

David Robinson, Market News - On the leverage ratio, there's a line in the minutes, as some members were concerned, that the proposal might lead to an unwanted increase in market based leverage. Then they go on to note, or some note, there may be alternative instruments might be better suited. Are those alternative instruments one the idea of minimum haircuts and how does this fit together and do you risk having FPC members going out and about arguing against your own proposals for reform?

Andrew Bailey - Well, first of all, I do think and I think this is a core principle with any committee like the FPC, that there is a robust and full discussion within the committee and also it's actually important that we are transparent in what we publish to indicate that that discussion has happened. I've been asked a number of times in the Treasury Select Committee in Parliament, because the FPC is a consensus model. It's not, it's rather different from the MPC in that sense. I think that's appropriate, given the sort of the multi-dimensional nature of decision making in the FPC. But I've been asked a number of times, look, you know, is this is this just a sort of, you know, a bit of a whitewash, really? And I would say, no, it's not. You know, there are there are always good discussions. And look, there was a particularly good discussion of this issue, it's a complicated issue. And as I said in my remarks, I think the best way to see this is there are two things we're trying to address here. One is let's try and simplify the bank regime and let's try and make sure, let's make sure that we think our regime is sort of appropriately capitalized, but is also broadly on the on the same footing as other countries. We thought there were some cleaning up to do, particularly in the domestic, the big domestic bank end of it. So that's one thing.

The second thing then is, leverage in market and I spent quite a bit of my time and we spent quite a bit of previous publications and press conferences talking about this because, we first talked about it really in government debt markets, but we now also, as you can see, pointing to it in equity markets. So the question then is the liquidity for those markets ultimately comes from the banking system, it's a different structure, it's a non-bank structure. But ultimately they are dependent upon the banking system. So if we think there are issues there that need addressing in markets leverage, what's the best place to address those? Is it to address them as you rightly say? Is it the best place to address them via measures in markets or via measures in banks? And that's the debate we've had and that's why I've very clearly set out we've got some more work to do on that front.

Sarah Breen - If I might add one thing, just to be crystal clear, we all agree that it's right to move the requirements for our domestically systemically important banks. That was the point that we identified in the material that we released in December. and everybody is agreed that that should go ahead. Where there's a bit more work to do is, as the Governor says, on whether the issues that may arise in market based leverage are best addressed through something in the bank leverage ratio framework, or through the other measures that we've been talking about for some time now central clearing and potentially minimum haircuts.

Andrew Bailey - You can see there's a chart on page 27 of the Financial Stability in Focus work on capital, which shows the relativities of the UK to other countries and you can see for the global banks, we're in line with the other major countries, the US

and the euro particularly. You can also see if you look at that chart that actually for the big domestic banks, we were a bit above and that was the anomaly we were looking to address, as Sara says.

Laura Noonan, Bloomberg - Just two quick questions. The first one is also in relation to the leverage ratio. There were some there was some market chatter about exempting gilts from the leverage ratio is that I know obviously Sam had some quite firm views on that. Is that still a live topic or should the market just get over it? And then the other question is, in terms of the timeline for the broad reform, for the buffers for G-sibs, both in the UK and more broadly? What's the timeline like on that and how realistic is it to get that agreed, since it can be quite difficult to get things agreed globally these days?

Andrew Bailey - No country exempts government debt from its leverage ratio that I'm aware of, certainly and it would be inconsistent with the Basel agreement to do that, So I really don't think that's an issue at the moment. And I know hopes were up, as it were, in some quarters. but that's not, I think, an appropriate issue In terms of the international work, again, it is important the simplification that we would like to see. we've all set out. Sam has spoken about it very fulsomely in a speech he gave. and again, actually we set out again in the financial Stability and focus, a chart of what we would like to see. This is on page 18. The left hand, the left hand block is what we've got at the moment and the right hand block is what's called Our Vision, which is much simpler, and that does require international settlement. As you say, look, things do take time internationally, but we are definitely strong supporters of that and I hope we will make progress because I do think that argument, it is understood in other places as well.

Sarah Breeden - And again, if I might add, increasingly, you'll have heard Laura from talking to other central banks and regulators around the world, this issue of buffer usability has come up, and it's really important that we look at it, buffers represent half of the capital stack if they're in effect, just hire minima, they are not functioning as intended and that's why we're keen to support the international debate and make progress where we can domestically in the meantime.

