Bank of England

Record of the Financial Policy Committee meeting on 27 June 2025

9 July 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 2 October 2025 and the record of that meeting will be published on 8 October 2025.

Record of the Financial Policy Committee meeting on 27 June 2025

Headline judgements and policy actions

- **Risks and uncertainty associated with geopolitical tensions, global fragmentation of trade and financial markets, and pressures on sovereign debt markets are still elevated. Some geopolitical risks have crystalised. Related to this, material uncertainty around the global macroeconomic outlook persists. As an open economy with a large financial sector, these risks are particularly relevant to UK financial stability.**
- **In early April, US announcements on trade policy and subsequent responses from other jurisdictions were followed by sharp falls in valuations across many financial asset classes, including advanced economy government bonds. The US dollar also weakened**.
- **Conditions in core government bond and repo markets were deteriorating but remained orderly and could have worsened absent the US announcement of a tariff pause. Overall, operational resilience was sustained during a period of high volatility and transaction volumes.**
- **In some markets, risk sentiment recovered after the pause in the implementation of higher trade tariffs on 09 April. But 30-year government bond prices and the US dollar remain at or near multi-year lows, and correlations with risky asset prices have shifted from historical norms. Overall, term premia globally have increased materially and remain elevated. Risky asset valuations, which had been stretched prior to April, have subsequently returned to previous levels, despite the high level of uncertainty that persists. Therefore, the risk of sharp falls in risky asset prices, abrupt shifts in asset allocation and a more prolonged breakdown in historical correlations remains high. Any vulnerabilities in market-based finance could amplify such moves, potentially affecting the availability and cost of credit in the UK. It is important that in their risk management, market participants are prepared for such shocks.**
- **In the UK, household and corporate borrowers remain resilient in aggregate. The UK banking system remains in a strong position to support households and businesses, even if economic, financial and business conditions became substantially worse than expected.**

- **Considered over a longer time horizon, UK bank capital levels in aggregate have been broadly stable since the completion of the phase-in of the post-global financial crisis (GFC) bank capital framework in 2019. While the FPC judge the level of capital in the banking system to be broadly appropriate, it has been five years since the Committee's last assessment of the overall level of capital requirements. Therefore, it will refresh that assessment and provide an update on this work in the next Financial Stability Report (FSR).**
- **The FPC has maintained the UK countercyclical capital buffer (CCyB) rate at 2%.** The Committee noted the greater likelihood of severe global shocks, which continued to pose a threat to UK financial conditions and recognised that some global risks had crystalised since Q1. However, risk indicators most directly relevant to banks' UK exposures, to which the UK CCyB rate was applied, were not materially above long-term averages.
- **The FPC discussed risks from NBFI leverage to financial stability via core financial markets and systemically important institutions as well as ongoing policy initiatives to address these.** The Committee welcomed progress in developing monitoring tools, including more comprehensive data on systemic institutions' exposures to NBFIs and for NBFI leverage in core markets. It agreed to publish aggregated information on leverage and positioning to support market participants in understanding their positioning relative to the market, thereby informing their internal risk management.
- **The Committee discussed the significant developments in stablecoins, globally, since the November 2024 FSR and discussed Bank and Financial Conduct Authority's (FCA) policy proposals for the regulatory regime for systemic and non-systemic stablecoins.** It noted the financial stability benefits of having a regulatory framework that is proportionate to risks, allows for some degree of alignment with other jurisdictions and supports firms setting up in the UK. The FPC also noted that these are global markets, and it is important for the international regulatory community to consider how best to consider the financial stability risks associated with global stablecoins.
- **The FPC considered the findings of the 2024 Cyber Stress Test (CST24)** and noted that cyber and operational resilience stress testing remain a core part of the Committee's toolkit for understanding firms' ability to respond and recover from severe but plausible operational disruption. It welcomed the findings published in the CST24 thematic letter of 9 July, which aim to assist firms in understanding how operational disruption of their services could lead, through financial, operational and confidence channels, to broader potential financial stability impacts. The Committee judged this important in assisting all firms to improve their understanding and analysis of such financial stability impacts, consistent with expectations for firms' management of their operational resilience.

