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Mike Peacock: Okay, if you could give us your name and organisation, wait for a mic and one question first time round please, we'll loop back round if we have time at the end. Kamal and then Adam, please.

Kamal Ahmed, BBC: Thank you. Governor, there was a warning today to the banks about consumer borrowing and the growth in consumer borrowing, but of course, the loans market takes two to tango, so to speak. I just wondered how concerned you are that consumers are borrowing too much and that if these benign conditions on interest rates, for example, don't last and interest rates rise, that millions of people could find themselves in difficulty and overextended.

Mark Carney: Well, I think in terms of messages to consumers, the first is one that's that same message whether times are good or bad or somewhere in between, which is that whenever somebody takes out a mortgage or a loan for a new business, or an investment, that they consider adverse scenarios as well as positive scenarios. As you've just said, whether interest rates can go up as well as stay the same, whether exchange rates could move, and whether the overall pace of growth could change as well. The track record of the British people, the British borrowers, suggests that they do take those factors, by and large, into account. Certainly, in an environment in which we're operating, it is that general advice, that stating the obvious, which is often the advice you get from a central banker, is particularly apt. The second message is that the resilience of the system has really been strengthened considerably since the crisis. It hasn't just been strengthened in a manner that looks back and addresses the fault lines that helped cause the crisis, but it has been looking forward.

The actions today, point to some of those elements of looking forward. We see the risk taking in the economy moving to a more normal environment, despite obvious uncertainties. We want to move the level of capital, capital buffers for the banks, back up to the level that they should be for that environment, so that's the countercyclical adjustment. Any time you move into more benign credit conditions, there have been fewer defaults, it's a good thing to check your underwriting standards and that's what Sam Woods and the PRA are doing, but I'm sure we'll speak more to that in a moment. Then thirdly, we all know that this process of exiting the European Union has begun and there are risks around that process, and so contingency planning needs to be not just put in place, but in some cases, activated. That's all there for a reason, all those steps are there for a reason. So that same consumer, household or business person, they know that the system is going to be there for them down the road again if they have a good idea or an opportunity to move into a property down the road, the system will be there for them.

Adam Parsons, Sky News: Adam Parsons from Sky News. A lot of people will read this report and feel like it's a bit like dancing on a pin head, that it appears to say that lenders are not following criteria, that they're being a little bit reckless in lending money to us as consumers, but that we as consumers, are not going out of step. It seems to put all the blame on lenders. Isn't there a middle way that lenders should have their criteria changed but we as consumers, should actually be more careful when we borrow money? As you well know, consumer credit borrowing has gone up massively ahead of wage growth.

Mark Carney: Okay. Well, thanks for the question. First thing, a bit of context, then I'll ask Sam to expand. If we look at what's happened since the crisis, the British consumer, the British household has de-levered quite considerably. So they paid down a lot of debt and it's really only been in the last eighteen months or so that there's been some modest re-levering as a whole. Remember, the growth in consumer credit, which is a big number relative to income, is a relatively small part of the overall borrowing environment. Actually, we've been seeing a deceleration in the pace of mortgage credit, for example, in recent months. So overall debt is more or less growing in line with GDP, more in less growing in line with income. So I wouldn't characterise, and I don't think you did but just for clarity, I wouldn't characterise the behaviour of UK households as a whole as taking particularly elevated risks, first point.

The second is, though, that in an environment where the economy has been growing for a while, and particularly employment has been growing quite strongly, you have a pro-cyclicality (? 16.08) in terms of risk, people are in work, it's relatively easy to get credit and they continue to make payments. That's where there is the possibility that underwriting standards of the banks now, can slip, they can give people more money, they can broaden, they can take extra risk because their standards have slipped. That's one of the things that, in our second line of defence, I mean first and foremost, it's the responsibility of the banks and lenders, but the second line of defence is to take a closer look on the supervisory side. I'll just ask Sam to maybe speak to, just briefly, some of the, what we call weaknesses, that they found there.

Sam Woods*:* So we've done a very in-depth review now, this area of the lenders, let me just pick out the two main findings. One finding is that resilience is reduced, by which I mean there is less capacity against these specific exposures to absorb losses than there was a few years ago. That's happening for two reasons, one is a simple one, that pricing is coming down. So for instance, as an example of that, the spread against bank rate on personal loans has come down from about 11% to 7% over the last four or five years. That spread is the first thing the banks use to offset losses. The other is, that the risk weights have come down over the same period, because of the way the banks model these things. That's an example of, are they controlling sufficiently for recent benign conditions? Again, to give you a sense of that, the average risk rate for a credit card has gone down from 92% to 85%. For other consumer credit lending, it's gone from 109% to 92%. I'm trying to give you a sense, here, of a reduced resilience, that's the first point.

