Andrew Bailey: Sarah, Katharine and I will be happy to take your questions.

John-Paul Ford Rojas Daily Mail: A couple of things, if I may. You mentioned, you alluded to the leveraging by hedge funds as a result of recent market movements, both into AI and if it gets worse, could effects spread to debt markets?

Is there an implication there that, should the AI bubble burst, gilt markets, or effectively government borrowing costs, will be affected?

And a related question is: how concerned are you by the fact that so much of the global economy, global markets, are centred on the profit tendencies of one man, the boss of Nvidia, and the President of the United States? It's not really how global capitalism is supposed to work, is it?

Andrew Bailey: So let's start with the first question. I'm going to be very careful not to use the term, or not to come down on one side as to whether it's a bubble. Bubble spotting is a hazardous business, to say the least.

Not sure if you happened to catch the Treasury Select Committee hearing yesterday afternoon, but I was asked there essentially: what were the risks to AI valuations? I set out four of them. I won't give the whole answer again.

Basically, look, the job of the market is to value future earnings potential. That is obviously uncertain.

The second one of the market is to value the timing of those earnings, the sequence of them. History of general-purpose technology suggests that they can be delayed, because often it requires further complementary innovation.

The third one is everybody's priced to be a winner. Historically, everybody often isn't a winner.

And the fourth one is actually, I think, a bit new to AI, which is that I think AI depends on a high level of public trust.

So all of those things could cause some change in AI valuations.

Your question was a good question, which is: could you see a change in valuations which can spill over into other markets, including the gilt market?

Well, in a sense, that's what we're here to do with financial stability. What are the risks of this for us? And we look at it very carefully.

I don't think any of us can rule out that something sufficiently big could have that effect. And that is why we look very carefully, as I said earlier, at the structure of that market financing.

But secondly, it's why, as I mentioned and covered in the material we published, we are going to come forward with our proposals on the resilience of that market. Not because we're saying there is an immediate problem, but it's precisely for the reason that your question gets to, which is that we do think actually that that structure of markets, with that degree of leverage, needs greater resilience attached to it.

On the Nvidia question, I don't think I'm going to go into that question. These are very concentrated markets. But frankly, what has gone on in the US, and in relation to the particular company, I think is a matter for the US.

Martin Arnold Financial Times: Andrew, can I ask two questions?

Firstly, can you tell me why it is not a paradox or a contradiction to say, on the one hand, there are all these risks from AI and the risks are increasing, and on the other you're going to cut capital requirements for the banking system?

And secondly, can I ask is this the first time that the Bank of England has said to the financial system that it needs to step up preparations for quantum computing and the risks that that would bring to cryptography.

There are rumours that the AI developers have already developed sufficiently powerful frontier AI models that can crack the key cryptographic protections a lot of the financial system depends on. Have you heard about these developments?

Andrew Bailey: Thank you, Martin.

So on the first question, we do a lot of work, and we've done a lot of work, to size up the capital requirements to risks and under stress. And we have to keep doing that for the reason you're implying, which is that obviously the world changes, the risks move on.

Now, we have reached a view that in that framework we can make some changes to the calculation.

You're correct to say that we are, of course, highlighting in this report, and I shouldn't think this comes as any surprise, the scale of operational risk.

Now, I don't want to suggest that capital is irrelevant to operational risk. But capital is not the primary answer to tackling risks from AI. It's not the primary answer to tackling quantum risks, to which the second question relates.

The primary way to do that is what we are doing: working very closely with industry on operational resilience. It's the third party regime. It's a whole series of things that we have to do. It's ensuring that the critical national infrastructure is robust in this country, and that capital isn't the first line of defence.

So I don't think it's a contradiction to say we can make some adjustments to the capital regime in the context of the overall risk to the system, but then to say that there are clear risks that we can tackle.

On the question of quantum cryptography, the interesting thing is that the life of these AI models is a very, very small number of months. We talk about Mythos back in April. Mythos is history.

And we are aware, and there has been reporting of this, I'm not giving away anything terribly unreported or shocking, but there is a latest version of models that are coming out of the production process on which I think the developers are expressing concerns that these models have even more powerful properties.