- **The FPC discussed the current operation of its loan-to-income (LTI) flow limit, building on its deliberations in Q1. This included whether there were any impediments to using the LTI flow limit more fully for those lenders that wished to, consistent with lenders' own risk limits and business models. The FPC recommended the Prudential Regulation Authority (PRA) and the FCA amend implementation of its LTI flow limit to allow individual lenders to increase their share of lending at high LTIs while aiming to ensure the aggregate flow remained consistent with the limit of 15%.**

Record of the Financial Policy Committee meeting on 27 June 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 27 June 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.

The overall risk environment

3. 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 July Financial Stability Report (FSR).

The UK countercyclical capital buffer rate and UK bank capital

4. The FPC discussed its setting of the UK countercyclical capital buffer (CCyB) rate. The Committee's principal aim in setting the CCyB rate was to help ensure that the UK banking system was better able to absorb 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.

5. In considering the appropriate setting of the UK CCyB rate, the FPC discussed its judgements around underlying vulnerabilities that could amplify economic shocks. The elevated likelihood of severe global shocks, including those related to geopolitics and changes in global trade arrangements, continued to pose a material threat to UK financial conditions. In addition, some global risks had crystalised since Q1 and vulnerabilities in market-based finance, including in core markets, remained material. The Committee noted the importance of ongoing policy initiatives that would more directly address these vulnerabilities than the CCyB, such as exploring ways to improve gilt repo market resilience, supporting the Bank in building its toolkit to support the functioning of the repo market in systemwide stress via the Contingent NBFI Repo Facility, and supporting international work to address NBFI leverage.

6. Indicators most directly relevant to the risk of banks' UK exposures, to which the UK CCyB rate was applied, such as domestic credit growth and indicators of debt vulnerabilities, were not materially above long-term averages. The UK banking system was well capitalised, and its resilience continued to be supported by relatively strong asset quality, and the Committee noted that the results of last year’s desk-based stress test suggested that the UK banking system could continue to support households and businesses even if economic, financial and business conditions turned out to be substantially worse than expected.

7. Overall, the FPC judged that credit conditions had not significantly added to vulnerabilities that might amplify shocks. Some indicators pointed to an easing in credit conditions in the mortgage market in the first quarter of the year. Credit conditions were also reported to have eased a little for smaller businesses, though demand for corporate credit more broadly remained subdued. Banks were not restricting lending to protect their capital positions. The Committee would continue to monitor the evolution of financial conditions closely, as well as reviewing the results of the 2025 Bank Capital Stress Test, to ensure the setting of the CCyB remained appropriate.

8. In view of these considerations, the FPC decided to maintain the UK CCyB rate at 2%.

9. The FPC sets the UK CCyB rate in line with the evolution of economic and financial conditions, underlying vulnerabilities, and the overall risk environment. The Committee noted the continuing high levels of uncertainty and that the global risk environment had deteriorated in recent quarters. The Committee stood ready to cut the UK CCyB rate should risks to UK economic and financial conditions appear to be materialising such that the banking system was likely to restrict lending by more than was warranted by the macroeconomic environment.

10. The FPC also stood ready to increase the UK CCyB rate. UK households and corporates had remained resilient, but if credit conditions loosened in a way that was not consistent with the macroeconomic outlook and vulnerabilities that could amplify future economic shocks increased to an elevated level, or if a higher risk of losses on UK exposures could impact the future resilience of the UK banking system, the FPC would be prepared to raise the UK CCyB rate above 2%, consistent with the CCyB Policy Statement. This would help ensure that banks had an additional cushion of capital with which to absorb potential losses, enhancing their resilience and ability to continue lending to the real economy through a future economic shock.

11. In addition, the Committee noted that considered over a longer time horizon, capital levels in aggregate had been broadly stable since the completion of the phase-in of the post-global financial crisis (GFC) bank capital framework in 2019. While the FPC judged the level of capital in the banking system to be broadly appropriate, it noted that it had been five years since the Committee's last assessment of the overall level of capital requirements. Therefore, it would refresh that assessment and provide an update on this work in its next FSR.

NBFI leverage

12. The FPC discussed risks to UK financial stability from NBFI leverage as well as on-going policy initiatives to address them. Financial stability risks arise in core financial markets where leveraged non-banks such as hedge funds and liability-driven investment (LDI) funds are active, and via links to systemically important institutions such as banks and central counterparties (CCPs).