The second point is, weaknesses that we have found in underwriting practices and the oversight the banks have of these areas. We'll put a lot of that in our statement next month but to pick out one example to give you a flavour of what that is, it goes back to this question about, are they controlling enough for the effect of benign conditions? The simplest way to think about that is, impairments are currently low, so an example would be, early month's impairments. So how much of lending that has been on the books for nine months is more than three months in arrears? Now, that number is flat and it is low, it is 0.5%. The question is, when banks are stressing that and saying, 'Well how much capital do we need to put aside for bad times against that?' How are they doing that? Some banks are taking a simple multiple and saying, well in previous financial crises or stresses, impairments have gone up by a factor of, say two, or whatever the number is, and therefore, will just apply that to this very low number. Now, it's reasonable to question, is that a sensible thing to do, given the number is very low? So that's the, kind of, space we're in.

Mike Peacock: Okay. Noreena and Peter.

Noreena Hertz, ITV News: Noreena Hertz, ITV News. Governor, can we go back to consumers and for the laymen and for my ITV viewer. You're putting a lot of emphasis in this report on banks and how they need to think that times may be changing and they need to set aside more money, thinking about the future. Shouldn't we, as consumers, also be thinking about the future and also be thinking that times might be changing? Shouldn't we start reining back on our borrowing?

Mark Carney: Well, I'm not going to give individual financial advice, as you can appreciate, Noreena. I would note that, and I'll appeal to the MPC's economic forecast which, as you know, will be updated in the next couple of months. That paints a picture of growth around the potential rate of this economy, so not as strong as growth has been in the last few years but not bad either, sort of, 1.5%, 1.75% on an annualised basis. Now that depends on a variety of things happening, it depends on a relatively smooth process of exiting the European Union, or expectation at least, of a relatively smooth process. It depends on some rotation of demands, so that more business investment and more net exports are happening at a time when consumer spending is slowing somewhat, but there's an overall environment of growth. So that's a central expectation, if you will, the most likely scenario in the judgement of the MPC. What this part of the bank does, as you know, the FPC does, is we worry about what could go wrong and the fancy word, tail risk. What are the bad things that can happen and what, if anything, we can do about it.

In effect, what we're trying to do is to strengthen the resilience of the core of the system, because a variety of these shocks that could hit the UK economy. There are shocks over which we have absolutely no control or influence, but we can influence how resilient the system is and the extent to which the system, whether they're banks, insurers, building societies, other parts of the financial system, have thought about these risks. What that means for your viewer, is that if things become bumpy in the transition, if things become bumpy because of the global economy, or some domestic slowdown as well, they can expect, and they should expect but they also can expect this to be the case, that the financial system will be there for them. There won't be a financial system that is making things worse, that is unnecessarily pulling in the access to credit, whether it's for a first time buyer of a home or a business person who wants to expand their business. In the end, it's going to be those individuals who make the judgements about whether they feel it's the right time to buy a property, or they feel it's the right time to make an investment in a business. What we're doing, is making sure the financial system continues to provide them the opportunity for that.

Peter Thal Larsen, Reuters: Thanks, Peter Thal Larsen from Reuters Breakingviews. Governor, I wonder if you could talk a bit about how you see the role of interest rates in terms of this whole picture, in terms of exaggerating or reining in potential risks. I wonder also, if you could give us your view on the suggestion that committees such as these, and broader central bank responsibilities, may have distracted you from the key question of raising rates and controlling inflation.

Mark Carney: These are important questions in terms of the coordination of the works of the various committees, and if I may put it in technical terms, the type of policy. So macroprudential policy which is the responsibility of this committee, the FPC, and monetary policy which is the responsibility of the MPC. As you know, each committee has different objectives, they're related and they support an ultimate objective, which is strong, sustainable, balanced growth in this economy. So we're focussed on financial stability, MPC are focussed on monetary stability. The view we have taken, and I think it is proving effective, is that monetary policy is the last line of defence to address financial stability issues. So we have a fairly wide range of tools and we have an even wider range of influence, that we can take as the financial policy committee, in order to build the resilience of the system and promote financial stability. Right now, in the United Kingdom, we're in a situation where, actually, debt is not growing that rapidly as a whole, it's growing roughly in line with the economy. That's a reasonable situation in which to be, but there are pockets, as we've said, which warrant vigilance.