I talk to the companies quite a lot. We are, as they put it now, on the exponential part of the development. The question, of course, is how long will that go on for?

Now, I think that is bringing about quite a bit of caution about how these models get released into the world at large.

But I can't comment on the precise: what can these models do and what can't they do? You're pointing to something. I think it's important that we are all focused on these things.

But there is no question that there is another, perhaps generation is the right word, but the life of the generation is down to a month or two. Well, that's what we'll see.

But the point is, once again, we seem to have a situation where the responses are going to have to be very carefully tailored to the threats that these models are posing.

And let me leave this point. I would argue very strongly that the companies are right. And the thing that I think we need to see much more focus on now is robust model testing, both before and post-release.

And that is the thing that I hope we can move forward domestically, but also internationally.

The UK starts in a good position. Going back to the Bletchley Park conference that Rishi Sunak organised, this work has been done. It gives the UK a very strong position, but we've got to see other countries come on board with this.

Whatever your view on multilateralism in different countries around the world and all that, these things are common risks. AI does not stop at the borders.

So we need to tackle these questions together and we need to pool our abilities and our knowledge and our skills and our capacities to address these questions. And a very good place to start is more robust model-testing standards.

Sarah Breeden: Can I add one thing on your first question, Martin, about the juxtaposition of us talking about increased risk while reducing capital requirements for the banking system?

Andrew mentioned, in the context of operational resilience, that we need to be focused on what is the right tool, the right intervention, to address the risk that we're worried about.

One of the things that we are most worried about is the gilt repo market. And you'll remember there was a debate in our July meeting about whether we should permit the decrease in leverage ratio requirements that was proposed because of the impact it might have on the gilt repo market.

Our decision is to permit the capital requirements reduction to go ahead, but to push hard on improving the resilience of the gilt repo market, because that is the right tool to deal with the risk that we're worried about.

Hannah Brenton Politico: A similar question. Do you have any doubts about lowering the capital today?

And second of all, can you illuminate a little bit the discussion of the FPC? We get a readout from the MPC on different people's positions. Could you spell out what the discussion was like?

Andrew Bailey: Sure. I'll start. I'm sure Sarah/Katharine may want to comment.

So on the question about doubts, we have done a lot of work. We've obviously been working on this going back to last year. But obviously we have almost constant stress testing going on of one sort or another.

And we also look very carefully at the way the capital framework works. I mean, the capital framework, to put it nicely, is complicated.

If you started with a clean sheet of paper, I'd probably defy you to come up with something as complicated as we've got.

We know it's developed. It's actually meeting a number of different public policy objectives.

One of the things that lies particularly behind the decisions, the things that we've announced today, is: is there an element of what you might call double counting or overlapping going on in the capital framework, between the macro buffers and the more micro pillar 2a conditions?

And the answer was we thought there was.

By the way, this is something we actually debated some years ago, back in the late 2010s, when I was doing this.

And we came back to this question and thought, yes, there is some scope to adjust and, moreover, that would be sensible to do. Because the overall point about having a 13% number actually depended upon making that adjustment.

So in that sense, I think it's a sensible adjustment to make, and I don't have a problem with it.

In terms of what we place on the committee structure, let me make two points. This is consensus decision-making. It is different than the MPC.

There's one big reason for this, which is that in the FPC and in the PRC, we are making many decisions. The MPC is ultimately one decision on interest rates. So it is easier to, in a sense, boil it down to a vote.

There was a whole series of decisions you have to make in the world we're in today, many of which I set out in my remarks, and I think a consensus system is actually more naturally suited to that.

Now, in the debate, and by the way it involves both committees because this involves both macroprudential and microprudential policy /PRC, there was quite an active debate.

As I've just said, there's a balance here between the macro buffers and the micro provisions. And if there's an overlap, you are asking two committees together to reach a sensible conclusion and say: can we adjust and take account of that?

And that's what the discussion was around.

A lot of very good views were expressed, and we've laid out the thinking in the FSR and in the FSIF, which we published alongside it.

So that's the way it works. I think it's a sensible way of doing it.

