Bank of England

Record of the Financial Policy Committee meeting on 19 November 2026

26 November 2026

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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 22 March 2027 and the record of that meeting will be published on 25 March 2027.

Record of the Financial Policy Committee meeting on 19 November 2026

Headline judgements and policy actions

Overall summary

- Since the July Financial Stability Report (FSR), the conflict in the Middle East has continued to disrupt global energy markets and supply chains; concerns about sovereign debt sustainability have intensified; and there have been repeated swings in investors' expectations about the future earnings of artificial intelligence (AI) companies. These developments have contributed to higher expected policy rates, higher bond yields and volatility in financial markets. Some market moves have been amplified by vulnerabilities previously identified by the Financial Policy Committee (FPC).
- Despite some amplification within markets, spillovers across markets have been limited and the UK financial system has been resilient. AI investment has supported global growth. However, the very rapid expansion and broadening of its financing – in a form that is increasingly complex, circular and opaque – is also contributing to a deepening of interconnections across the global financial system, making it increasingly likely for stress in one area to propagate to another. Alongside this, the higher interest rate and cost environment is eroding financial headroom for some households and adding to sovereign debt sustainability pressures. Taken together, these developments heighten the risk that multiple vulnerabilities crystallise simultaneously.
- Meanwhile, frontier AI capabilities have continued to grow since the July FSR, notably in the sophistication of AI agents and open-weight AI models. Recent incidents have further illustrated the challenges in aligning and controlling both individual agents and multi-agent dynamics. These developments are making cyber and operational risks a more prominent threat to financial stability, and are contributing to deeper interconnections across the financial system through common technologies and providers.

Global risk environment

- **The continued conflict in the Middle East has led to a protracted negative supply shock to the global economy.** Energy prices have increased since the July FSR, adding to inflationary pressures and contributing to higher interest rates. The outlook for inflation and interest rates remains uncertain and sensitive to developments in the Middle East and their impacts.
- **Global growth has so far been resilient, in part supported by AI-related investment.** This investment also increases the demand for capital which may be contributing to upward pressure on global real interest rates. Uncertainty over the pace of data-centre

development, and how much AI investment will translate into future earnings, has contributed to asset price volatility.

Financial vulnerabilities

- Vulnerabilities previously highlighted by the FPC in sovereign debt markets, risky asset valuations, and risky credit markets including private credit, remain and, in some cases, have amplified market volatility.
- **Sovereign debt-to-GDP ratios continue to move upwards globally, reducing the capacity of governments to respond to future shocks.** Government bond yields have risen further, reaching near two-decade highs in several advanced economies. In the UK, the increase in yields has mainly reflected higher expected policy rates, driven by higher energy prices and resilient growth, rather than higher term premia. Fiscal and political uncertainty have contributed more materially to increases in yields in some other countries, particularly France. Many sovereign bond markets are characterised by a relatively high use of leverage by hedge funds pursuing similar trading strategies across jurisdictions. Market intelligence suggests that deleveraging by hedge funds contributed to the increase in French sovereign bond yields. Spillovers from French sovereign bonds to other markets, including gilts, have been limited.
- **UK gilt and gilt repo markets have functioned well,** with gilt bid-offer spreads remaining within historical norms. Hedge fund leverage remains elevated by historical standards, although net repo borrowing has declined somewhat since July. In a severe stress, deleveraging by highly leveraged market participants could amplify market moves, impair market functioning and transmit stress back to banks providing financing to these participants. Although the gilt repo market has been resilient recently, past episodes of market dysfunction have highlighted the importance of reforms to ensure the resilience of this market in stress (see **Box A of the FSR**).
- **Equity valuations remain stretched on some measures, despite recent falls, with valuations of AI and technology-related companies embedding strong expectations for future earnings.** Leveraged funds and retail investors remain exposed to AI stocks, with hedge funds also obtaining leverage through significant prime brokerage borrowing. The value of AI-related equities fell sharply following the US midterm elections, as investors re-assessed the scale, pace and cost of AI-related investment. These moves were amplified by some hedge funds deleveraging. Recent volatility in South Korean equity markets has also provided evidence that procyclical rebalancing by leveraged exchange-traded funds can amplify falls in equity prices. While spillovers to other markets were limited across these episodes, in a more severe shock, losses on equity positions could also lead globally active investors to deleverage in other markets, including sovereign debt markets.
- **Higher borrowing costs have increased refinancing pressures in corporate debt markets, particularly for weaker borrowers.** Spreads widened sharply for US CCC-rated debt and for some lower-quality AI-related borrowers. Spread widening across

higher-rated corporate debt has been more limited. There are some signs of increasing stress in parts of private credit, though vulnerabilities have not materially changed overall and stress remains more contained among UK borrowers. A further tightening in risky credit markets could increase financing costs for UK businesses and amplify the impact of an adverse shock.

- **AI-related financing has grown rapidly and is increasingly spanning equity markets, public bond markets, private credit and more complex financing structures.** This is increasing interconnections across the financial system, making it more likely for stress in one area to propagate to another. Hyperscaler bond issuance is set to exceed $305 billion in 2026, accounting for around 8% of global investment grade issuance, with the share rising considerably when considering the broader AI-related issuer ecosystem. Some AI-related companies are also providing finance to others in the sector to support investment, in arrangements linked to future revenue commitments, strengthening sectoral interconnections. Greater use of debt financing could increase the potential for losses in the financial system, while more complex structures and circular financing arrangements can make it more difficult to identify concentrations of risk and where exposures ultimately sit.