So there are elements of consumer credit that warrant vigilance and we can take targeted action. We are taking targeted actions in concert with the PRA and the FCA, and some actions of our own such as CCYB to help address issues related to that. So in that regard, we don't need monetary policy to do our job. In fact, by doing our job, we allow monetary policy to focus on its job, which is returning inflation sustainably to target, in an exceptional period. In terms of the second part of your question, whether it's a distraction, I mean, no, is the short answer. It takes as much time to decide to hold interest rates as it does to lower interest rates, as it does to raise interest rates. You know, I've been doing this for a number of years across two central banks, I can assure you that we devote the necessary time to making monetary policy decisions. Two things help tremendously and I'll start with this, in making those decisions, one is to have people with different perspectives around the table. So, some diversity around the table to make decisions, for example, the ones that we've announced today.

So we have external members of the FPC who have experience in banking, in market based finance, who are academics, who have experience in different jurisdictions, are on the FPC and they provide different perspectives. Just as the individuals you see here provide, you know, we have our own perspectives on these issues. What we can also bring is some sense of how policy works together across the institution. The second thing, just to go back to the first part of your question which is, there are definitely complementarities between the policies. It doesn't mean they always move in the same direction but by focusing on their objectives of each policy committee, you allow the other policy committees to maximise their degrees of freedom, if you will, in order to achieve their goals.

Mike Peacock: Caroline and then Scott.

Caroline Binham, Financial Times: It's Caroline Binham from the Financial Times. It's a question for the Governor and also, possibly Sam. There's a section dedicated to China and last week, we saw the regulator in China warn of the systemic risk to exposures to large Chinese companies, for Chinese banks. Is this something that's also on the FPC and PRA's radar, given the small but significant exposure that UK lenders have to the Chinese economy? Thank you.

Mark Carney: I think you wanted Sam to answer it but I'll just say two words of comment. First is, that in terms of our overall risk assessment and particularly in terms of global risks, as you would have seen in the report, we do flag that risks from China are at the top end of those global risks. Because of the pace of debt build up, because of some structural issues in the financial sector and because of the challenges in trying to grow the economy at this rate, well, decelerating, so it's some inconsistencies in policy. The macro backdrop, we definitely flag this as a risk, and that's part of the reason why we looked at it quite closely in recent stress tests, but with that, I'll hand over to Sam to speak in more detail.

Sam Woods: Yes, I'll just add briefly, Caroline. From the micro point of view, obviously, we are very focussed on the significant exposures that the UK banking system has through some of its banks to greater China. As Mark says, the most important lens we have to look at that is what we do in the stress test and we have a pretty severe test that we apply to that part of the world, for the purposes of informing how much capital we want banks to hold. The second thing, though, which perhaps, even more directly on your question is, we of course engage a lot with the Chinese authorities. Specifically in this case, the CBRC and the new Chairman there, so that is a dialogue which I wouldn't want to offer further comment on but we are in close touch with them.

Scott Hamilton, Bloomberg: Scott Hamilton, Bloomberg News. Could I just ask you about the outcome of the general election, has that changed the weight that you attached to particular outcomes of the Brexit talks, or changed the view of how you might see those talks evolving? It seems the case, that maybe the UK has entered a period of greater political instability, or greater political uncertainty. Has that increased the risks to political stability and therefore, giving greater impetus to banks' contingency plans?

Mark Carney: The short answer is no, in terms of our contingency planning and the way we look at these risks. As you know, Scott, our responsibility is to look at the tail of the distribution, what could go wrong. As I think I said in my opening remarks, some of those scenarios, however unlikely they may be, and it's not our job to sit back and assess point estimates of the probability of the end of this process concluding without an agreement. Rather, it's to think about if it were to conclude without an agreement, whether that's a transition agreement or an agreement on the ongoing relationship, what would the financial stability risks be at that point, and what can be done now to help mitigate against them? That motivates all our contingency planning. That's not to say there wouldn't necessarily be some financial stability issues that could arise with various types of agreements. Then of course, we do the same process but we start from the most difficult situation from financial stability perspective, difficult for Europe, difficult for the UK, difficult for us collectively, and say, 'What can we do now in order to minimise that?' We're working with firms, we're working with other regulators here and obviously, as you'd expect-, well, it should be obvious but I'll state the obvious, we're working with European authorities as much as possible in order to help reduce those.