There are a lot of dimensions over which we have to make these decisions. There are two committees involved in this one, and we have to eventually come to a consensus conclusion on what to do.

Katharine Braddick: From my perspective, there are two really important ways for us to gauge whether what we're doing allows us to continue to be within the envelope of the necessary resilience of the UK.

One is the 13% anchor and the other, as Andrew said, is the stress test.

So those things tell us where we are in our risk appetite for UK resilience. And therefore in this case, where we were thinking really about effective regulation, that was very helpful.

The changes that we're making today are the sort of changes, and Andrew said it's a very complex regime, it's not a regime that, having been created, must be defended at all costs.

It's a regime we need to actively manage to make sure that it is still relevant, that it's proportionate.

And so, when we find that the methodology has moved on, we're able to improve the risk modelling. And when we find that there are ways of delivering the risk management that are more proportionate, we can do that within this framework that's been established for us to gauge the impact we're having.

And I think that's what effective regulation is in this context.

Anna Wise, Press Association: On households, your projection of the average monthly mortgage increase that millions of households are facing has doubled since July.

And this is coming on top of a very sharp rise in energy and fuel bills.

So what is your assessment of how these households will have to adjust to cope with this squeeze that they're facing?

Sarah Breeden: You're absolutely right that we have seen a doubling in the expected increase in payments that 6.5 million mortgage holders are likely to see by the end of 2029.

Of course, that reflects, as Andrew described in his opening remarks, the conflict in the Middle East and what that has meant for UK interest rates, including at the two- and five-year horizon, which is where most households borrow.

And what we've seen in the past is some evidence of households lengthening the maturity of their mortgages as a way of trying to smooth through what would otherwise be a payment shock.

But let's be clear: this is a consequence of interest rates being higher as a result of the inflationary pressure that we're seeing in the system.

The two things that I would want to emphasise as context: first, households face this shock with strong balance sheets. The levels of indebtedness that the household sector is seeing are at levels that we last saw in the early 2000s. So they start from a position of some resilience.

And secondly, while there's a distributional effect and some households will be hit more than others, in aggregate.

Andrew Bailey: We've been through a lot of economic shocks and are still going through a lot of this, and we have not seen the scale of mortgage arrears that we saw if you go

back to earlier periods, the early 90s, the early 80s crisis. And we are not seeing the scale of house repossessions.

And that has to be a good thing.

Sarah Breeden And even the increases that we're talking about now, the ones that we're facing, are half the size that households have already absorbed through 2023 and 2024.

David Milliken Reuters: Just returning to some of the risks around launch of UK tech companies really wanted to get a sense of how comfortable you are about corporate governance there, and whether you see that as a particular broader risk to financial markets.

And also, more specifically, whether the type of behaviour that we've seen from Jenson Huang of Nvidia, and if it would be acceptable for the chief executive of a UK bank.

Andrew Bailey: It is not for us to comment on the situation.

What I would say is two things.

One, the UK has its own corporate governance standards. They are implemented, I think, effectively.

In the banking world, as you know, we have an additional regime. Essentially, of course, we have that regime which determines the fitness and performance of people to take on these jobs.

It's quite an intensive regime. People that go through the interviews to actually take these jobs up never cease to remind us that this is quite an intrusive regime.

And we say that that's appropriate, given the nature of the responsibilities. And it is about responsibility and accountability.

As you know, remembering back to some of the things we saw during the financial crisis, those are the UK's choices. I think the UK has made good choices in that respect.

I'm not going to comment on Nvidia because we just really are not involved in that.

Ben Martin Times: Governor, can I just get back to you on quantum computing? Because the Bank is asking firms to start preparing for the risk.

Given quantum computing is still quite nascent and at the experimental stage, is it actually possible for firms to start?

Andrew Bailey: Well, I think it is.

One of the things I would say is this is a fact of life. Let's say we'd been having exactly this discussion at this press conference a year ago. We would have been very focused on quantum as the next big thing that we thought was coming down the track.

Now, as you say, it seemed to be a bit further out down the track.

What has happened, going back to what I said earlier, is that frontier AI has come on.