Operational vulnerabilities

- **Firms will need to keep pace with the growing scale and sophistication of cyber threats, including by ensuring that any deployment of frontier AI to identify and remediate cyber threats is undertaken safely, while accelerating long-term preparations for quantum-resistant cryptography.** They will also need credible arrangements to recover quickly from operational disruption, in order to maintain the provision of vital financial services. Taken together, these will place competing demands on technology skills and management capacity. A failure to take action will compromise firms' operational resilience with potential system-wide implications.
- **Frontier AI capabilities have continued to grow since the July FSR, notably in the sophistication of AI agents and open-weight AI models**. Recent incidents have further illustrated the challenges in controlling the risk that increasingly autonomous AI agents act in ways that are misaligned with the objectives intended by developers and users. Separately, the rapid development of open-weight AI models that could be run more cheaply than proprietary models, with safeguards more easily disabled or removed, can make advanced AI models more readily available and useful to malicious actors.
- **In addition, recent Google Cloud and Microsoft outages have illustrated how operational dependencies mean disruption at a single provider can affect many firms at once**. Firms increasingly rely on common technologies and third-party providers, and growing AI adoption deepens these dependencies and creates new ones. This underlines the importance of continuing to operationalise the UK's critical third party (CTP) regime.

- The FPC underlines the importance of firms engaging with guidance from regulatory authorities, such as **the joint consultation paper** published on 19 November by the Bank, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority on Cyber Risk and Resilience Management, with proposals for a set of principles-based and outcomes-focused expectations for regulated firms and FMIs to strengthen their cyber risk and resilience. The FPC also notes the importance of sector-wide collaboration in helping firms address emerging frontier AI risks and ensuring the system continues to deliver vital financial services throughout operational incidents.
- **Further ahead, quantum computing could compromise widely used cryptography and hence cyber security.** This makes an orderly transition to quantum-resistant cryptography a priority and has implications for actions and decisions firms have to take now.
- **Overall, the FPC judges that the evolving operational risk environment reinforces the need for significant and sustained investment by the financial sector in building resilience.**

UK household, corporate and banking system resilience

- **UK household and corporate balance sheets remain strong in aggregate, supported by stronger than expected GDP growth, but financial headroom is being eroded across borrowers, with some households more affected than others**. Successive interest-rate and cost shocks are reducing the capacity of some households to absorb further shocks. Businesses are facing higher costs and tighter financial conditions. Pressures are greatest for small and medium-sized enterprises, energy-intensive firms and highly leveraged corporates, particularly where exposure to higher energy costs, limited financial buffers and refinancing needs overlap.
- **The UK banking system remains well capitalised with high levels of liquidity, and impairments remain low**. The banking system therefore has the capacity to support households and businesses even if economic and financial conditions were to be substantially worse than expected. Despite heightened uncertainty, banks have continued to support lending to the real economy – aggregate gross lending to UK households and businesses in 2026 Q3 was 9% higher than in the same period last year – while providing dividends and share buybacks to their shareholders.
- **The FPC has maintained the UK countercyclical capital buffer (CCyB) rate at its neutral setting of 2%.** Maintaining a neutral setting of the UK CCyB in the region of 2% helps to ensure that banks continue to have capacity to absorb unexpected future shocks without restricting lending in a counterproductive way.

Bank capital framework

- **The FPC has completed its review of the bank capital framework – covering how much capital the UK banking system needs, and how the framework delivers it.** Over

the course of the review, the Committee has sought and taken account of stakeholder feedback, evaluated how the UK compares to other major jurisdictions, and considered carefully and critically how the framework best serves the needs of the UK economy. The reforms proposed as a result will bring meaningful change to the capital framework for UK banks and support sustainable growth of the UK economy.

- **As an outcome of the final part of the capital review, outlined in the Financial Stability in Focus published today, the PRA will consult on lower minimum requirements related to domestic lending**. This is to reflect more fully the resilience provided by maintaining a 2% neutral CCyB rate in the UK, and to better reflect the risks of geographic concentration. After this reduction, system-wide capital requirements for the major UK banks will be consistent with the FPC's updated benchmark of around 13%.
- **Changes announced as part of the capital review (today and in earlier parts of the review) will make capital requirements more proportionate, better targeted and – as a result – lower.** Taking the proposals for risk-weighted and leverage requirements together, Tier 1 capital requirements for major UK banks will be reduced by an amount equivalent to around 50 basis points of risk-weighted assets in normal times, with additional reductions in capital banks need to maintain through stress scenarios. The impact varies by bank, depending on their business model. These measures will free up further capacity to lend to UK households and businesses.
- The changes from this review balance the costs and benefits of bank capital to support sustainable growth in the UK. They will maintain a level of resilience that allows the banking system to support the economy in good times and bad, and maintain consistency with international standards.
- **Reducing capital requirements much further would risk financial instability.** Reductions beyond those set out in the review would put long-term economic growth at risk by undermining the banking system's ability to absorb rather than amplify shocks. Banks could lose market confidence more quickly when losses arise, and materially lower UK capital requirements would also risk undermining international standards intended to promote financial stability and a level playing field.
- **The FPC and PRA intend to enhance banks' confidence in using their capital resources to support the economy.** Banks currently maintain levels of capital in excess of regulatory requirements – sometimes worth several percentage points of risk-weighted assets – driven by a range of factors including impediments to the use of regulatory capital buffers.
- **To that end, the FPC has set out its vision of a single releasable buffer that – as part of a capital benchmark of around 13% – could be used, critically, without automatic distribution restrictions**. Such reform of the capital buffer framework will ideally be achieved in co-ordination with international authorities, and the Bank will continue to pursue this in the first instance. The FPC and PRC will evaluate progress on this work in 2027 Q4.