Mike Peacock: Siobhan and Tim

Siobhan Kennedy, Channel 4 News: Siobhan Kennedy at Channel 4 News. Morning, do you have any detail about the types of people that are racking up debt? It is households across the boards or is it people using credit cards to supplement low wages and therefore, how worried are you, you know, at any sense of tightening making their living standards much worse? If I'm allowed a part B, how confident are you that the banks will be able to raise the extra financing that you're requiring, particularly banks like RBS and Co-op, for example, when they struggle?

Mark Carney: Okay, so two big questions in there. First, in terms of the nature of the debt that's been built up and the nature of the household, as you're probably aware, a lot of the pickup in consumer debt in the last couple of years has been for car finance. A lot of that has been related to two things, one, the recovery in the car market, people have started to buy cars again but also, a change in the nature of how they're financing those cars and a move towards PCP, Personal Contract Purchases. Arrangements, basically, where from a debt perspective, the entire, what would have been a least amount, is expanded to the entire value of the car, so it actually increases the debt statistics there and then. Now, there's risk associated with this, risk particularly to banks. There is an element of this which is statistical, alongside an element which is real, more people buying cars and debt there.

We have seen a pickup in debt consolidation loans, and we have seen more generous terms in credit cards, particularly around zero balance transfers and there are some statistics around that in the report. One of the things in which the PRA is focused, is the accounting treatment of that and the incentives that that creates, and have more to say about that in a few weeks. To the crux of your question, which is about heavily indebted households and could this amplify the effect, that's what we're concerned about. We're concerned first, about the resilience of the banks and we think they're in a reasonable position but we should sure a few things up. Then secondly, this overall risk of a high proportion of heavily indebted households that could make a downturn worse. I wouldn't say that what we have seen in the last eighteen months has materially increased that risk, just to put it in orders of magnitude. What we're doing is reinforcing some of the protections that are currently there.

The second part of your question, related to the countercyclical buffer, and this ask, well it's more than an ask actually, for banks to build that up. I think the first thing to say is that the banks all have this capital at present, so the question in terms of what's required of them is whether they increase the buffer they have above what they need to have, the buffer on buffer, if you will. One way I can put it in context is that the level of the countercyclical buffer is when you add the countercyclical buffer with all the other requirements, you get up to, at most, about a 4% leverage ratio. So, just a simple capital relative to the amount of assets of the bank. At present, that banks system has about 5.25% leverage ratio, so we're reapportioning capital within the system. I'm not suggesting that that doesn't have an impact, I'm not suggesting that banks won't add a bit of capital in order to build it up, but there is considerable, considerable lending capacity.

I'll finish with this, which is, again, to go back to your viewers or people who are watching, last year, net lending in the UK economy was about £65billion. The difference between that 4% and 5.25%, the amount of room they have, even after they've built up the buffer, is equivalent to about £250billion of lending capacity. So the capacity is there and banks will release it for good ideas and viable mortgages.

Tim Wallace, Daily Telegraph: Tim Wallace at the Daily Telegraph. Governor, are banks gaming the system? It looks as though they're stretching the rules on risk weightings, on the loan to income limits, on the affordability tests. Are they still misbehaving? Is this a cultural problem?

Mark Carney: I would characterise the second, in terms of the underwriting standards and the type of scenario Sam Woods described a few moments ago. I don't think that's gaming, I think that is forgetting some of the lessons of the past, or not necessarily learning, fully learning the lessons of the past. Or being too, in some cases, and this isn't a general point, but being too model-driven as opposed to layering enough judgment on top of models. That's the kind of thing that should be picked up with supervisory reviews, as the PRA has just done, or stress tests.

In terms of the mortgage restrictions which we referenced, I will take a neutral view of that. Banks now have the appropriate clarity to ensure that they use the right reversion rate, which in most cases is the SVR, so we've just provided that clarification. In the end, if they'd been using the SVR, the rate would be 7%, in other words, the rate at which they're testing people's ability to borrow in a higher interest rate environment. At present, I think it's about 6.8% so there's something in there but I would caution against over interpreting it. It levels the playing field for lenders, by providing this additional guidance.