Now, it's not because we hadn't thought AI was developing rapidly. But I think, back to what I was saying earlier, if you talk to the people who run the big AI companies, and I have done this, they were surprised by, in a sense, the power of these models, the recursive learning power.

So they were taken by surprise by the power of the models that started coming out of the industry.

That's relevant because, in a sense, it's slightly pushed quantum computing into the background, because we're having to deal with, and everybody else is having to deal with, today's clear and present danger.

As you can see, we are very very intentionally saying: we can't forget about quantum computing because it's still coming down the track.

And that's my point, actually. It could have powers that will go beyond what we're seeing in frontier AI and has substantial powers to undermine cryptography standards.

Sarah Breeden: If I might add just two quick things.

Firstly, our Systemic Resilience Council, which Katharine and I will co-chair, will do precisely as Andrew described and bring quantum and frontier AI and the broader cyber recovery options together to think about them in the round because of these potential interconnections and contentions.

Second thing, we have actually been talking to banks and financial institutions more broadly about quantum for a while.

The NCSC has had its national quantum readiness plan around for many years. I think the challenge is to make sure that firms are getting on with it in this contested environment.

Kalyeena Markotoff Guardian: We've, of course, been discussing the need for significant investment in cybersecurity protections.

But bank lobbyists at the same time are calling for some extra support. They're saying these investments should be reflected in their capital stack, and things are somewhat being done in the US and by the ECB as well.

So I'm wondering what you make of that request. Have you ruled that out, or is that something that the Bank is willing to consider?

Andrew Bailey: Here's the problem.

Capital has to be freely available to meet losses. And that's the whole point about capital.

Capital is effectively funding, but it's funding with a different risk profile, in the sense that capital is there and available to meet losses.

Now, you can attach value to your software. But if you say, as you say the lobbyists are saying, “We want that value to be included in the capital calculation,” you are saying that that capital is freely available to meet losses. But it isn't. It's not.

And that's the problem.

Now, you're right to say that in other jurisdictions this line has been crossed. But I have to say, I think it is a very problematic thing to do because it is not free capital in that sense.

Let's go back before the financial crisis. I think I'm right in saying, if you looked at the Royal Bank of Scotland balance sheet before the financial crisis, 50% of its capital, its accounting capital, was goodwill,

Now, that's not software, but it's the same economic property.

And that's the problem with the software. The argument is: you must let something in that will not absorb losses in a stress. And that doesn’t make sense.

Eir Nolse Telegraph: We've seen stocks slide pretty significantly in recent weeks. How worried are you that this is a tipping point?

And then secondly, you issued some pretty stark warnings about cyber threats today. Would you encourage British households to keep cash at home?

Andrew Bailey: On stock prices, that's, I think, back to some of the discussions we've been having.

We are in quite volatile markets at the moment for a variety of reasons.

In a way, there are two big things going on in the world from an economic and financial point of view.

The impact of the Gulf coming through in energy prices and inflation.

But then you've got this other shock going on, which is, in a sense, the positive impact of AI.

It's interesting. At the Treasury Select Committee yesterday, I said UK growth has been more resilient this year than we were expecting.

And part of that, as we set out in the Monetary Policy Report, business investment has been more resilient than we expected it to be. And part of that, I think, can be attributed to AI.

So there is a positive story there.

But it is a developing story and therefore its effect on valuations.

In response to Martin's question earlier, our job in respect of financial stability is to ensure that the system is robust to those kinds of changes.

So that's the thing we do. That's why we do stress testing. That's why we do capital assessments. That's why we look at the resilience of the structure of markets.

Because our job is not to say you can't have that system. It is: how do we manage that system?

On cash, well, here's the paradox of central banks.

I suspect all of us would say that we use cash less transactions more than we did 10 years ago. If any of you don't, you're probably in the minority.

But if you ask the question, “How much cash is in issue?” – and we know because it's on our balance sheet – the answer is it is still slightly rising.

Now, there may be many reasons for that because it is an apparent paradox.

This is true in other countries.

But one reason, I suspect, is that probably more people actually do have some cash. There may be several reasons, but one of the reasons they may have it is because they feel it is something of a contingency tool.

And I'm not for a moment going to say that's the wrong thing to do.