Andrew Bailey - My read of the international process is, I think we've got to get Basel 3.1 sort of done and then I think we I hope we can turn to this issue. I think mixing the two up is probably not the best thing to do, So I think we've got to get Basel 3.1 in.

Ben Martin, The Times - Governor I had two questions. Firstly on the capital reforms. What would you say to criticism that the bank might be sort of laying the seeds for another financial crisis? Because, you've got some members of the FPC warning in the minutes that they think this might lead to an unwanted increase in leverage and the broader context is the Financial stability Report also highlights concerns about leverage in various parts of the financial system, including hedge fund leverage and equity markets.

And my second question is, again on the capital reforms. Obviously, the ultimate aim of this is to increase lending to households and businesses in the economy, how will you stop banks from simply increasing capital returns to their shareholders

instead? Will the PRA, for example, not approve bank distribution plans if they feel that they go against the spirit of what you're trying to aim for here with these reforms?

Andrew Bailey - Great questions. So are we are we laying the seeds for a financial crisis? There are two strong messages in this report in terms I would say in this area. And they go in different directions. One is yes, we are seeing a further increase in levered financing in markets and that is an issue, on the other hand, we also have a resilient banking system. Look we've had shocks. We've had you know, we've been through another one during the course of this year. So far, we've had quite big movements in markets and we have not had any, I would say, any question about the resilience of the banking system, and that was true, you know, going through Covid, it was true through Ukraine. So we have to we have to balance those two things and we do spend a lot of time on this question. The banks are supporting lending into the economy. So I think these changes, which are, quite targeted, I think are appropriate. But look, we are putting down, as Sarah was just saying, and I said this big question, which is in terms of this increase in market leverage, what are the sort of what are the actions that would be appropriate to take and where are they best taken in the system? That's a that's a very important question, but I don't think what we're announcing today gets in the way of that.

On the question of returns, first of all, it would be inappropriate, we operate in a capitalist system, and that's right, so I think it would be inappropriate for us to in any sense, Cap returns to shareholders. We did it during Covid and that was an absolute emergency, that's not normal operating conditions, so I do not envisage us doing that. But can I make a point that comes out of this, which I think is really important because, there's a lot of debate about, have the banks got, the ability to lend from the stock of capital they've got and this tends towards what I call a sort of lump of capital argument, it's a bit like the old lump of labour argument, which actually, is often regarded as a fallacy that there's a fixed amount of capital out there. I mean, there isn't. The main important thing is that we've got banks that earn more than their cost of capital, their return on tangible equity is around 15%, something like that, that's reflected in their price to books, which are now, we went for a long period when they were below one, which is a problem for raising capital, but I think the average about 1.7 today, something like that for the major UK banks. So this is a system that is generating returns and that's the most appropriate way to support lending and build capital, there is then a decision to be taken within banks and with their shareholders as to how that capital is used. Is it best used in lending, retaining and then lending into the economy or to return it to shareholders? Those decisions should be taken by institutions in a market economy. But the main thing is that we've got a system that is resilient and is robust. So this lump of capital argument, which I'm afraid does get all too much coverage, in my view, I'm afraid, is really a fallacy. This is a system that is resilient and robust and is actually in good condition, and therefore it should support lending into the economy where the returns justified.

Sarah Breeden - Might I add one point on are we in danger of sowing the seeds of the next financial crisis? One thing that is, I hope comes through in the Financial Stability Report is that the UK household and corporate sector in aggregate is resilient. The levels of debt in there are broadly consistent with the levels that we've

seen since 2000. This is this is not an area of the financial stability landscape which is flashing red. In that context, reducing the leverage ratio requirements that apply to our domestically systemically important banks seems to me to be an appropriate thing to do in unwinding the unintended consequences of the current regime.

Ben Martin, The Times - So there won't be any won't be raising an eyebrow then when the banks submit their dividend to shareholders and then.

Andrew Bailey - Well, no, our job is very clearly focused on financial stability. We would do that if we felt that there was a risk to financial stability, which just justified more retained earnings. But we're not in that situation.

John-Paul Ford, Daily Mail - One on AI, it seems to me and I wonder if you think this is fair, there's a sort of, double whammy caused by AI, to financial stability risks. One in terms of the stretched valuations of AI stocks and the implications that that has, and two in relation to frontier AI and the operational risks that that poses. Does, that sort of demonstrate the increasing risks posed by AI to the financial system from both those elements?

