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RECORD OF THE FINANCIAL POLICY COMMITTEE MEETING

15 OCTOBER 2014

This is the record of the Financial Policy Committee meeting held on 15 October 2014.

It is also available on the Internet:
http://www.bankofengland.co.uk/publications/Documents/records/fpc/pdf/2014/record141031.pdf

The Financial Policy Committee (FPC) was established under the Bank of England Act 1998, through amendments made in the Financial Services Act 2012. The legislation establishing the FPC came into force on 1 April 2013. The objectives of the Committee are to exercise its functions with a view to contributing to the achievement by the Bank of England of its Financial Stability Objective and, subject to that, supporting the economic policy of Her Majesty's Government, including its objectives for growth and employment. The responsibility of the Committee, with regard to the Financial Stability Objective, relates primarily to the identification of, monitoring of, and taking of action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC is established as a sub-committee of the Bank of England's Court of Directors.

The next meeting of the FPC will be on 8 December and the record of that meeting will be published on 22 December.

RECORD OF FINANCIAL POLICY COMMITTEE MEETING HELD ON 15 OCTOBER 2014

At its meeting on 15 October, the Financial Policy Committee (FPC) agreed the following recommendation:

The FPC recommends that HM Treasury exercise its statutory power to enable the FPC to direct, if necessary to protect and enhance financial stability, the PRA to set leverage ratio requirements and buffers for PRA-regulated banks, building societies and investment firms, including:

a) **a minimum leverage ratio requirement;**
b) **a supplementary leverage ratio buffer that will apply to G-SIBs and other major domestic UK banks and building societies, including ring-fenced banks; and**
c) **a countercyclical leverage ratio buffer.**

The FPC's view was that the leverage ratio framework as set out in its recommendation would be implemented as follows.

<u>Framework and calibration</u>

- The minimum leverage ratio requirement would be set at 3% which – given the ability to impose supplementary buffers on systemically-important firms and to raise the countercyclical leverage ratio buffer (CCLB) in response to risks to financial stability – the FPC judges to be consistent with domestic and international loss experience during historical banking crises, including the recent financial crisis, the standardised approach to risk weights for mortgage lending and emerging international standards.

- Supplementary leverage ratio buffers, which would be applied to systemically-important firms (global systemically important banks (G-SIBs) and other major domestic UK banks and building societies, including ring-fenced banks), would be set at 35% of the corresponding risk-weighted systemic risk buffer rates for these firms. This 35% conversion factor preserves the relationship between the 3% minimum leverage requirement and the 8.5% Tier 1 risk-weighted capital requirement (the latter including both the minimum and the capital conservation buffer).

- The FPC expects as a guiding principle that it would set the CCLB rate at 35% of the risk-weighted countercyclical capital buffer (CCB) rate. The FPC uses a set of core indicators, alongside other relevant economic and financial data, supervisory and market intelligence and, where available, any relevant information from stress tests, to judge where to set the CCB rate for UK exposures.

- The definition for the exposure measure – the denominator of the leverage ratio – would be aligned with the definition agreed by the Basel Committee on Banking Supervision, as implemented in European law.

- For the capital resources measure – the numerator of the leverage ratio – additional Tier 1 (AT1) capital instruments of sufficient quality to convert to common equity Tier 1 (CET1) capital on a going concern basis should be permitted to comprise up to 25% of the minimum requirement. Buffer requirements should be met with CET1 capital only.

- Though the FPC proposes no automatic supervisory actions following breaches of these leverage ratio requirements, it expects that the PRA would take timely and appropriate action to ensure that firms had a credible capital plan to remedy breaches.

- For future stress tests, the FPC would expect regulatory responses to be based both on risk-weighted and leverage ratio requirements.

- In considering the appropriate calibration of the leverage ratio framework, the FPC recognises that relevant discussions on other capital requirements – in particular on total loss-absorbing capacity (TLAC) requirements as part of initiatives on ending 'too big to fail' – are still taking place internationally.

Timing

- The minimum level of the leverage ratio of 3% would be introduced as soon as practicable for the UK G-SIBs and other major UK banks and building societies at the level of the consolidated group. The supervisory expectation that currently applies to these firms to maintain a 3% minimum leverage ratio would be superseded.