- The FPC and PRA will also consider how further actions by UK authorities can reduce incentives for firms to maintain capital in excess of requirements and will bring forward proposals in 2027. As part of this, the PRA will engage further with banks, investors and ratings agencies to understand better the drivers of management buffers, including firms' commercial decision making, as well as regulatory factors such as the role of the supervisory reaction function and Maximum Distributable Amount restrictions, and to support understanding of how regulatory buffers are intended to operate. This builds on the PRA's recently launched consultation to clarify how systemic buffers for domestic banks can be released in a systemic stress, including guidance on the rebuild of these buffers.
- With this review complete, the FPC and PRA have begun to consult on the changes outlined above, with a view to implementing them as soon as possible. Their prompt implementation will provide clarity and certainty to firms about the capital framework in the years to come, supporting the PRA's strategic priorities of resilience, growth, innovation and transparency.

Supporting sustainable economic growth

- **A resilient financial system is a precondition for sustainable economic growth.** It supports the economy by providing vital services to households and businesses and by enabling productive investment while absorbing, rather than amplifying, shocks.
- **In response to its 2025 remit letter, the FPC's work on long-term capital and high-growth firms (HGFs) has identified the actions which, from a macroeconomic perspective, would have the most significant impact on the supply of long-term finance for HGFs seeking to scale up.** Overall, the evidence suggests that while the UK has deep pools of domestic capital and a substantial pipeline of innovative firms, frictions affect how efficiently these are matched. Capital does not consistently reach viable firms in the right form or at the right stage of their development, with gaps becoming particularly evident as firms seek to scale and their financing needs increase. The FPC identified frictions at three broad points across the financing chain: in helping viable high-growth firms become investment-ready and navigate the funding ecosystem; in providing specialist finance that can support them through successive funding rounds; and in enabling long-term investors to deploy capital into venture and growth opportunities.
- A range of Government and industry initiatives are already seeking to address these financial frictions, creating welcome momentum. However, further efforts to reduce the complexity of the support system, which is perceived to be fragmented, and to improve co-ordination between initiatives appear needed.
- **Although largely outside the FPC's direct policy responsibilities, the Committee identified several other actions that would have a significant impact, both across the financing chain and in addressing non-financial barriers to firms scaling.** These are set out in more detail in Section 3 of the **November 2026 FSR**.

Record of the Financial Policy Committee meeting on 19 November 2026

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 19 November 2026 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, and its judgements are recorded below.

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 (MBF). The FPC's judgements for these areas would be set out in the **November 2026 Financial Stability Report** (FSR).

Supporting sustainable economic growth

4: In November 2024, via the Committee's annual **remit letter**, the Chancellor had asked the FPC to undertake work to assess and identify areas where there was potential to increase the ability of the financial system to contribute to sustainable economic growth, without undermining financial stability, and potential solutions to the impediments the sector might face in doing so.

5: The Committee had agreed in its **April 2025** meeting that its work in response to the Chancellor's commission would explore 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.

6: In its **December 2025** FSR, the FPC identified potential frictions affecting the deployment of long-term capital, and HGFs' access to finance. The **2025 remit letter** asked the FPC to examine their connection and identify actions that could support the supply of long-term finance for productive investment, particularly for HGFs seeking to scale up.

7: The FPC discussed its latest work on long-term capital and HGFs, which identified potential barriers across the financing chain. These arose at the firm level, between HGFs

and specialist financial intermediaries, between those intermediaries and long-term investors, and from constraints on long-term investors' ability to allocate capital to HGFs. A range of Government and industry initiatives were already seeking to address these financial frictions, creating welcome momentum. However, further efforts to reduce the complexity of the support system, which was perceived to be fragmented, and to improve co-ordination between initiatives appeared to be needed. Recent measures, set out in the **November 2026 FSR**, may help to support this.

The UK countercyclical capital buffer rate

8: The FPC discussed its setting of the UK countercyclical capital buffer (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 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.

9: In considering the appropriate setting of the UK CCyB rate, the FPC discussed the supply of credit to the UK economy and its judgements around underlying vulnerabilities that could amplify economic shocks. The global risk environment remained elevated, and while UK household and corporate aggregate indebtedness remained relatively low, successive interest-rate and cost-of-living shocks had increased debt-servicing pressures and reduced the capacity of some households to absorb further shocks. Past stress test results indicated the banking system could withstand a scenario substantially more severe than the current outlook, and despite uncertainty around the economic outlook, banks continued to support the real economy. There was no evidence banks were restricting lending to defend capital positions, and aggregate gross lending in 2026 Q3 rose 9% compared with the same period last year.

10: 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, including the supply of credit, to the UK real economy.

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

The FPC's review of the framework for bank capital requirements

12: The FPC completed its review of the bank capital framework. The review considered how much capital the UK banking system needs and whether the framework could be made more efficient, effective and proportionate. Over the course of the review, the Committee had sought and taken account of stakeholder feedback, evaluated how the UK compared to other major jurisdictions, and considered carefully and critically how the framework best served the needs of the UK economy. A Financial Stability in Focus published alongside this Record would set out the final set of policy proposals and summarise the review.

13: The reforms delivered through the review would bring about meaningful change, remain consistent with international standards, and balance the costs and benefits of bank capital to support sustainable growth of the UK economy.