Secondly what might the implications for financial stability be? Should there be a change in the government's, the UK's fiscal rules under a new chancellor? Should there be one.

Andrew Bailey - Let me do them in reverse order because the second one is really easy. I'm not going to comment on what the next government may or may not have as its policies, I don't know, that's a matter for them and I'm not going to speculate on it.

Now you talk about a double whammy, I actually think there's a triple whammy. So let me explain why, just to make it even more interesting. So you are right about your two things, yes. We've obviously pointed to the stretched valuations point, and I showed some of the charts from the report in my opening remarks, and I think there is an issue. Now let's put that into perspective. I'm actually very positive on AI. So I think that it is most likely the next general purpose technology, probably with robotics. I think it does have the scope to increase productivity, which we need, because that's the way to increase the growth rate of the economy and it's the way to increase living standards. So I am positive, but, the valuations issue, I think there's a number of things that can sort of, in a sense go wrong on that front. One, obviously the job of markets is to, in a sense, value that future stream of earnings and that future stream of productivity, and of course, it could be positive, but markets could overvalue it. That's quite possible in a market economy. Two, you look back in history at, and I've said this, a number of speeches actually at general purpose technology innovation, it tends to take longer to come through than everybody thinks it will, because it tends to require other innovations to actually make it more usable. This may all be a lot quicker with AI because the whole pace has speeded up, but we'll see. It's possible it will take longer to come through than markets are expecting. And then a third one is that everybody is priced to be a winner at the moment. Now again, you know history, you remember back to the original days of the internet, most of us can't name the firms that were the original

market leaders in the internet, it wasn't Google and history again tells us the probability of every single firm being a winner, probably not that high. So you can get any number of things coming through in terms of market corrections.

Your second one frontier I, it is a big issue, it really is a big issue, I mean this is the big thing if you ask me, what's the biggest thing that's changed since we were last here in December or over the road in December doing one of these events. It's frontier AI.

The third one that you didn't list is, is of course is how firms use AI, and some of the issues that will come from that. Sheldon Mills has covered that in some of the report he's published, we've covered it and there's a lot of ground to be covered there. if you think about things like agentic models, for instance, if you start setting up a genetic trading models, you'd better be clear you know how they operate, how the controls work, and actually where the legal liability operates as well.

So there's some really big issues, so I sort of turn your double whammy into a triple whammy.

Sarah Breeden - And I might add one extra if I, if I may. What we're seeing is Andrews charts highlighted in his opening remarks is that the pace of investment, which is historically unprecedented in AI, is now requiring a greater proportion of that to be financed, not from equity markets, not from free cash flow, but from debt markets and the quantities of debt that are being issued by the AI hyperscalers are already significant and are projected to become more so. There's some new and innovative, and complex financing techniques happening in there as well. So any adjustment in the earnings expectations for AI stocks could also play out through debt markets as well, which has broader consequences for financing conditions.

Martin Arnold, Financial Times - Can I ask about the leverage ratio reforms? The leverage ratio is supposed to be a backstop and to be a way of checking that banks don't reduce their risk based requirements so much through, particularly through use of internal models that they get their capital down lower than is safe. So it's a kind of backstop and now banks are hitting that backstop, you're now going to reduce the backstop. Isn't that defeating the object of it and secondly, on timing, you've said that the banking system is very resilient, producing a lot of returns, it's very healthy, but at the same time you're reducing capital requirements. Aren't you suppose to actually increase capital requirements when times are good and then reduce them when times are bad? Why are you cutting capital requirements now?

Andrew Bailey – So on the leverage ratio as a backstop, yes, that is its role. Now, I have to be honest with you, I do sort of recoil a bit when I get people, sorry, not you, people say you occasionally report them, Well you know, the leverage ratio is only a backstop, it's now being hit, so therefore, as you put it, you must reduce it because otherwise it's not consistent with what you said it was and I said, hang on a minute, that doesn't quite follow. What we want to know is why, have the RWAS come down? and what message do we take from it? So we have looked at that very carefully.