Mike Peacock: Jill and then Graham up at the back there.

Jill Treanor, The Guardian: Jill Treanor, The Guardian. I just wanted to ask you about the timing of this decision to talk about consumer credit today. One of the charts you provide appears to show that consumer finance has been growing much faster than household income since about early 2014. I'm wondering, why now? Should it have been done earlier?

Mark Carney: Well, I'll start it and then I'll have John amplify it. I think the first thing is, the nature of what-, long period of weak consumer credit growth, starts to recover as the economy recovers, and recovers particularly in auto finance. Which is both understandable and relatively low risk for the system, with the broadening and with the shift in the overall risk environment, made some sense and just as a general point, any time we see something growing quite rapidly, we will take a closer look at it. You know, debt aggregates growing quite rapidly, to take a look at it to see if there are issues around it.

Jon Cunliffe: Yes, I'll make a couple of points I think. First, it started growing around 2013, I think it has averaged about 7% a year from 2013 to now. As Mark said initially, that's driven by very high rates of car finance, it's only over the last year or so that credit card lending and other forms, personal loans, have tended to kick in. Over that period, general lending, aggregate lending across the economy to households, was growing actually slower than GDP. So when you looked at the overall debt position, debt was not growing at the same rate as GDP over much of that period. I think the issue for us, is this is 200billion stock of lending is against 1.4trillion on mortgages and others. At what point do you say, this is growing fast and it's creating a problem, particularly a problem for the resilience of banks.

We stress tested it, we stress test it every year. As the financial stability report makes clear, the stock turns over quite quickly so you need to keep doing that. Now I think is the point, one needs to look at this question of, are underwriting standards starting to slip and is there a risk of this growing too fast? I think if you put it over the general picture, we've been watching it for over a year or two now, and this just seems the point now to check on underwriting standards, and then bring forward the stress test so that we can look to see whether as the stock turns over, the risks are growing. As I say, it's within that overall environment of credit in the economy growing at the same rate as the economy.

Graham Hiscott, Daily Mirror: It's Graham Hiscott from the Daily Mirror and you, annoyingly, slightly answered my question I was going to ask. It was about car finance, is there a concern about the ease at which people are able to obtain car finance? Certainly relative to mortgages, it comes back to your concern you might have about underwriting. Is car financing one of your specific pockets of risk and do you foresee any targeted action, targeted measures that particularly clamp down on standards in that market?

Mark Carney: Well, at present, we're not contemplating anything specific targeted to car finance, first point. Second is that I think from a banking perspective, we should put the growth in car finance in some context. If you'll bear with me for a second, the exposure of the bank is twofold, obviously, it's the individual continues to make the payment, which they tend to because people need their cars in general. Then secondly, at the end of the PCP contract, how these are financed at present, then the bank has exposure to the residual value of the car, it's guaranteed, effectively, the residual value of the car. So the question is, what could happen in the scenario where a lot of people don't retain their car, there's excess, used cars, and what could happen to values to those cars.

So in the report, we do an analysis which shows that if the value of those cars were to go down by 30%, everyone gave them back, the value goes down by 30% and obviously, the more people give them back, the more likely values are going to go down. What would be the impact on bank balance sheets, and it would hit about 0.1% maximum, it's actually 0.9% I think, but 0.1% maximum off that tier 1 capital ratio which I gave to you earlier, so in other words, it's not 15.7%, it's 15.6%. So it's something, but it's pretty negligible from a bank perspective. The other big exposure to this sector is the dealers themselves, or the auto companies themselves. That's not so much a financial stability risk for us, it's an issue for those companies themselves, and they'll have bigger issues if they're not selling new cars and they're getting a lot of used cars back, but they're the experts and they can make those judgements.

So, just to summarise, this explains part of why things have built up, so you're right to ask about it. We're relatively sanguine about the exposure of the banking system to the sector as a whole and we detail why that is the case. The overall picture of a more rapid growth in consumer credit, does bear watching in which, and in some other areas, we've seen some underwriting standards, some weakness in underwriting standards and had action. Then just as a whole, when we see this growth in consumer credit and we look at the overall risk environment, we say, 'Okay, now is the time for banks to rebuild,' or to add additional buffer of capital, I should say. Which is why we've made the bigger decision which is around this half percentage point increase in the countercyclical buffer, with a pretty clear steer, not a guarantee, but a pretty clear steer that when we sit down in November, we'll probably raise it another half percentage point. The only reason, as we sit here today, we're going it in two steps, is in order to give firms the chance, banks enough time to build it up in a gradual fashion.