13. The Committee noted the continued growth of leveraged strategies in the gilt market since early 2024. The FPC observed that the disorderly unwind of these strategies could be driven by several common triggers, including the sudden withdrawal of funding in the gilt repo market, sharp increases in margin or collateral calls, stop loss or risk limit breaches, as well as cross-market or cross-border contagion due to the interconnected nature of financial markets and the presence of common participants. In particular, positions with directional exposures could result in one-way sales of gilts when unwound which could challenge market functioning. In addition, relative value strategies that used net repo borrowing to arbitrage between different related financial instruments (such as the cash-futures basis trade) could also threaten financial stability, for example if intermediation capacity were impaired or if correlations between instruments were to break down, as had occurred during the March 2020 'dash for cash.'

14. While UK core market functioning was resilient during the period of high volatility in April, the relatively short-lived nature of the market disruption helped limit its impact. The FPC

observed that LDI buffers remained stable and above regulatory guidance in the resilience standard, despite rising interest rates in the gilt market, allowing the sector to absorb rather than amplify stress.

15. The Committee noted that leveraged positioning could change quickly, and as the footprint of NBFIs in core markets continued to grow the mix of strategies may change. Therefore, continued monitoring was critical and the FPC would publish aggregated information on leverage and positioning to support market participants in understanding their positioning relative to the market, thereby informing their internal risk management. It also noted the importance of continuing to refine the Bank's surveillance capabilities in this space, particularly with regard to measures of concentration and crowded positions.

16. In line with the increasing role of NBFIs in core markets, the FPC noted that the exposure of UK banks to NBFIs would continue to grow as banks facilitated NBFI leverage, including through repo, derivatives, and prime brokerage. The Committee discussed how continued growth in exposures to highly leveraged entities would add to banks' counterparty credit risk, and collateralisation might not be a guarantee to avoid large default losses in stressed market conditions. The FPC noted it was important that both banks and leveraged market participants consider the impact of potential correlation breakdowns on their risk management practices.

17. As well as the direct impact on bank balance sheets, losses on NBFI exposures or a broad based unwind of leveraged positions by NBFIs could affect banks' appetite to warehouse market risk and so reduce their ability to act as shock absorbers in the event of a stress. In this context, the FPC discussed recent and ongoing work to address financial stability risks from NBFI leverage to core financial markets and systemically important institutions. This included progress in developing surveillance and monitoring tools, including more comprehensive data on systemic institutions' exposures to NBFIs and sterling derivatives positions of non-UK market participants to enable systematic monitoring of NBFI leverage. To help enhance resilience in gilt repo markets the Bank planned to engage with industry through an upcoming Discussion Paper, which would explore possible ways to enhance gilt repo market resilience and improve market functioning.

18. The FPC welcomed the Financial Stability Board (FSB)'s policy recommendations on NBFI leverage, and noted it was important that authorities take forward work to implement them. The FPC reiterated the need for enhanced surveillance of leverage risks and international collaboration to address cross-border issues and stressed the continued importance of engagement via the work of the FSB.

19. Further details on NBFI leverage would be published in the July FSR.

Developments in stablecoin markets

Financial stability risks from stablecoins

20. The FPC (along with the Financial Market Infrastructure Committee) was briefed on significant developments in the stablecoin industry in the context of recent growth in the sector, evolving use cases and emerging UK and international regulatory regimes. Stablecoins were currently mainly used for cryptoasset transactions, and the main risk of this activity stemmed from potential spillovers to systemic markets, given their backing assets, which the FPC judged to be relatively limited at present. Looking ahead, the FPC noted that there could be innovation benefits associated with greater use in cross border and retail payments. However, if there were to be widespread adoption of stablecoins in the future as a means of payment, there could be important implications for risks associated with trust in money and payments services and credit provision to households and corporates, in addition to potential spillover to systemic markets.

21. Given the uncertainty around future usage and the international nature of these markets, the FPC noted the importance of building a regime fit for future use cases as well as current ones. The FPC also noted the importance of coordination of policymaking on an international level, to ensure that the FS risks of global stablecoins were managed.