The second thing I'd say, and there are explanations for why RWAS have come down, which are to do with mix of business. If you take the mortgage market, for instance, the overall, what I might call quality of mortgage lending has gone up. And part of that is due to the loan to income, obviously, measures that we've had in place for over a decade now, actually. And that of course is reflected in lower risk weights in the mortgage market, which is as it should be. So we haven't reduced the leverage requirements because of this backstop argument, I agree with you, that would not be the right way to go about this, we've done it because we're addressing what we see as anomalies in the treatment of the leverage ratio. So that's very much the way forward.

On the question of, should we be increasing the capital requirements at this stage? We've obviously taken our usual decision on the CCYB, we think it's appropriate to maintain it at neutral, we've looked at the question of the build up of risk, we've looked at the question of how resilient banks are and how they've dealt with it. We obviously draw on the stress tests we do, and we've concluded we think it's appropriate to leave the CCYB where it is.

I don't see, and particularly if you look back at the stress test, I don't think there is a case for demanding more capital in the system at this point.

Sarah Breeden - If I might add one point, Martin, I think what the anomaly shows that we are trying to correct in the leverage ratio this time is that the leverage ratio will be more binding for the same level of risk, as a consequence of the adjustment that we made to the neutral level of the CCYB and that is what we are undoing. So for the same level of risk, the current approach is more binding and so we're adjusting it.

Phoebe Seers, Reuters - I've got a couple of questions on AI. Can you say if UK banks have got access to mythos now and if not, why do you think that is? And then related to that, we've seen that the ECB today has given eurozone banks four months to draw up plans to counter AI enabled cyber threats. Is the Bank of England thinking of setting out similar plans with the deadline like that?

Andrew Bailey - Well on access to mythos, obviously it does tend to differ week by week. So obviously, I welcome the fact that there has been a resumption of the availability of mythos, and we are now keen to work with anthropic and are talking to anthropic about just how that will work.

The thing I would say here is that I think it's very important, it's a point I made in my opening remarks, I just want to emphasize it. These models are a big step forward in terms of capabilities. The fret issue is a really major step forward. We've all heard about it, but it is for real. It is therefore important that we have a process by which we can address the issues that these models are turning up and that there can be robust testing and this is across what we in the UK call the critical national infrastructure. It's not just our world, there's a number of other obviously critical parts of our national infrastructure and that we can do this. It's important that we work together internationally to do this because obviously A because we've all got to have that resilience, B because you look at our system, the one we deal with, the financial system, it's hugely interconnected, no single country can think that it can solve that

resilience problem on its own because the system is so interconnected, so that's critically important and we are heavily engaged on this question.

That sort of brings me to your second question. I saw what the ECB issued today. I think it's sensible in terms of highlighting the issue, but in all honesty, we are taking a different approach. We're working very closely with the banks because we do think this is an issue that, in a sense it's one approach to regulation. It's not about issuing sort of edicts, it's about getting in a room and saying, how are we going to work together to solve this problem? And how are we going to share our understandings of the vulnerabilities that we find in these systems? By the way, the Bank of England is an important operator in its own right. We operate the payment system, the settlement of, we've got a very big stake in this as well as a as a bank. So my whole, you know, philosophy and practices and I've said to the CEOs of the major banks, look, and we talk regularly, we talk at a lower level regularly, our cyber people will be working with your cyber people, and the best way to do this is to solve this together, working together to get solutions together.

Sarah Breeden - If I may add one thing, a chunk of the technology code that our firms use is open source and so ensuring that there's an ability to share what's been found so that everybody can be resilient and ensure that there's patching available, is going to be an important part of, of what we do as the governor said, this is something that we can work on together with the industry.

Eir Nolsoe, Telegraph - A few quick questions. So you've expressed concerns both about hedge funds using leverage to invest in the eye and also in gilts and I was just wondering how interconnected are these risks? Is it largely the same funds and what could that mean for UK borrowing costs in a AI correction and I was just hoping to ask you if you see any financial stability risks from rising unemployment from AI, it's obviously been a lot of sort of highly esteemed economists warning that we could see a substantial rise in unemployment in the next few years and I think I noted that your stress test sort of caps out at 8% or so. So I'm just curious about that. And finally, how concerning would it be from a financial stability perspective if UK debt levels increase in the coming years for any reason.

