



BANK OF ENGLAND

News release

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News Release – A framework for stress testing the UK banking system – discussion paper

A discussion paper published today sets out proposals for annual, concurrent stress tests of the UK banking system. Its aim is to elicit feedback from interested parties to help inform FPC and PRA Board decisions over the ultimate design of the stress tests.

The Financial Policy Committee recommended in March 2013 that, 'looking to 2014 and beyond, the Bank and Prudential Regulation Authority (PRA) should develop proposals for regular stress testing of the UK banking system. The purpose of those tests would be to assess the system's capital adequacy'.

This discussion paper – produced by staff at the Bank of England under the guidance of the FPC and the PRA Board – sets out the main features of the proposed stress-testing framework in the medium-term. These include the expected coverage of institutions, considerations around scenario design and the approach to modelling the impact of scenarios on bank profitability and capital ratios. It discusses how the outputs of stress tests could be used to inform policy decisions by the FPC and PRA Board, and options around disclosure of stress test results.

The Bank would welcome comments from interested parties on all aspects of this paper. A more specific list of questions on which the Bank would particularly welcome feedback is set out at the end of this discussion paper. The paper will close for comments on 10 January 2014.

Commenting on the paper, the Governor of the Bank of England, Mark Carney, said that "the new stress tests will bring together expertise from across the Bank, including macroeconomists, financial stability experts and supervisors. This will materially strengthen the Bank's analytical capability to assess risks to resilience. Our intention is that stress testing evolves into an essential component of our prudential framework, complementing our capital and liquidity standards."

Note to Editors

Comments should be sent to stresstestingdp@bankofengland.co.uk by 10 January 2014.

Key Resources



[A framework for stress testing the UK banking system - A Discussion Paper](#) (228KB)