So it is interesting. But I would observe there is a lot more cash out there than you might at first think, based on the amount it's used.

Samuel Norman City AM : I just want to go again on cyber.

Today you called forward to quantum and also strengthening controls against autonomous AI agents.

Just following on from the FCA/PRA publication last week, it seems like you're still basically framing it as effective practice as opposed to strict rules.

At what point are you willing to step in if firms are dragging their feet and bring in a stricter mandate or more enforcement for firms?

Katharine Braddick: We are leading with basically the best state of knowledge that we have across the spectrum, across the economies.

We work closely with the security authorities to make sure that that's what we have, and that's what last week's supervisory statement was based on.

The task at the moment is to make sure that firms understand what they need to be doing, but we do then follow up with supervision to make sure that they are doing those things.

So this is not a voluntary exercise.

We've set out our expectations about what good looks like in this environment. And we do follow up with supervision.

It remains the case that good cyber hygiene is, without question, the best defence for every firm from this increasing risk that we're seeing.

It's not yet right for us to lead, certainly, with rule-making while the state of knowledge is moving on so swiftly.

I don't think we need that right now. I think we have the right powers.

And between us, we and the FCA and the other authorities, I think, are able to both make the expectations clear and therefore ensure that they're being executed.

Harrison Moore MNI: You issue a warning here about the capabilities of open weight AI and the risks that their safeguards could be taken away.

Is that an argument in favour of restricting cutting-edge, open AI models?

And if so, is there a tension between that and the other warning you make of over-reliance on a small number of technologies and potential interconnectedness that that yields across markets?

How do you balance these risks: the proliferation of open AI on the one hand, and reliance on a small number of models on the other?

Andrew Bailey: I'll start off.

I think it is a very important point to highlight.

I would say, going back to what I was saying earlier, that it is an argument in favour of having better and more robust model-testing standards, pre-release and post-release as well.

Now, having said that, open-weight models pose a particular challenge in that world, as opposed to closed-weight models, because of the fact that open-weight models are much more customisable and adjustable by users.

In a sense, that's the nature of them. They're more flexible models.

And therefore the sort of testing standards that you can use for closed models, which can't be played with so much by users, don't necessarily work for open models.

And I know people who are much more expert than I am will say there's a lot more work to do on open models and how to understand how to run that system.

That is a challenge we have to face up to.

I don't think you can say this technology should never see the light of day. History doesn't give us a good guide to the success of that type of approach.

So I would very strongly say: look, this is a challenge, again, we have to take on.

And it reinforces the point I was making earlier that we need to work together.

We need to obviously work in this country on that. I don't doubt the commitment. I think there is very strong commitment from the Government.

In fact, I talk to the Prime Minister about this. We are in a good place, having made, I think, a very good start with the AI Security Institute.

But we do need, frankly, strong international collaboration.

And, honestly, we do have to talk to China about this because these models are not unique to China. But China has actually, if anything, put its focus on these models.

Elliot Gulliver Politico: There have been mentions and warnings about stretched AI valuations in at least the last three Financial Stability Reports, but there's been relatively little action to prevent any massive fallout from a potential bubble bursting and affecting the wider financial system.

At what point do you think you and other financial regulators will actually start taking action, trying to shore up defences against an AI bubble popping or an AI valuation correction?

Andrew Bailey: When you say there's no action taken, I don't think, in a market economy, we would say, “You can't do that,” or, “You can't have that sort of stock,” and you can't have that sort of thing.

I think the question is to look across the system and say: how resilient is the structure of the system to the sort of shocks that you rightly say could happen?

And that we do.

That's part of why we're doing the system-wide exploratory scenario in private markets, because obviously part of this is in private markets.

It's why we spend a lot of time with bank supervisors looking at things like prime brokerage financing, because a lot of this is actually financed through channels like prime brokerage.

We're very focused, as I mentioned in my opening remarks, on things like ETF patterns. We've seen an increase in that.

So these are things that we're very focused on.

Again, I can say this: we have to worry about the Bank of England hat, which we're here for today, and my FSB role, which is also obviously looking at this closely.