Regulatory regime for systemic stablecoins

22. The FPC discussed the policy proposals for the regulatory regime for stablecoins in the UK in the context of developments in the stablecoins industry, the regulatory landscape internationally and the feedback provided to the 2023 Discussion Paper on the Bank's regime. Guided by the FPC expectations as set out previously[1] with the aim to ensure the regulatory framework facilitates payments innovation in the UK, the FPC supported staff's proposal to explore options for allowing some return on backing assets for these stablecoins.

23. The FPC noted the financial stability benefits of having a regulatory framework that is proportionate to risks, allows for some degree of alignment with other jurisdictions and supports firms setting up in the UK. The Committee further noted that the Bank's regime had been designed for systemic payments coins, i.e. a future use case for coins that were widely used for everyday retail transactions in the UK, while the Financial Conduct Authority's (FCA) proposed regime had been designed for all other non-systemic use cases. As the FPC noted previously, a systemic stablecoin that underpins a material part of the payments in the

[1] Financial Stability Report, Financial Policy Committee Record and stress testing results - December 2019 | Bank of England

economy would need to be subject to stricter requirements (e.g. backing assets, limits as the market adjusts to new forms of digital money) than was needed in the FCA proposed regime to ensure financial stability risks are mitigated. It would need to be close to existing forms of money and interoperable with them in order to maintain trust in the currency – thereby adhering to the principles of singleness of and trust in money. The FPC noted that the Bank would continue to work with the FCA to manage the transition for firms moving from the FCA to Bank's proposed regime.

24. With respect to wholesale financial market transactions, as previously noted, the FPC had a low-risk appetite for a significant shift away from central bank money as the primary settlement asset in the financial system. The FPC was briefed on the potential use of sandboxes to allow industry to experiment with stablecoins used for wholesale transactions. This would allow the Bank to understand more about the potential risks around settlement in stablecoins in wholesale markets.

Cyber stress testing

25. The FPC welcomed the findings of the 2024 Cyber Stress Test (CST24), including the thematic findings published in the CST24 thematic letter. Cyber and operational resilience stress testing remained a core part of the Committee's toolkit for understanding firms' ability to respond and recover from severe but plausible operational disruption. The FPC concluded as follows:

- Firms demonstrated a range of mature resilience and mitigation capabilities that had been individually and collectively exercised and tested. Firms should continue to invest in testing, in particular where they might need to coordinate mitigating actions across the sector or might need to take action to mitigate risks to financial stability, even where firm safety and soundness is not at risk.

- Firms should consider contingencies for scenarios affecting their ability to prioritise and process payments, which was a key mitigant for risks to financial stability in the test.

- Another key mitigant was the ability of firms to provide liquidity to their customers when transactions were unable to settle. Understanding and preparation for the liquidity needs of customers over the potentially extended period when settlement systems were impaired, and their relative importance for maintaining financial stability, should form part of a meeting financial stability impact tolerances.

- Firms' decisions about disconnecting from and reconnecting to critical systems and infrastructures would determine their ability to mitigate financial stability impacts since disconnection would mean no further transactions could be processed and reconnection was typically a lengthy process. Firms should ensure their disconnection and reconnection options are understood and are aligned to their risk appetites, and that playbooks reflect the potential financial stability impacts of a loss of key connections. Financial Market Infrastructures (FMIs) should also work with the sector to ensure their members understand the nuances and implications of disconnection and reconnection and are able to make informed, risk-based decisions which reflect the financial stability implications of these decisions.

- In the test, firms lacked maturity in their understanding and articulation of how the impacts of a disruption of their services could affect overall financial stability. Such an understanding was a critical input into firms' determination of the appropriate tolerance for disruption to their operations. The thematic letter and related materials shared the thematic findings from the test and would assist firms in understanding how an operational disruption of their services could lead, through financial, operational, and confidence channels, to broader potential financial instability impacts. This should assist all firms in improving their understanding and analysis of financial stability and so the appropriate determination of impact tolerances.

26. The FPC welcomed the FCA's view in the thematic letter, on how firms should think about rules for Treating Customers Fairly alongside the prioritisation of some payments to mitigate risks to financial stability. The clarification provided should help increase firms' ability to mitigate financial stability impacts and support sector operational resilience.