Calibration of capital requirements related to domestic exposures

14: In the final part of its review, the FPC and Prudential Regulation Authority (PRA) assessed the calibration and interaction of capital requirements related to domestic exposures. These requirements were the UK countercyclical capital buffer (UK CCyB), other systemically important institutions buffers (O-SII buffers) and Pillar 2A requirements for geographic concentration risk, all of which were calibrated separately with reference to banks' UK lending.

15: To help inform its assessment, the FPC and PRA had held evidence-gathering sessions and invited written feedback. Respondents from the banking industry argued that the domestic-related capital requirements overlapped, citing a high degree of correlation between the requirements, and arguing that banks had more capital against these risks than historical losses would justify, consistent with recent stress test results. Other respondents noted that the FPC's benchmark – rather than the individual components – should be used to assess the adequacy of overall capital requirements, that different elements of the capital stack related to domestic exposures targeted different risks, and suggested that the UK economy was particularly susceptible to the impact of macroeconomic shocks (given its high level of integration in global trade and financial markets).

16: The FPC reviewed the role and calibration of each of the individual requirements.

- The UK CCyB helped banks absorb shocks while continuing to support the economy through a downturn. The FPC sets the UK CCyB rate according to the strategy set out in its CCyB **policy statement**. In 2019 the FPC increased the neutral rate of the UK CCyB from around 1% to around 2% to provide insurance against risks building too quickly for the buffer to be increased gradually, and to increase the capital that could be released to support lending when a shock occurs. This was accompanied by a

reduction in Pillar 2A requirements worth 50% of the increase in the CCyB. That left overall loss-absorbing capacity, including additional minimum requirements for own funds and eligible liabilities (MREL) debt, broadly unchanged but increased Tier 1 capital requirements.

- O-SII buffers increase the resilience of domestic systemically important banks to reflect the greater impact their distress or failure could have on UK households and businesses, relative to that of non-systemic firms. The FPC maintains a framework for calibration of O-SII buffer rates, on the basis of which the PRA sets O-SII buffers for a given firm. O-SII buffer rates are currently between 1% and 2% of risk-weighted assets. Following the FPC's 2025 review of the O-SII buffer framework, thresholds for O-SII buffer rates were indexed to reflect changes in the level of nominal GDP.
- Pillar 2A requirements for geographic credit concentration risk (GCoR) address losses arising from concentrated exposures that are not adequately captured by Pillar 1 (which assumes geographic diversification). As part of minimum requirements, capital held for GCoR contributes to loss absorption at the point of failure and orderly resolution, distinct from the going-concern role of capital buffers. The framework for calibrating Pillar 2A requirements for GCoR was published in 2015. Under it, firms' requirements average around 0.3% of total risk-weighted assets, though requirements are higher for banks whose activity is geographically concentrated in the UK (or any other global region).

17: The FPC and Prudential Regulation Committee (PRC) judged that each of the capital requirements related to domestic exposures fulfilled a distinct and important role in the capital framework. Active use of the CCyB allowed capital to be built and released in line with the economic and financial cycle. It was appropriate that systemically important banks generally had higher capital requirements than non-systemically important banks, and that geographic concentration was reflected in the level of capital banks needed to hold.

18: The Committee continued to judge that a 2% neutral UK CCyB rate helped provide time for the Committee to observe building financial vulnerabilities and respond in a way that did not require banks to raise capital quickly which could cause lenders to reduce credit abruptly. It also provided a meaningful buffer that can be released if it anticipated that banks may face losses that could otherwise cause them to act to protect their capital positions by restricting lending by more than was warranted by the macroeconomic environment – as the FPC had done following the Brexit referendum and the onset of the Covid-19 pandemic.

19: The Committees noted however that the sum of capital requirements for cyclical risk, geographic concentration and systemic importance tended to be higher for more UK-focused banks, compared to firms that were more internationally active. One reason for this was that the increase in the neutral UK CCyB rate from 1% to 2% had increased capital requirements related to domestic exposures.

20: At the same time, results from recent stress tests had not suggested that banks which undertake a greater portion of their lending domestically were more exposed to cyclical risks than those that undertake more of their activity overseas. The average reduction in capital for domestically focused banks in the 2025 Bank Capital Stress Test had been smaller than for internationally active banks. And a similar pattern was observed in the results of the 2022/23 stress test, which also marked an improvement in banks' asset quality relative to previous tests.

21: These outcomes did not necessarily indicate a change in capital requirements was warranted. The system-wide nature of the FPC's benchmark would imply variation in individual firms' capital requirements around it, including for differences in the riskiness of assets, the degree of geographic concentration and the systemic importance of each bank. And it was important to ensure that banks were resilient to a range of severe but plausible scenarios, as well as the single scenario used in the bank capital stress test. But the FPC and PRC nevertheless considered it important to revisit the calibration of each component to ensure it remained appropriate in aggregate.

22: The Committee supported two changes to their calibration:

- First, the PRA would consult on changes to Pillar 2A requirements for geographic concentration risk, following a review of the methodology used to calibrate them. It was appropriate that the calibration of the GCoR was reviewed to capture methodological improvements and updated data since the last review in 2015. The proposed changes would update the model to capture geographic concentration risk more robustly and proportionately. The update would result in reduced requirements for more geographically concentrated firms, including UK-focused firms.
- Second, the PRA would consult on a further reduction in Pillar 2A requirements to reflect more fully the resilience provided by maintaining a 2% neutral UK CCyB rate. The FPC noted that the increase in capital requirements that had accompanied the 2019 increase in the CCyB had had a disproportionate impact on requirements related to domestic lending. The Committee therefore supported allowing the effect of the 1 percentage point increase in the neutral UK CCyB rate in 2019 to be reflected in a further reduction in major banks' Pillar 2A requirements, bringing the total offset to 100% of the increase in total capital that would have followed the 2019 increase in the CCyB.