Katharine Braddick: I can just say this: how we approach the supervision of those risks, and ensuring that any correction or adjustment in that trade doesn't wash back through the banking system.

The banking system operates as a shock absorber and not an amplifier.

And, in a sense, it's straightforward, very good supervision.

We have set out our expectations of firms in terms of their portfolio management. Do they understand not only the exposures, but the overlapping risks between entities, funds, different sorts of financing vehicles, increasingly complex.

There's a discussion in the FSR of some of these arrangements.

Not only do they understand them, but have banks sufficiently severely stress-tested their own exposures? So do they understand the nature of the risk really deeply?

And in terms of their management of that risk, it's important that they do that holistically, not through business verticals, which can blind you to the operation of some of these correlations and amplifications.

And then finally, does the board see that consolidated risk picture?

So we've been really clear with firms about that. We've followed up with them.

We have seen improvements in the quality of portfolio management, and we are in close touch with them about how they're seeing these risks change in real time.

So it's a very live part of what we're doing in our supervision of firms.

Sarah Breeden: And if I might add, just at the more macro level, we think through: how might such an adjustment affect the things that we care about?

If it affects the economy and there's a recession, are the banks resilient to that? That's what we do in our bank stress test every time.

Might stress in those funding markets matter for the corporates that access them? That's what our private markets exercise is all about.

And might there be spillovers from that bit of the financial system into the core markets that we care about a lot? And what do we need to do to improve gilt repo market resilience?

So you can see action on the consequences of the shock rather than, as Andrew said, trying to stop that happening.

Andrew Bailey: The one piece of advice, I think, about this when you look at it: it's very important to say, how well do the finance terms and conditions match the economic expectations of the industry?

So if you're funding a centre, if you're funding GPUs, you've got economic lifetimes for these things which are uncertain, and particularly for GPUs because the thing is evolving so quickly.

And so I think it's important to look at the whole financial structure and how well adapted it is to these things.

John Paul Ford Rojas Daily Mail: Earlier in your remarks you referred to the deeper pools of capital in the UK, and I think the idea that removing the frictions that prevent them from being made available to UK firms.

Can you say a bit more about that and whether one of the intentions might be that companies listed in the UK don't feel the need to up sticks and relist in New York, as we've seen this week?

Andrew Bailey: Yes.

So I think these are familiar stories.

I think you can isolate a number of points here.

There is obviously financing start-ups, and then there is financing scale-ups.

I think the listing point is different because that's very established companies.

There are issues, don't get me wrong, but I think they're not about raising capital.

But over the longest part of the scale, this is important.

So we've done some more work, which I covered at the end of my remarks, about what are the sorts of things we've done with the Treasury. And it's important: what are the conditions now for the UK in that respect?

I think particularly scale-up financing has been an issue and I think still is an issue.

One of the things I would say is that there's always an important role for bank credit here.

But we're talking a lot about equity financing here. Banks are not natural equity financiers, though they have some of it.

This is a very longstanding issue, particularly for small firms.

And it's an important issue. You can take it right back 100 years to the Macmillan gap and bring it on with something like the Bank of England, which is not 100 years, but it's been around for most of my career, particularly for small firms.

And I think one of the challenges there, and it's a natural thing for small firms, is that the boundary between debt and equity financing is actually not particularly well defined, almost by definition.

Structuring financing is quite challenging, but something we have to meet.

Now, we've done quite a bit of work on that, again with government. We've introduced some new instruments.

But I think we have to keep coming back to this as to how successful it's actually been.

Laura Noonan Bloomberg: I think my first question is about bank capital.

The first one you mentioned was the consultation announced today. If there is no supply issue with the UK, what is the objective? And what's being done around domestic exposure as well?

And the other question is in relation to the useable international buffer/framework.

I noticed in the statement discussion of international coordination. If you can't get international coordination or agreement on that, would the UK go it alone?

Andrew Bailey: Great question.

So start with the supply question.

The policy issue for us really is, from a macro and microprudential point of view, what is the appropriate level of capital?

And that's why we come back to this. And we come back to it periodically because the world changes.

But thank you for highlighting the point about supply because it is important.