27. The FPC welcomed the work that industry was currently progressing, including through the Cross Market Operational Resilience Group (CMORG) which would build the sector's understanding of how disconnection and reconnection could impact financial stability.

Mortgage policies

28. The Committee noted its role in supporting the Government's priority to make home ownership more accessible and discussed the UK housing market and the role of regulatory mortgage policies. Evidence suggested that accumulating a sufficient deposit continued to be the main barrier to owning a home. The FPC's loan-to-income (LTI) flow limit (which limited the flow of high LTI mortgages to 15%) had limited ability to directly address this barrier, and so the Committee supported initiatives to explore increases in the supply of housing and greater access of creditworthy households to mortgages, including at higher-LTVs.

29. The Committee was briefed on recent and upcoming publications from the FCA related to their Mortgage Conduct of Business (MCOB) rules. These included a statement on the

interest rate stress test rules published in March[2], a Consultation Paper published in May[3] and a Discussion Paper[4], published on 25 June. Lenders had already changed their behaviour in light of the first publication. Major lenders were now reporting they had, on average, reduced stress rates on lending fixed for less than five years by around 110 basis points in response to the statement.

30. The Committee noted that in addition to its role in consumer protection, the FCA's affordability assessments, including the interest rate stress, worked alongside FPC policy to mitigate risks to financial stability. The Committee judged that, despite the recent changes in lender stress rates, the combined impact of the two policies, as currently stated, continued to guard against these risks. It judged that in both a central outlook and a house price boom scenario, the share of households with a high debt-servicing ratio (DSR) would remain well below pre-GFC highs. The Committee noted that the future stock of borrowers would have lower resilience against interest rate shocks and arrears might expect to rise but these risks remained contained, in part due to the LTI flow limit.

31. In relation to the current operation of its LTI flow limit, the FPC was supportive of lenders making use of their individual LTI flow limits consistent with their own risk limits and business models. In support of this, the FPC considered whether there were any impediments to using those limits for those lenders that wished to. The FPC had previously simplified its housing tools by removing its affordability test and raising the threshold under which lenders would be exempt from £100 million per annum to £150 million.

32. The Committee noted that the original policy intent of the LTI flow limit recommendation was to ensure the flow of new residential mortgages at high LTIs did not exceed 15% of total new mortgages *in aggregate*. The FPC judged that the aggregate 15 per cent limit continued to strike the right balance between providing appropriate protection from the increased risk to economic growth of large cuts to consumption associated with an over-indebted household sector, while providing sufficient capacity for otherwise creditworthy households to borrow at higher LTIs.

33. The FPC considered whether there were any factors that could lead to less than full use of the aggregate limit (aside of such lending being inconsistent with lenders' own risk limits). Staff engagement with industry found that, for example, variations in risk appetite and business models between lenders might mean that some lenders would not be likely to extend many mortgages at higher LTIs even as other lenders might be constrained by

[2] FCA, Interest rate 'stress test' rule – application of MCOB 11.6.18R, March 2025
[3] FCA, CP25/11: Mortgage Rule Review: First steps to simplify our rules and increase flexibility
[4] FCA, DP25/2: Mortgage Rule Review: the future of the mortgage market

regulatory limits from doing so. Most lenders also left management buffers to the regulatory limit to ensure that they would not breach it.

34. In conclusion, the Committee recommended the Prudential Regulation Authority (PRA) and the FCA amend implementation of its LTI flow limit to allow individual lenders to increase their share of lending at high LTIs while aiming to ensure the aggregate flow remained consistent with the limit of 15%. The FPC recognised 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 remained consistent with the 15% limit. Accordingly, the FPC revoked the Q4 2024 recommendation and issued a new recommendation to the PRA and FCA, as set out in Annex 1. The FPC had considered its general duties in reaching this decision.

35. The PRA and FCA would consult on the approach to implementing this policy in due course. Once implemented, the impact of their finalised policy framework, and its effect on the aggregate flow, would be monitored regularly by the FPC and the regulators.