23: These two changes to the calibration of requirements related to domestic lending would reduce average system-wide Tier 1 capital requirements for domestically-focused systemically important banks from 13.6% of risk-weighted assets to 13.0%, a reduction of 60 basis points.

24: For the major UK banks in aggregate, system-wide Tier 1 capital requirements would fall from 13.1% to 12.8% of risk-weighted assets, a reduction of 30 basis points. In addition, individual firms would continue to be required to hold capital to meet firm-specific PRA buffers and CCyB requirements set by overseas authorities on non-UK exposures. Taking these elements into account would bring overall Tier 1 capital requirements across the major UK banks to 13.2% of risk-weighted assets.

25: Some of the proposed reduction in total capital requirements to more fully offset the 2019 increase in the neutral UK CCyB rate would come through reductions in Tier 2 capital requirements. This was because Pillar 2A capital requirements can be partly met with Tier 2 capital. On a like-for-like basis, total loss-absorbing capacity requirements would be lower than it was prior to the 2019 increase in the neutral CCyB rate, while the proposals would reduce the extent to which Tier 1 requirements rose when the neutral CCyB rate was increased.

26: The FPC judged that these changes would make the distribution of capital more proportionate across UK and international lending while maintaining a level of resilience consistent with its benchmark for system-wide capital requirements of around 13%. The framework would continue to ensure that systemically important banks held more capital than non-systemic banks, that geographic concentration risk was reflected in capital requirements, and that releasable buffers were available to support lending to UK households and businesses in stress.

Enhancing banks' confidence in using capital to support the economy

27: The FPC and PRA intend to enhance banks' confidence in using their capital resources to support the economy. Banks currently maintained capital in excess of UK regulatory requirements – sometimes worth several percentage points of risk-weighted assets, driven by a range of factors including impediments to the use of regulatory capital buffers.

28: As the Committee had previously noted in July 2026, regulatory capital buffers were intended to be used to absorb losses and to help maintain the provision of services to the real economy in a downturn by reducing the need for banks to reduce lending to preserve capital. But a range of interrelated factors can impede the usability of regulatory capital buffers in practice.

29: To address these factors:

- In July 2026 the FPC had set out its vision of a single releasable buffer that – as part of a capital benchmark of around 13% – could be used, critically, without automatic distribution restrictions. Such reform of the capital buffer framework will ideally be achieved in co-ordination with international authorities and the Bank will continue to pursue this in the first instance. The FPC and PRC would evaluate progress on this work in Q4 2027.

- The FPC and PRA would also consider how further action by UK authorities can reduce incentives for firms to maintain capital in excess of requirements and would bring forward proposals in 2027. As part of this, the PRA would consider firms' feedback around greater clarity on the use of PRA buffers outside of a systemic stress. The PRA would also engage further with relevant stakeholders, including banks, investors and ratings agencies to understand better the drivers of management buffers, including firms' commercial decision making, as well as factors such as the role of the supervisory reaction function and Maximum Distributable Amount (MDA) restrictions. The PRA would discuss how they might be mitigated, and support understanding of the role of regulatory capital buffers and how the framework was intended to operate.
- This builds on actions the FPC and PRA were already taking domestically to support buffer releasability. On 18 November, the PRA had published a **consultation paper** on proposed changes to its approach to implementing systemic buffers for domestic banks, clarifying how it could release these buffers to support the economy in a systemic stress. This included guidance on its approach to releasing and rebuilding those buffers. The FPC's leverage ratio reforms had also made a greater share of leverage requirements releasable.

Assessing the overall level of capital requirements

30: The FPC's assessment of the appropriate level of capital requirements was set to maximise sustainable economic growth by balancing the macroeconomic benefits of fewer and less severe financial crises and the macroeconomic costs that could come about through higher borrowing costs. As such, it allowed the banking system to support the economy in good times, while retaining the resilience to support the economy in bad times.

31: The changes to capital requirements related to domestic exposures came alongside other changes related to the level of capital requirements that had been proposed as part of the capital review over the past 12 months. In December 2025 the FPC had reduced its benchmark for system-wide requirements from around 14% to around 13%, to reflect the evolution of the banking system since the benchmark was first introduced. And in July 2026, the FPC had proposed reforms to the leverage ratio framework. These had been set out in detail at the time, and would be summarised again in the Financial Stability in Focus published alongside this Record.

32: Overall changes proposed as part of the review would make capital requirements for the banking system more proportionate, better targeted and - as a result - lower. Combining the impact of the previously announced changes to the leverage framework and the changes to the risk-based framework set out in this meeting, Tier 1 capital requirements for major UK banks would be reduced by an amount equivalent to around 50 basis points of risk-weighted assets in normal times, with additional reductions in capital banks need to maintain through

stress scenarios. The impact would vary by bank, depending on their business model. Reductions in Tier 1 capital requirements would be larger for domestically-focused systemically important banks and major banks' ring-fenced banks. These measures would free up further capacity to lend to UK households and businesses.

33: Although capital requirements would be reduced, they would remain consistent with the FPC's benchmark of around 13%. That benchmark itself was towards the lower end of the range of capital requirements likely to maximise sustainable growth. It was also towards the lower end of the range of academic estimates of the optimal level of capital, in part because it took into account other post-crisis reforms, such as the existence of an effective resolution regime and the FPC's active use of the CCyB.