I had a chart earlier, I think, on lending, on credit provision, which doesn't point to there being an issue in credit supply at the aggregate level.

I'm going to caveat that by the conversation we just had about small firms.

And let me say this. I do recoil when I hear it said banks can’t afford to lend.

Because frankly, we went through a long period after the financial crisis where the major brands were not on the whole earning their cost of capital.

And if you're not only a cost of capital, that is a problem because you can't say to shareholders, the rational thing to do is to put capital in and leave capital in the business.

But that is not the case.

Now, it hasn't been the case for a few years.

And you can see from the returns the banks are making that it's not the case.

They are earning more than their cost of capital.

And that's of course a good thing, by the way. It's a good thing.

But it means that they have choices over the earnings they make. They have choices between investing, keeping them in the business to support lending. Or let's simplify it, taking it back to shareholders.

Those are choices they should make.

I think not only they should make those choices than they do, but I say this because it is not the case, therefore in the economics of that, that they can't do that.

So I always want to sort of pick up that argument on the head, but it doesn't mean to say that we shouldn't really be a capitalist, because we're coming at it from a different angle and saying, is this right?

Well, adapted to the risks that the institutions are facing, the risks, the system we're facing, and we've done that, and we think there is scope to make some reduction.

And the consequence of that reduction is there is more headroom to lend.

Now, again, the choice on what they do about that is for them because this is a market economy.

Your second question on the releasable buffer.

Well, we are very strongly committed to Basel, the Bank was one of the originators of the Federal Reserve agreements in the late 80s.

So, we are committed to this. We will argue the case and to argue the case for several weeks, but the context is obviously have a lot to do in terms of the Basel III package. I understand that that took the priority.

But I do think that this case and I don't think we're alone in arguing for this.

It is based on a national level.

So the answer to your question, would we go it alone?

Look, I have a very, very high bar.

I do not want to undermine Basel because it's not just because we have regulation.

As I've said many times, it defines the playing field on which the banks can operate.

So it's in everybody's interest that we have it.

Katharine Braddick: I have one point on that.

So when you think about buffers, there are two sorts, right?

There's the regulatory buffers, as Andrews discussed, which are part of the international system that enables you to flow.

There are then buffers, management buffers that firms themselves may have those for a number of reasons to do with certain business models, their risk appetites, their investors expectations, all kinds of reasons.

They have those buffers.

We are interested in understanding whether they are holding more in the management buffer.

There might be efficient because of some misunderstanding of our own regime and regulation.

That's something we need to that in the same way that improving the way we capture domestic concentration is part of good regulation, ensuring that we're not inadvertently sort of colluding in some driving up of management buffers unnecessarily.

That's also contribute.

So I am interested in that conversation with firms to see if there's anything in there that is quite distinct from the buffer conversation that Andrews just outlined.

Last question for you. Thank you.

Phoebe Seers Reuters: At the beginning of this year, the Treasury Committee criticized the Bank of England and others for what it called a wait and see approach to the financial services.

Given where we are now, do you think that the committee was correct in that assessment and with the benefit of hindsight, do you wish to approach AI a bit differently?

Well, the Committee on AI. Of course, an extensive one.

Actually, I have to say, with all due respect to committee, I don't think they are worth seeing Frontier AI.

Because I said earlier, if you talk to the people who run AI companies, they did not perceive, they did not see the power of these models.

So I think our response to the point being here is that we are doing actually quite a lot of work on AI.

Whether we given it enough highlighting. Good question.

I think probably we haven't because we were focused on other things.

But I can tell you a lot of work goes on in this place on AI.

We have stepped up workups substantially correspond to AI.

Which I think is the right thing to do.

And I do honestly, I do read occasionally, not for anybody particularly, but the UK somehow behind all this, I don't think the UK this before in terms of.

I think we've been quite active on that front.

Sarah Breeden: If I might add one thing.

I think what the developments in the spring highlighted to me was this point about tech surprise and the pace of development.

The developers were surprised.

We were surprised.

Maybe we should expect to be surprised in future again.

And so doing our very best to get ahead of these issues is a sensible strategy.

Thanks very much, everyone. Thank you.