Mike Peacock: James over there and Dan, right at the back, please.

James Salmon, Daily Mail: Hi, James Salmon from the Daily Mail. A fairly obvious question, but isn't the boom in consumer credit a fairly inevitable result of you keeping interest rates so low for so long?

Mark Carney: No. I think the short answer, no. When you look at borrowing rates on consumer credit, the range of travel of bank rate, whether it's 25 basis points or even a percentage point, that's a very small component of the overall cost of consumer finance. We have an economy to which we have been providing support, in terms of monetary policy, and ensuring that the financial system is open. The net result of that, at present, in an environment of strengthening and broadening global growth, if I take not the most recent growth figures but if I take the last year's growth figures, so if I flatter it in that regard, it's an economy that's growing at about its rate of potential, no more. So I think the overall context is important as well.

Dan Hinge, Central Banking: Hi, Dan Hinge, Central Banking. I wondered if you could elaborate a bit more on any work you've done on the ways in which the distribution of debt among groups in the economy and possibly financial institutions as well, kind of, affects the propagation of shocks to the economy.

Mark Carney: Yes, John, do you want to?

Jon Cunliffe: Yes, I think that's a very important part of our work, particularly I work on housing. So I work on housing and the insurance measure we put in place to stop the build-up of mortgage debt is really focused on the more highly indebted groups, of households. The limits we set in 2014, which was no more that 15% of the flow of new mortgages, had loan to income ratios of 4.5 and a 300 basis point affordability test. Those were designed, really, to target households not getting into the range of having debt service of 40% of their income. If you look in the report, you can see evidence that when we went through the recession after the financial crisis, the cutback in consumption in the economy, the stress on the economy from the households that had mortgage debt or debt to income in the four debt service ratios in their 30s and 40s and debt to income in the three, four times, the cutback by those groups on consumption was much greater than elsewhere. If you look, I think there's evidence that in the report of Denmark and Norway, and other economies where that's happened. So the action we take on housing is really built around that analysis of cohorts of highly indebted borrowers, how they react to stress, how they react to the economy as a whole and then how that feeds back on the financial system.

Mike Peacock: Okay, Gemma and Jason.

Gemma Tetlow, Financial Times: Thank you, Gemma Tetlow from the Financial Times. One of the risks that you point to in the report is the fact that some assets look overvalued and particularly, commercial real estate assets look overvalued. You say that that could quickly and rapidly unwind if people try and sell out of those rather illiquid assets, which is exactly what we saw happen after the

Brexit vote last summer. Has anything changed in that market to suggest we couldn't potentially see something rather similar to the very rapid break down that we saw last summer?

Mark Carney: Well, maybe I'll make a distinction between the closed end real estate trusts and the broader commercial real estate market, and the former are, as you know, relatively small proportion, they own a relatively small proportion of commercial real estate in the UK. Actually, I'll get John to just speak to that experience and what has changed, and how we think about it. Let me go to the bigger issue, if I may, which is this disconnect which we're trying to highlight and which gives us some concern between the valuation of some assets. We would include corporate debt in this as well, and commercial real estate, relative to growth outlooks that are implied by risk-free assets. So I think we all know roughly where the ten year gilt is, and you can have different views of term premia and the expected path of bank rate but effectively, it's saying, negative real growth. I can round it up and say very modest real growth for the UK for a very long period of time.

So while one is influenced by the discount rate, one also has to take a signal, or not, about what that discount rate implies about growth for the economy, and what therefore it would imply about rents and terminal values and other elements of commercial real estate. So somewhere between the two, and it's in the report, I mention in my opening remarks, there will be a reconciliation at some time. Either those rates are going to rise because expectations of growth and risk premia are going to go up in the UK. So when I say the risk-free rates, and when I say risk premia I mean term premia. Or, there's going to be an adjustment gradual or more abrupt of, for example, commercial real estate values, or somewhere in between, or both of those are going to happen. It does mean that we need to be aware to some of those risks, and I'll speak to one and to John for the other.