34: Were capital requirements to be reduced much further, that would put financial stability, and hence sustainable economic growth, at risk. Banks could lose market confidence more quickly when losses did arise, with consequences for their (and hence household and business) borrowing costs. Lower capital could also reduce the credibility of the resolution regime by reducing the overall capacity for losses to be absorbed without putting depositors or public finances at risk.

35: Materially lower capital requirements would also risk undermining international standards intended to promote financial stability and a level playing field. Since the UK is a global financial centre, and is therefore exposed to shocks from abroad, the UK depends upon other jurisdictions implementing robust standards. Were the UK to reduce capital requirements in a way that was significantly below those standards it would undermine UK authorities' ability to promote a robust implementation of standards by others, and hence the competitiveness of UK financial services.

Implementation of the review

36: With the review complete, the PRA had begun to consult on the changes outlined above, with a view to implementing them as soon as possible. As well as the consultation already launched to clarify how systemic buffers for domestic banks can be released in a systemic stress, the FPC and PRA would launch consultations on proposals to implement changes to the leverage ratio and Pillar 2A requirements in early 2027 and the first half of 2027 respectively. The FPC would consider the implications of the policy measures proposed as part of this review for the hurdle rate in the 2027 Bank Capital Stress Test ahead of its launch in Q1.

37: Prompt implementation of these changes would provide clarity and certainty to firms about the capital framework in the years to come. The updated capital framework would provide a strong core to support evolution in the prudential framework as part of the PRA's strategic priorities of resilience, growth, innovation and transparency.

The evolving operational risk environment and the resilience of the financial system

38: The FPC met jointly with the PRC and the Financial Markets Infrastructure Committee (FMIC) to discuss the operational risk environment, which had continued to evolve at pace. Greater digitalisation, technological innovation and interconnectedness in the financial system had exacerbated existing vulnerabilities and created new ones. Against this backdrop, the FPC's focus for this discussion was on risks from emerging technologies, including advances in frontier artificial intelligence (AI) capabilities and its potential for malicious cyber use, and operational risks from developments in quantum computing.

39: The FPC judged that the evolving operational risk environment reinforced the need for significant and sustained investment by the financial sector in building resilience, alongside continued co-ordination between firms, the Bank, PRA, HM Government, Financial Conduct Authority (FCA) and international partners where appropriate.

Developments in frontier AI, financial system risk implications and response measures

40: The FPC noted that frontier AI capabilities had continued to grow since the July FSR, notably in the sophistication of AI agents and open-weight AI models.

41: UK financial services firms were increasingly adopting AI models and agents, and any weaknesses in their implementation, governance and controls increased operational risks. Recent incidents had demonstrated that as agents, both individually and those working together in multi-agent settings, became capable of undertaking more complex tasks with limited human involvement, the risk of misalignment between their actions and the objectives intended by developers and users would increase. This highlighted the need for appropriately robust access controls and monitoring to reduce the likelihood and potential consequences of unintended actions. The FPC judged that rigorous testing of AI models' capabilities and controls - including by specialist organisations such as the UK's AI Security Institute - was important to inform their safe deployment. The FPC also judged that continued progress in developing technical best practice would support the safe development and use of frontier AI as capabilities advance.

42: The FPC observed that the capability of open-weight AI models had continued to advance. While open-weight models could bring benefits, the increasing capability of these models, which could be run more cheaply than proprietary models and with safeguards that could be more easily disabled or removed, also had the potential to make advanced AI models more readily available and useful to malicious actors. The FPC judged that this would further increase the speed and scale at which malicious actors were able to identify and exploit vulnerabilities, including those shared across firms and suppliers, increasing the potential for correlated disruption across the financial system. Based on the same

capabilities, safely deployed frontier AI should also strengthen cyber defence by helping to identify ways in which malicious actors could exploit vulnerabilities that might otherwise be considered low risk, and by enabling firms to identify and address vulnerabilities more rapidly.

43: The FPC noted that vulnerabilities in widely used technology, including open-source components, could amplify the impact of cyber incidents across the financial system. At the same time, vulnerabilities in common material third parties might mean a single weakness would disrupt multiple firms and financial market infrastructures (FMIs) simultaneously. The FPC welcomed the introduction of new aligned reporting requirements by the Bank, PRA and FCA from 18 March 2027, which would strengthen authorities' visibility of regulated firms' and FMIs' dependencies on material third parties, supporting the identification of concentration risks and potential critical nodes of failure across the financial system.

44: The FPC judged that strong foundational cyber security controls were an essential prerequisite for managing the risks posed by frontier AI and other emerging technologies. The Bank's, PRA's and FCA's response combined measures to strengthen firms' cyber resilience and risk management, including vulnerability patching, with a forward-looking assessment of risks associated with frontier AI, adaptation of existing testing and exercising toolkits, alongside co-ordination across the financial sector, and the authorities were further adapting cyber resilience frameworks to the evolving threat. The FPC welcomed the **joint consultation paper**, published on 19 November, by the Bank, PRA and FCA on Cyber Risk and Resilience Management, with proposals for a set of principles-based and outcomes-focused expectations about how regulated firms and FMIs should manage their cyber risk and resilience. The Bank would continue to engage with domestic and international authorities to support analysis of frontier AI-related risks and further development of regulatory responses.

