

BANK OF ENGLAND  
LONDON EC2R 8AH

22 March 2012

The Rt Hon George Osborne  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Dear Chancellor,

Under the Financial Services Bill, the Financial Policy Committee (FPC) will be charged with taking actions to remove or reduce risks which could threaten the resilience of the UK financial system. Its ability to meet its objective will hinge on the powers granted to it by Parliament.

In its February 2011 Consultation Document and June 2011 White Paper, HM Treasury said that the interim FPC should provide advice on those macroprudential tools for which the statutory FPC would need powers to direct action by the Prudential Regulation Authority and the Financial Conduct Authority in order to meet its proposed objective. These powers of Direction would be in addition to the FPC's powers of Recommendation. HM Treasury had requested that the Committee give this advice in the first half of 2012.

The attached statement sets out that advice. It advises that the statutory FPC should initially have powers of Direction over the following tools:

- the countercyclical capital buffer;
- sectoral capital requirements; and
- a leverage ratio.

The statement also includes a number of further areas where the Committee saw potential for added powers of Direction but was either not able at present to specify the precise form of an instrument or believed that further analysis and public debate was required.

*on view*  