Sarah Breeden - why don't I take the hedge fund point. You're quite right to highlight that the hedge funds that we're talking about that are active in government bond markets in the UK, which are critically important to financial stability, are active across a whole lot of markets internationally. They're active across other government bond markets, but also, as you say, in the equity markets, one of the things that we have highlighted is the rise in prime brokerage balances that has occurred over the last 12 months, up 40% or so, and I think that's indicative of the greater activity that we are seeing across the hedge fund leverage piece. There is, of course, the risk of a spillover either from one international bond market to another or from the equity markets in AI firms to UK government bond markets and that's very much why we are proposing the reforms that we are doing on improving the resilience of the gilt repo market to ensure that, should there be a deleveraging of positions, the UK government bond market is best placed to absorb that.

Andrew Bailey - On your other two questions I will start with the unemployment question, which is a good one.

I think I talked about this in a speech I gave in Sheffield not long ago. I think the sort of the analysis that's done on AI and actually on general purpose technologies as a whole suggests that there are a mixture of effects. There are effects that can destroy jobs, and there are effects that can create jobs, there are effects that can create new jobs, there are effects that can create more, more existing jobs. One always gets quoted on that front. If AI is better at diagnosing medical conditions, you need more doctors to deal with the consequences of what it finds, for instance. It goes both ways and when you look back at technology over time, you look at three general purpose technologies. You look through steam engines, electricity, internet. Actually, the effects have been different, you can't generalize. So I think we have to the employment question is really important, We have to watch it carefully. AI is different, I think, in terms of some of its structural characteristics, but I don't think we can generalize about what the employment effects are going to be at the moment. We do have to watch it, It is an important issue. And by the way, as therefore as are training and skills.

On the debt level question, as usual, I'm not going to comment on the details of fiscal policy. I will say this as a sort of overall point, because your point is important. We've had two characteristics and the UK is not alone in this by any means. In the last sort of 15 years, one is low growth, low potential growth, a lot of that's to do with productivity. And the other is some big supply shocks, Covid, Ukraine, Gulf, all that stuff. That creates a difficult backdrop for policy. It's made it more difficult, I think, to operate countercyclical policy, it's called for more interventions in the context of big, big shocks and if I bring it back to what we're talking about this morning, I think one of the consequences of the change of market structure in government bond markets is that there has been an ability to issue more government debt. And in one sense, that, of course, has been helpful in terms of dealing with things like Covid, but it's leaving a more leveraged market, so the risks are greater in that structure. And I just put your question to it's important one into that context. If I look at it through our lens, which is not fiscal policy per se, what we are pointing to is, this is a more a riskier situation to be in and we do have to look at what is needed, I think, to create more resilience in that structure.

Kalyeena Makortoff, Guardian - So the debate about a potential increase of taxes on banks as reared its head again in light of expectations of Andy Burnham will be walking into number ten and I'm wondering if at all you have any concerns about how an increase in taxes might affect lending. And I'm wondering whether potential hike in bank taxes would at all be taken into consideration when moving forward with the capital changes being proposed today.

Andrew Bailey - Well, again, tax policy is not a question for us at the Bank of England, that's a matter for the government, and it's not for me to, in a sense impinge on that. What I would say is that I set out a model a few minutes ago for looking at the banking system very much through a sort of a market driven model, which is to say, look, you need to look at the returns the banks earn, you need to look at the cost of lending, how they how they make their money in a sense, and understand those. This is my rejection of the sort of lump of capital argument.

All I would say to your question is, I think the same model applies to looking at any policy, including the one you was just describing.

Henry Sakar-Clark, Press Association - A couple of quick questions on AI. The report flags a hypothetical sharp correction to valuations linked to AI, suggesting that UK GDP could fall as much as 2.2 percentage points, how likely actually is that? And secondly, on AI, Governor, it's interesting you said you look positively on it. Obviously, you were recently the target of some AI generated deepfakes. Has that impacted how you look at the risks facing institutions, firms and consumers?

Andrew Bailey - I'll bring Sarah in on the first one. As I've said before, I worry about these deep fakes because not because I mean, look, you know, I'm robust to what they portray, as is as is Nigel Farage clearly, because we haven't actually, by the way, just because I know some of you think that there's loads of things going on in the background, we haven't had any conversation on the subject or any exchange at all, but we both independently said, look, this is just nonsense, but you have to step back from that and say what of course it shows you is that the quality of those reproductions in terms of is so good that they, could be. I mean, I thought that was a bit of nonsense, frankly but it was a crypto fraud behind it, I'm told. So it is serious in that sense. Now what it tells you is that the quality is such that they can be used for all sorts of bad purposes and that is difficult, but it's not a reason to be against AI as a whole. I mean, that's something we, we have to deal with. It's frustrating because it's very hard to get to the final source of these things. I don't count myself as a technical expert, so I'm not the person you would rely on to do that. But even people who are much more knowledgeable than I am say the way those things are done actually is technically very hard to get to the source.