45: In addition, the FPC noted that sector-wide collaboration was helping firms address emerging frontier AI risks, which would contribute to system-wide resilience. The Bank had launched the Frontier AI Information Sharing Forum in July 2026, bringing together systemically important firms and FMIs in UK-headquartered groups, alongside the FCA, HM Treasury and the National Cyber Security Centre (NCSC), with access to frontier AI models. The forum supported the sharing of experiences and key thematic findings intended to improve firms' understanding of emerging issues and common challenges presented by frontier AI. The FPC judged that the growing use of AI agents, and the potential for greater autonomy, increased the importance of their safe and responsible deployment. The Bank was also adapting its testing and exercising toolkit in order to assess the financial system's resilience to frontier AI-enabled threats.

46: The FPC judged that existing regulatory frameworks, including the critical third parties (CTP) regime, may provide further mitigants as dependencies on AI providers develop. However, the CTP regime would only partially address some risks relating to frontier AI. The Bank, PRA and FCA would continue to assess the systemic risks posed by AI providers.

47: The Bank and other authorities were taking steps to strengthen the financial system's resilience in response to the increasing adoption of AI by firms as frontier AI capabilities advanced. The Committee agreed that interventions should be proportionate and not expected to eliminate the impacts from operational disruption entirely, but to ensure that the system could contain disruption, deliver critical services and recover effectively when incidents occurred.

Operational risks from developments in quantum computing

48: The FPC discussed the risks presented by quantum computing, notably the fact that data which were currently considered encrypted and secure may not remain so in future. The principal near-term threat was to quantum-vulnerable public key cryptography, including mechanisms used for establishing keys, authentication, identity infrastructure, and digital signatures. If these mechanisms were compromised, either through the development of quantum computing, or the use of frontier AI to exploit cryptographic vulnerabilities, confidence in the authenticity and integrity of financial contracts, transactions and long-lived authoritative records could be undermined. This could have consequences for financial stability particularly if it impacted systemic firms, FMIs or common third-party providers, and lead to material disruption for vital financial services or market functioning.

49: The FPC agreed that the immediate financial stability priority was an orderly transition to quantum-resistant cryptography to support the resilience of the financial system as quantum technology evolved. The FPC had previously emphasised that firms should begin planning now, given the scale and long lead times involved. The **post-quantum cryptography (PQC) roadmap** set out by the NCSC encouraged organisations to define migration goals, conduct asset discovery and build a migration plan by the end of 2028, migrate high-priority activities by the end of 2031, and transition all other systems by the end of 2035. The Committee judged that it would be important for firms with the greatest systemic impact to be ahead of these timelines. The interconnectedness of the financial system meant that common vulnerabilities, migration delays or implementation failures would amplify disruption across the financial system. This underscored the importance of building momentum behind this work programme.

50: The FPC noted that divergent international expectations for post-quantum cryptography transition were emerging, including on timelines, implementation approaches and technological choices. In this context, the FPC supported continued work by the Bank, the G7 Cyber Expert Group and other international groups to promote interoperability and co-ordinated international action on quantum risk.

Strengthening system-wide operational resilience

51: As well as focusing on risks arising from two specific technological advances, frontier AI and quantum computing, the FPC discussed wider work being undertaken to strengthen the resilience of the financial system to severe operational disruption, irrespective of its source.

All firms should ensure that credible back-up and substitution arrangements were in place for vital services which the financial system relied on. This included the ability to restore critical data from immutable back-ups, bare-metal rebuild for critical applications and core infrastructure, or fail over to separate environments following severe operational disruption. The Committee noted that firms and FMIs had been strengthening their ability to withstand, respond to and recover from severe disruption, but even where individual institutions were resilient, residual system-level vulnerabilities could remain and may require additional collective action to address them.

52: In particular, the Bank was working with industry to identify the minimum activities within core payments and financial markets that would need to continue or be restored following severe disruption, and to assess whether existing response and recovery capabilities, workarounds and alternative arrangements could collectively sustain them. This work initially prioritised retail and wholesale payments, and sterling rates markets, and within this, gilt settlement, given the importance of these functions to the provision of vital financial services. The FPC supported the engagement the Bank was taking forward with industry to help identify gaps in existing system-wide resilience arrangements.

53: Firms would need to invest in building operational resilience and in responses to significant technological changes, including AI, tokenisation, and the transition to post-quantum cryptography. While this would present the challenge of competing priorities, it would be important to manage these priorities effectively to support the operational resilience not only of individual firms, but of the financial system. Industry-wide co-ordination between firms and UK authorities could help to address key challenges from technological changes being undertaken by individual firms, and to develop collective solutions to risks that could not be addressed effectively by individual firms acting alone, including exploring whether cyber resilience solutions could be more widely adopted by the sector for the public good. Building on the existing critical work being delivered on a public-private collective basis through the Cross Market Operational Resilience Group, the Bank also intended to establish a new Systemic Resilience Council (SRC), which would bring together Bank and senior industry representatives to co-ordinate action.

54: Relatedly, the FPC welcomed the designation of five further third-party suppliers as CTPs by HM Treasury on **17 November 2026**. The CTP regime will support a more resilient environment for firms to operate in and, in turn, support financial stability and confidence in UK financial markets.

55: Further details of the evolving operational risk environment and the resilience of the financial system would be set out in Chapter 5 of the **November 2026 FSR**.

Agentic AI

56: Separately, the FPC discussed the potential financial stability implications of greater use of agentic AI in payments and financial markets. This built on the Committee's discussion at

its **March 2026 meeting** when it judged that there was little evidence then that the financial system had adopted more advanced forms of AI in a manner that would present systemic risk, but that risks from the use of AI in the financial system were likely to increase, potentially rapidly, amid continuing intent to expand such deployments. Against that backdrop, the Committee considered recent launches of consumer agents in other jurisdictions and noted that some banks had restricted third-party agents' access to consumer accounts. The Committee also discussed the wider financial stability risks arising from potential self-reinforcing interactions between agents.