So one of the things you would expect us to worry about is, what does this mean for the UK banking system and how much exposure do they have to commercial real estate? What you see, and it's in the report, is that actually, UK banks, the sterling value of their exposure has gone done considerably since the crisis. So even though there has been a lot of activity in the sector, it has gone down to less than around 75billion sterling from more than 150billion in 2008. Its proportion of their common equity, it's gone down by an even greater proportion because, of course, their equity has gone up over that time that their actual exposure has gone down. So they have, actually, in historical terms, quite a modest exposure to commercial real estate. Above and beyond all that, though, we are stressing commercial real estate in our stress test to about a 40% fall in prices so we can then flow that through to see what it actually means for UK banks, make sure they have enough against it. So we're concerned about the risk and we're taking action on the banking side, then the other element of it is to think about, how does this play through the fund side? I'll hand to John.

Jon Cunliffe: Yes, I'm going to make a general point that market based finance as opposed to bank finance, has grown very considerably, probably doubled since 2005. A lot of that is open ended the investment funds that promise their investors daily liquidity, that you can have the value of your investment out on a daily basis. As a general point, I think it's important that the liquidity promise that the fund makes, is matched, to some extent, to its investment strategy, that things it invests in, whether they're liquid. Maybe the most striking example of that is open ended funds that have real estate investments because real estate is just very hard to liquidate, to sell quickly, to make liquid quickly, and it's quite hard to value when prices are moving. That's what we saw happen after the referendum, that prices dropped, the funds couldn't value, they couldn't sell fast enough and they took a range of action from gates to discounts, to effectively close. That seems to have operated without a more general spread to other open-ended funds that invest in other sorts of assets and the funds reopened eventually.

The FCA are doing some work now, just to look at how that operated. I think it goes to the more general issue, that one needs to think carefully about how this change in finance, and particularly the role of retail investment funds, at a time when market values are changing quickly, whether that could transmit stress. So I think it's something we're looking at, again, in the report, you'll see there's a discussion of it under the section of resilience of market based finance. I think generally, the point I'd want to say is that I think it's important that funds investment strategies and the liquidity they offer are well-matched and coming to line. I think the UK is one of the only countries that has open ended property funds that promise daily liquidity.

Jason Douglas, Wall Street Journal: Hi, I'm Jason Douglas from the Wall Street Journal. Could I just ask you please about one line that jumped out at me from the report, where you say, 'Consistent implementation of standards internationally and appropriate supervisory cooperation, the FPC will need to assess how best to protect the resilience of the UK financial system.' Could you just describe a little bit more about what you mean by that, please? Is this primarily a Brexit related issue or do you still harbour some concerns about a weakening commitment to some of the international standards that we've had over the past few years? I'm thinking in particular of the Trump administration, as I'm sure you can probably imagine. Thank you.

Mark Carney: Well, I think the first point, which is that we believe in an open system and we have worked with others in order to put in place the components of an open system, which are higher international standards, that address not just the fault lines that caused the crisis but provide appropriate resilience for the world in which we all now operate. Having just those standards is an extremely good start. Having them transparently implemented improves it but it very much helps to have open and deep supervisory cooperation. If you have globally systemic institutions, as we all still do, and they operate in your jurisdiction, you want to be able to talk to their home regulator, you want to coordinate how you would resolve such an entity if you had to, address a broad range of issues. So you need both, you need the standards and you need the supervisory cooperation. The good news is that there has been tremendous progress on the former, and there has been a lot of development on the latter, and we want to, as much as possible, reinforce that. You asked about the US administration and I'll just say a couple of words on that, which is that these are the types of discussions that we've been having with them, they've been very productive across the range of US authorities, from the Treasury to, obviously, the Federal Reserve.

The Mnuchin report of last week, two weeks ago, really looks at three buckets of risk. One is areas where the US has taken measures uniquely, and so the Volcker rule would be an example of something that has been done in the US but hasn't been done elsewhere. Ring fencing would be an example, that's something that's been done in the UK, not done-, so we all have certain things that are idiosyncratic or unique to our circumstance. If somebody wanted to change elements of that, it doesn't have an internationally spill over necessarily, and obviously, all of this is within their rights but, you know, very much so. Secondly, there are certain areas where the US is just as we are in the UK, where they are super equivalent to international standards. The supplemental leverage ratio would be an example of that and, again, if they're adjusting something that, that's entirely appropriate. Then the third area, area are areas where there may be a view in the US or the UK, or Europe, or other jurisdictions where certain regulatory initiatives overlap, duplicate, don't fit together well and they should be adjusted. One of the big messages out of the FSB now is that, that's exactly the type of situations that we're trying to look at.

