the FPC welcomed work by microprudential regulators to continue to strengthen the regulatory framework for operational resilience.

63: In taking steps to build resilience, firms and FMIs should recognise the role they play in supporting confidence in the financial system, and how disruption to vital services could negatively affect saving, investment and economic growth. For example, FMIs and the largest firms were required to take account of risks to UK financial stability when identifying their important business services. To support this, the **Thematic findings from the 2024 Cyber Stress Test** provided tools to facilitate discussion of financial stability between subject matter experts from a range of disciplines, as well as illustrative examples of mitigation actions firms and FMIs could take.

64: Boards of firms and FMIs should work with authorities to use the findings of sector-wide exercises and stress tests such as SIMEX and the Cyber and Operational Resilience Stress Test to improve their understanding of actions they can take to mitigate impacts on financial stability. Given the interconnected nature of the global financial system, the FPC supported further international engagement on operational resilience.

65. As part of its broader framework on operational resilience, the Committee would also continue to monitor the implementation and outcomes of the critical third parties (CTPs) regime and looked forward to further progress in this area.

66: Further details of the Bank's approach to operational resilience would be set out in the structural changes in the UK financial system chapter of the December 2025 **FSR**.

## Stablecoins

67: The FPC welcomed the publication of the Bank's recent **consultation paper** setting out its proposed regulatory regime for sterling-denominated systemic stablecoins. In its 2025 Q2 Record the FPC had noted the financial stability benefits of having a regulatory framework that was proportionate to risks, allowed for some degree of alignment with other jurisdictions and supported firms setting up in the UK.

68: The Committee noted that the proposals were built on feedback received to the November 2023 Discussion Paper and reflected the Bank's role in maintaining public trust in money as innovation in payments accelerated. The FPC supported the outcomes the Bank wanted to achieve in this space: avoiding a disorderly transition to widespread adoption of systemic stablecoins that undermined financial and monetary stability as well as access to credit, while at the same time, promoting innovation in payments and money.

The following members of the Committee were present at 25 November and 1 December Policy meetings:

- Andrew Bailey, Governor
- Nathanaël Benjamin
- Stephen Blyth
- Sarah Breeden
- Jon Hall
- Randall Kroszner[2]
- Clare Lombardelli
- Liz Oakes
- Dave Ramsden
- Nikhil Rathi
- Carolyn Wilkins
- Sam Woods

Gwyneth Nurse attended the 25 November meeting as the Treasury member in a non-voting capacity.[3]

[2] Randall Kroszner was unavoidably unable to attend the meeting with the PRC on 1 December to confirm the results of the 2025 Bank Capital Stress Test. He communicated his views to the Governor beforehand.
3 Gwyneth Nurse was unavoidably unable to attend the meeting with the PRC on 1 December to confirm the results of the 2025 Bank Capital Stress Test. Lowri Khan attended in her place.

# Annex 1: Financial Policy Committee policy decisions

## Outstanding FPC Recommendations and Directions (as at the date of the FPC's meeting on 25 November 2025)

On 23 March 2023, the FPC made the recommendation (23/Q1/2) that:

- The Pensions Regulator (TPR) should have the remit to take into account financial stability considerations on a continuing basis. This might be achieved, for example, by including a requirement to have regard to financial stability in its objectives, which should be given equal weight alongside other factors to which TPR is required to have regard. The FPC noted that in order to achieve this, TPR would need appropriate capacity and capability.

On 27 June 2025, the FPC made the recommendation (25/Q2/1) that:

- The PRA and FCA should together (i) aim to ensure that the aggregate flow of new residential mortgages from mortgage lenders at loan to income ratios (LTIs) at or greater than 4.5 does not exceed 15% of total new residential mortgages, and (ii) allow individual lenders to increase their share of lending at such high LTIs while aiming to ensure the aggregate flow remained consistent with the limit of 15%. The FPC recognises that, in doing so, such high LTI lending by individual lenders could exceed 15% of their total number of new residential mortgages while the aggregate flow remains consistent with the 15% limit. The aggregate flow is calculated based on new residential mortgages extended by lenders which extend residential mortgage lending in excess of £150 million per annum.

## Other FPC policy decisions which remain in place

The following text sets out previous FPC decisions, which remain in force, on the setting of its policy tools. The calibration of these tools is kept under review.

### Countercyclical capital buffer rate

The FPC agreed to maintain the UK CCyB rate at 2% on 25 November 2025, unchanged from its 2 October 2025 meeting. This rate is reviewed on a quarterly basis. The UK has also reciprocated a number of foreign CCyB rate decisions – for more details see the Bank of England website. Under PRA rules, foreign CCyB rates applying from 2016 onwards will be automatically reciprocated up to 2.5%.

## Leverage Ratio

In September 2021, the FPC finalised its review of the UK leverage ratio framework, and issued a Direction and Recommendation to implement the outcome of the review as set out in its October 2021 Record.

In October 2022, in line with its statutory obligations, the FPC completed its annual review of its Direction to the PRA. The FPC revoked its existing Direction to the PRA in relation to the leverage ratio regime, and issued a new Direction on the same terms as in September 2021 with the addition of discretion for the PRA to set additional conditions to the central bank reserves exclusion.

- The full text of the FPC's Direction to the PRA on the leverage ratio is set out in the Annex of the October 2022 Record, together with the original Recommendation (now implemented).
- The PRA has published its approach to implementing this Direction and Recommendation.
- The FPC is required to and has continued to review its leverage ratio Direction annually, most recently in 2025 Q3.