36. Further detail on mortgage policies, including the LTI flow limit, would be published in the July FSR.

O-SII buffer framework

37. The Other Systemically Important Institutions (O-SII) buffer is the UK's capital buffer for certain domestic systemically important banks. The buffer raises the capacity of these firms to withstand stress, thereby increasing their resilience relative to a smaller, non-systemic firm, consistent with international standards. The Capital Buffer Regulations (CBR)[5] set out the scope of application of the O-SII buffer in legislation, while the FPC's O-SII buffer framework sets out the detail of how the framework operates to support financial stability.

38. On 5 June 2025, Parliament approved a restated Capital Buffers Statutory Instrument[6], which included changes to the definition of the O-SII buffer scope. These were consequential changes, resulting from amendments to the regulations for ring-fenced banks[7] that aimed to preserve the scope of the O-SII buffer framework in line with FPC's policy intent of ensuring appropriate resilience of firms that are systemically important for the domestic economy. To reflect these consequential changes in the O-SII buffer framework, the FPC:

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[5] The Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations (SI 2014/894)
[6] The Capital Buffers and Macro-prudential Measures Regulations 2025
[7] The Financial Services and Markets Act 2000 (Ring-fenced Bodies, Core Activities, Excluded Activities and Prohibitions) (Amendment) Order 2025

- updated the definition of ring-fenced banks in its policy statement in line with the updated ring-fencing regulations. Therefore, references to ‘ring-fenced banks’ in the policy statement should be read as ‘ring-fenced banks and large domestic banks’.

- similarly, references to “large building societies” should be read as those with more than £35 billion of deposits and shares (compared to £25 billion previously), to maintain its equivalence with the new primary threshold that applies for banking groups subject to ring-fencing.

- consistent with the capital buffers SI, added a category to the definition of firms in scope of the O-SII buffer. This “UK deposit-taker (other than a building society)” category was defined in the capital buffers SI as a bank that exceeds £35 billion in core deposits and does not have material trading activities (i.e. trading assets of less than 10% of Tier 1 capital). The purpose of this category was to ensure that large domestic banks with low levels of trading assets which are systemically important continued to be in scope of the O-SII buffer framework as had previously been the case.

39. These updates would not change any firm’s current capital requirements. The proposed changes would ensure that the scope of FPC’s O-SII buffer framework continued to include firms that were currently systemically important, or would become so in future, for example, through mergers and acquisitions, or expansion in their balance sheets.

40. Also, in line with the restated CBR, the FPC updated its O-SII buffer framework policy document to reflect the increased length of the review cycle of the O-SII buffer framework from at least every two to at least every three years. This reflected a more proportionate review cycle, considering the framework had become more mature, having been in operation since 2019. The FPC may choose to update the framework more frequently, if the need arose.

41. The FPC updated its O-SII buffer framework policy document on 3 July 2025 to reflect these amendments to the CBR SI and provide further details explaining the update in the definition of the scope of O-SII buffer.

The following members of the Committee were present at the 27 June Policy meeting:

Andrew Bailey, Governor

Nathanaël Benjamin

Colette Bowe

Sarah Breeden

Jon Hall

Randall Kroszner

Clare Lombardelli

Liz Oakes

Dave Ramsden

Nikhil Rathi

Carolyn Wilkins

Sam Woods

Gwyneth Nurse attended as the Treasury member in a non-voting capacity.

Given this was Colette Bowe's final meeting ahead of her second term ending in August 2025 the Chair, on behalf of the Committee, recorded their thanks for her service to the Financial Policy Committee.

In accordance with the relevant provisions of the Bank of England Act 1998:

- Jon Hall had notified the Committee of his shareholding at Guardtime (a blockchain based information security provider). It was agreed that he would recuse himself from discussions on cryptoassets, including stablecoins, and that he would not receive the related papers.
- Under the same provisions, Liz Oakes had notified the Committee of her position as an independent non-executive director on the boards of ecommerce payment businesses of the private equity investor Advent International, which has a majority shareholding in Mangopay. It was agreed that she would recuse herself from discussions on payment systems and stablecoins, and that she would not receive the related papers.

Annex 1: Financial Policy Committee policy decisions

Outstanding FPC Recommendations and Directions (as at the date of the FPC's meeting on 27 June 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 27 June 2025, unchanged from its 8 April 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 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 2024 Q3.