The terminology we're using is dynamic implementation, in other words, looking at how various initiative fit together and do they have either unintended consequences or are they inconsistent, or just inefficient because you have multiple measures doing the same thing. I'll finish with an example which was noted both in the Secretary Mnuchin's report and is going to be a focus of the FSB, which is around the interaction between the derivative reforms and the definition of the leverage ratio. There is an inconsistency there, in the opinion of many, including many in this institution, between having client margin in the leverage ratio, it's a risk-free asset because it's a pass through, which reduces the incentives to centrally clear, and arguably reduces the overall resilience of the global system. So the line in the report, you're right to put your finger on it because it opens up a number of broader issues but I would, at this stage, come at it positively. To finish, to really finish this time, that's been the message and will continue to be our message around a future relationship with Europe, in that we have the building blocks, we have the supervisory cooperation and we will work as best we can to develop a model that maintains them.

Mike Peacock: Time for just one more, Jasper.

Jasper Jolly, City AM: Jasper Jolly from City AM. Just going back to the commercial property, the London, well West End office prices seem extraordinary far above your sustainable range calculations. You say it's unsustainable, what kind of time frames are we talking and what will happen on a broader level when those prices start to come back down to the levels that you think are sustainable?

Mark Carney: Well, what's unsustainable is the combination of very low risk-free rates and the levels of valuation. Two things can happen, one is those risk-free rates can go up because there can be revised view of the growth outlook, and that could be more consistent with implicit rents with commercial real estate, or there could be adjustment on the latter, or either. I'd be foolish to try to put a timeline on anything, things that are unsustainable can go on for much longer that you expect and then the truism is that when they adjust, they happen quicker than you think.

Mike Peacock: Sorry, one very, very final one, just straight behind you.

Adam Linton, Ransquawk: Adam Linton, Ransquawk. So today, we saw the countercyclical buffer increase from 0% to 0.5%, after previously being cut to 0%, the upward bias is now for 1% in November. What potential hesitations could you have from moving back to 0.5% to 0%, or from 1% to 0.5% if we get there? Considering we have 640 days left of Brexit negotiations, do you think that could potentially cause any concerns in the banking sector, with regards to communication between yourself and the sector? Particularly giving the differing views we saw on the MPC with the five, three vote split and the subsequent re-pricing we've seen in financial markets for that increase in the bank rate.

Mark Carney: Well, it's a good question. I think the basic point is, that we took a view as a committee more than a year ago that in a, what we're calling, a standard risk environment, which covers a pretty wide range of paces of growth in the economy, growth in whether it's consumer credit or business credit, or lack thereof asset prices, other things. In a standard environment, the resting place for this kind of countercyclical buffer should be around 1%. So the question has been, well how do we get from 0% to 1% in a responsible manner, in a way that banks can build it up? When we cut the rate, we had started that process more than a year ago, but then the referendum happened, concerns about access to credit. We wanted to take those concerns right off the table in order to support the economy, and in conjunction with the MPC's action, they did provide important support to the economy and have helped with the transition. Transition from a, if you recall this press conference a year ago, and the events surrounding a time when there was heightened uncertainty and real concern, including about the financial sector and warranted, and this was one way to dispel those concerns, which we did. It helped move the economy to a standard environment, so the question really is, how do you get the rate up to the level that we think it should be?

We've designed our whole capital framework to be consistent with having a countercyclical buffer around 1% in standard times. The industry absolutely understands that, it won't be a surprise that we're trying to get there. We could have taken a decision today just to go all the way there in twelve months time, but the committee's view was that that wasn't consistent with giving time for gradual build. To finish, your questions around what could happen 640 days from now, as you put it. Well, we want a system that is as resilient as it needs to be, both in terms of capital and in terms of softer items around contingency planning to prepare for any possible outcome at that point in time. An agreement, no agreement, a transition, no transition, etc. So having the countercyclical buffer, all things being equal, having it at the level it should be, would be part of the necessary resilience. So I think, I would hope, that everyone can understand that and certainly from the view of the committee, which operates under consensus with the FPC, that's exactly what we feel is appropriate, for a variety of reasons.

Mike Peacock: Thank you all for coming, we look forward to seeing you again next time, thank you.