57: Consumer agents could bring significant benefits to users, but these developments reinforced the importance of clear instructions and limits on the authority delegated to consumer agents, and of testing and monitoring whether their actions remained consistent with consumers' intentions and interests. The Committee emphasised that questions of accountability for agents' actions, liability and redress needed to be addressed rapidly to support safe use. This also required traceability: identifying which agent acted, on whose behalf and with what permissions. Weaknesses in these arrangements could impede the identification and containment of failures. From a financial stability perspective, even where agents acted as intended, common responses to information or incentives could accelerate deposit movements or investment reallocations. This could amplify liquidity pressures and market volatility and reduce the time available for firms and authorities to respond.

58: More broadly, while current adoption of agentic AI in systemically important functions continued to appear limited, the Committee judged that safeguards needed to keep pace as adoption and the authority delegated to agents increased. Greater deployment within financial firms reinforced the importance of testing and monitoring whether agents' actions remained aligned with intended objectives, constraints and regulatory expectations, rather than assuming such alignment. Individually intended actions could nevertheless produce destabilising collective outcomes, including through interactions between agents across firms. Existing governance and safeguards provided an important foundation. Building on these, firm-level controls (including arrangements for effective human involvement) would need to evolve, and the adequacy of system-level safeguards would need to be assessed, as agents became more autonomous and operated at greater speed and scale.

Gilt repo market resilience

59: The FPC was updated on the Bank's work on planned reforms to enhance the resilience of the gilt repo market. This included staff analysis on the key themes raised by market participants in response to the Bank's **discussion paper**, including the drivers of the low and often zero haircuts in non-centrally cleared gilt repo, and the potential barriers to greater central clearing and minimum haircut rules.

60: The FPC continued to support the Bank's work to develop and work towards implementing gilt repo market reforms to enhance the resilience of liquidity provision in stress, while taking into account the wider costs and benefits to market functioning and resilience. The Committee continued to judge that market-based reforms, such as gilt repo resilience measures, would be the most effective means of ensuring risks to core sterling markets which could arise from increased market leverage, including as a result of the proposed reforms to the leverage ratio, were well managed. While the changes in bank capital requirements might allow for greater leverage in market-based finance, market-based reforms would provide a more targeted approach to increasing the overall resilience of core UK markets. The FPC welcomed the Bank's work on these topics and its intention to publish a Roadmap in 2027 H1 setting out how it would take forward gilt repo market reforms. Further details would be set out in Box A of the **November 2026 FSR**.

Other matters

The FPC's 2026 remit letter

61: The FPC had received a **remit letter** from the Chancellor on 28 October 2026 setting out the economic policy of His Majesty's Government and Treasury's Recommendations under Sections 9D-9E of the Bank of England Act 1998.

62: The FPC agreed to publish its response to the remit letter in due course.

PRA's automatic thresholds indexation framework

63: The FPC welcomed the publication on 7 October 2026 of **CP13/26 – The Prudential Regulation Authority's automatic thresholds indexation framework**, which proposed a transparent, rules-based framework that would automatically update in-scope regulatory thresholds every five years. The Committee noted that the proposed framework was a significant part of the PRA's work to modernise its policy framework, by building in some automatic future proofing in the PRA's regime. The Committee agreed that the PRA and firms should benefit from fewer ad-hoc policy interventions in the future to update thresholds solely to maintain their intended calibration.

2026 Dynamic General Insurance Stress Test

64: The FPC was briefed on the **PRA's 2026 Dynamic General Insurance Stress Test**, the results of which would be published on 23 November 2026. The Committee noted that the exercise highlighted important dependencies, notably reinsurance and the wider group support. It further noted that the PRA would undertake targeted supervisory follow-up where the exercise identified material weaknesses, dependencies or outcomes differing from prior expectations.

Financial Sector Assessment Program

65: The FPC noted that the International Monetary Fund's Financial Sector Assessment Program (FSAP) review of the UK financial sector was progressing. The Committee would consider the findings of the FSAP in due course.

The following members of the Committee were present at the 19 November Policy meeting:[1]

- Andrew Bailey, Governor
- Nathanaël Benjamin
- Katharine Braddick
- Sarah Breeden
- Jon Hall
- Randall Kroszner
- Liz Oakes
- Stephen Blyth
- Dave Ramsden
- Nikhil Rathi
- Carolyn Wilkins

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

Given this was Jon Hall’s final Policy meeting ahead of his second term ending in December 2026, the Chair, on behalf of the Committee, recorded their thanks for his service to the Financial Policy Committee.

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

- 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.
- Carolyn Wilkins had notified the Committee of her Non-Executive Directorship of Intact Financial Corporation (including the holding company of Royal Sun Alliance Group). It was agreed that she would recuse herself from discussions involving non-public information on general insurance and that she would not receive the related papers.

[1] Clare Lombardelli was unavoidably unable to attend the meeting on 19 November 2026. She communicated her views to the Governor beforehand.

Annex 1: Financial Policy Committee policy decisions

Outstanding FPC Recommendations and Directions (as at the date of the FPC's meeting on 19 November 2026)

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.

- On 14 October 2026 the PRA and the FCA published **PS19/26 – High loan to income lending**, their final policy statement implementing this Recommendation.

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 19 November 2026, unchanged from its 25 September 2026 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 2026 Q3.