Sarah Breden - On your question about what might happen to UK GDP as a result of AI we set out a number of scenarios in the report and accept that there's a lot of uncertainty as we look ahead as to how things might pan out. It reflects, as the Governor talked about, the pace of adoption, it affects the rate at which capability advances, importantly, it reflects also financing conditions and the ability to invest to create the capacity. So I think there's a huge amount of uncertainty and what we set out is how we're going to be monitoring this as we look ahead from here.

Hannah Brenton, Politico - Back on the bank capital side of things there's obviously been a lot of pressure from government to take into consideration competitiveness and economic growth, particularly with the secondary objective for the PRA. How much did that way or was it considered in this decision, and how involved has the Treasury been in it?

Andrew Bailey - The Treasury, of course, is a non-voting observer of the FPC, so they sit in the meetings and they can let us know what they think and they do. The remit is important and obviously we take that into consideration, but let me frame it in terms of what I said earlier. For me, the competitiveness of the banking system is about it earning returns which allow it to support lending into the economy, that mean that it's resilient in terms of its capital and liquidity. It's not about what I call a very narrow argument, I go back to my point about a lump of capital, it's about have we got a system that is earning returns that will allow it to do what it must do, which is

support the economy, and to support the people of this country and the businesses of their country. Now, actually, I'm going to say very robustly because you wouldn't spot it from some of the commentary, again, not that you make, but I mean, some of the things that get said that we had a banking system that was you'd think that we had a banking system that was in a sort of big problem. That's not the case at all. I mean, the earnings are robust, that's fine, that's what banks are there to do. They are lending into the economy. The lending numbers certainly have actually picked up this year I would say and that's I think that's as it should be. And that's when I come to look at competitiveness, that's the most important thing. Do we have an industry which is in a robust and healthy state and therefore able to do what it's what we need it to do in the economy and I think the answer to that is yes.

Joasia Popowicz, Central Banking - So it's just with regard to how some of the risks that have been identified today interact and what that means for the capital proposals. So for example, AI sector development, GDP growth and depth sustainability and leverage trends, these can all interact to intensify some of the risks we're seeing today. So with regard to the proposals, which ones are going to be protected, so to speak, and which ones are liable to change as those kind of interactions are investigated.

Andrew Bailey - Well I would say two things then Sarah can come in. First of all, one of the ways, one of the important aspects of buffers is that we can move buffers up and down. By the way, one of the things we haven't touched on it, I would just point to is that one of the things we've also said about the way in which we've restructured the leverage buffer is that while we haven't stated an intention of raising it, we actually have introduced the point that we could raise it if we thought the conditions from its inherited setting, let me put it that way, that we could do that and I think that is that is very important. So we are therefore, in a sense reflective of underlying conditions and that's a very conscious decision that we've taken.

Sarah Breeden - And if I might add, just one thing, just to underline kind of the point that we've tried to say, although there is an easing of the leverage ratio buffers that is in this proposal, which is leading to a 20 basis points reduction in leverage requirements broadly across the industry that is undoing an unintended and undesirable tightening that followed from our 2019 decision to increase the resting rate of the CCYB. So while it is an easing, it is reverting to the position that we would have been in had that not happened in 2019.

David Milliken, Reuters - I know you sort of talked about sort of frontier AI sort of being sort of the biggest thing that sort of changed over the past six months. But you also sort of mentioned, again, sort of risks that you've talked about previously in terms of private credit, sort of general share price valuations. I just wanted to get a sense of how much risks in those areas have sort of increased. Is that just sort of increasing sort of a little bit?, is that sort of increasing a lot, sort of more than you expected, just to get an idea of the scale of change that's going on?

Andrew Bailey - If I could start with this, I don't think it's tangential, but I think it is sort of it's a slightly different point, but I think it's relevant to the really important point

you make, David, which is this I have to say, when I look at the sort of the checklist of risks that we have on our hands at the moment and we've been talking about. So you look at, valuations in in, you know, in risk markets, including in the sort of tech sector you look at equity leverage, you look at government debt, market leverage, you look at AI, you look at private credit, that's it's quite a list and there is a significance there in terms of the issues. Now, in some ways that's a reflection of, say we've been living in a world of bigger shocks, certainly. So I say I tend to think, I don't think for me, I don't think the private credit risk has particularly increased. I think we're learning more about private credit. And I think there are really two points for me in private credit. One is, and this is where the SWES is going to be particularly helpful, which is the linkages between private credit and the sort of the core of the system, the banking system particularly, but the insurance system as well, because I don't think we have enough sort of what I call mapping and understanding of more involvement of retail markets is, can we be confident that investors know what they've got? If the answer to that is yes, then I think the financial stability risks are less because I think the reaction of investors is more predictable. If the answer is overwhelmingly no, then I think it's a you know, it's a more difficult world. so that's those are both important questions. underpinning that, there's nothing private credit is not a bad thing per se, it's actually a good thing because we want investment in the economy, that's not that doesn't have to be funded entirely out of the banking system because the thing about the banking system is that the liabilities are money. They have assured value. We want another part of the world where the real support for investment and the value of the investment can go up on the lower side. It may go down occasionally, but it will also go up, i

Sarah Breden - The news on AI is interesting. We'd highlighted it in December that we appeared to be at an inflection point and that the shift that was taking place was that investment from here needed to be funded by significant debt issuance. What we've had since then is that the scale of that investment appears to have gone up and indeed, we're seeing some leverage in equity markets as well, so for me, that's been the news this time.

Elliot Gulliver-Needham, Politico - I just wanted to ask about AI evaluations and the risk it poses to financial stability. First, are you considering any policies or regulations to try and mitigate that risk? And secondly, as you say in the report, retail flows, especially into ETFs have increased momentum of these stocks, given that and the general risks of a correction. Have you talked to the government at all, given their retail investment campaign that's going on to try and push more retail money into the stock market?

Andrew Bailey - It's important. I don't think the right approach is to try to regulate the valuations because that would be very hazardous, frankly and I think that really cuts against the grain. I think you can probably see our view is, we need to understand the consequences of those valuations for our remit for the stability of the system. Equity leverage is, is a very important thing. What are the consequences of that? And so as we've said, we're seeing it in the hedge fund, the equity hedge fund sector, and we're seeing it also in the ETF sector. And I think I mentioned in my opening remarks there is more retail investment in the leveraged equity ETF sector. So those are all important issues. But I think that's the right way for us to come to this question, which is one of the financial stability consequences of it?

John-Paul Ford, Daily Mail - Again on AI we've just had the SpaceX IPO, we've got OpenAI anthropic, coming up, presumably those only add to the risk of stretched valuations and investor retail investment flows going into that? Second part is you mentioned the need to cooperate internationally and how the rules seem to change every week, I think you alluded to do the constant interventions from the white House on AI regulation hinder you and other regulators, banks internationally in tackling the challenges posed by AI.

Andrew Bailey - What I would say, let's look at the other side of this, in order to get the benefits of AI and to get the productivity benefits of AI, there needs to be a lot of investment and combination of private credit and IPOs like SpaceX anthropic, and open air are way to do that, so we must be careful here. I think it's really important to get the growth benefits and the productivity benefits that we can because of this whole issue about having a lower potential growth rate and the difficulties that poses. So there's a balanced agenda here. On the question of the white House, no, I'm not pointing the finger at the white House. What I would say is I think we need to have, more robust international agreements on this front. And let me just do a little advert for the UK. We have the AI Security Institute, the IAIS that is world leading. We work closely with it. This is a this is a real UK success story. It's a real strength came out of the Bletchley Park conference. I do think that if we could I'm going to say this from a sort of UK centric point of view, if we could actually get that model, , more generalised, then I think we would have a more robust approach because we would have, very specialist institutions and they really are specialists and they're very good. That could, in a sense, provide us with the technical analysis that we need. Because, when you saw with mythos, there was a there was an argument put forward a point, put forward that it had done a "jailbreak". I still try to come to terms with what a jailbreak actually means in these terms, but I'm trying to get up the learning curve rapidly. And then there was a slight sort of oh yes it did, Oh no it didn't. Well, it wasn't quite a proper jailbreak. We really just need people who are in a sense, empowered and technically expert to say, we'll answer that question. Thank you and that's what we need.