- A supplementary leverage ratio buffer relating to G-SIBs would be implemented in parallel with the corresponding risk-weighted systemic risk buffers, which will be implemented from 2016.

- A supplementary leverage ratio buffer relating to other major domestic UK banks and building societies would be implemented in parallel with the corresponding risk-weighted systemic risk buffers. At present, this would only apply to ring-fenced banks and large building societies as HM Treasury has limited the application of the systemic risk buffer under CRD IV to this class of firms. For these firms, the risk-weighted systemic risk buffer will be set by the FPC following a consultation in 2015, and will be implemented from 2019.

- Changes to CCLB rates would be implemented at the same time as changes to CCB rates; the FPC sets the CCB rate for UK exposures quarterly. The CCB rates apply for all banks, building societies and large investment firms incorporated in the United Kingdom. Countercyclical leverage ratio buffers would be applied to firms at the point they become subject to the minimum leverage requirement.

- For reasons of proportionality, the FPC has decided not to request a power of Direction to set leverage ratio requirements for FCA-only regulated firms. If it became concerned over the leverage of FCA-only regulated investment firms, the FPC could issue recommendations to the FCA. The FPC is also able to make recommendations to HM Treasury on the designation of activities requiring prudential regulation by the PRA. The PRA has a close working relationship with the FCA.

International coordination

- It is expected that an international standard for a minimum leverage requirement will be applied from 2018. The FPC will therefore review progress towards this in 2017, and consider the implications for the leverage ratio framework. In particular, at that stage the FPC expects to direct the PRA to extend leverage ratio requirements to all PRA-regulated banks, building societies and investment firms. As part of this review, the FPC will also consider the case for applying the requirements to firms at a solo level as well as at the level of the consolidated group.

Leverage Review

1. On 26 November 2013, the Chancellor of the Exchequer asked the FPC to conduct a review of the leverage ratio within the capital framework and to set out whether and when it needed any additional powers of Direction over the leverage ratio. This request had followed HM Government's statement in September 2012, following advice from the interim FPC, that it intended to provide the FPC with a time-varying leverage ratio, subject to a review in 2017 to assess progress on the international standards. The international community had set out its intention, through the Basel Committee on Banking Supervision (BCBS), to review the calibration of a minimum required leverage ratio framework by 2017, with a view to introducing a Pillar 1 standard by 1 January 2018.

2. The Chancellor asked for the review to be completed within twelve months, with the expectation that the Government would be in a position to submit its proposals in this Parliament for approval. Having issued on 27 March 2014 the terms of reference for the review, the Committee published on 11 July 2014 a Consultation Paper setting out its analysis on the policy choices that would determine the role of a leverage ratio in the capital framework in the United Kingdom.

3. A total of 26 responses were received to the Committee's consultation. A common theme in the feedback was the need for guidance over how the proposed framework would be calibrated. In the light of that feedback and to support HM Treasury in its consultation on, and impact assessment of, the Committee's proposals, the Committee had decided in September to bring forward its view on the appropriate calibration of the leverage ratio framework, alongside considering as planned the principles and design for the framework.

4. The Committee therefore met on 15 October to agree its final proposals for the design of the leverage ratio framework and to discuss its view on calibration.

Overarching principles and design

5. Consistent with HM Government and the international community, the Committee affirmed its judgement that a leverage ratio was an important addition to the overall framework for assessing the capital adequacy of the UK banking system. Leverage requirements would complement existing risk-weighted capital requirements and stress tests, given the range of risks that each approach sought to address. The Committee noted that the responses overall to the Consultation Paper had not questioned the rationale for having a leverage ratio.

6. As proposed in the Consultation Paper, the Committee agreed that the relationship between the leverage ratio requirements and risk-weighted requirements should be broadly constant across firms and over time. This complementarity would help to ensure consistency across the regulatory framework, reduce the risk of groups of firms being given an incentive to increase risk taking and make it easier for firms – and those assessing firms' risks – to understand the requirements. Further, in line with comments received on the consultation, the Committee put weight on ensuring that the leverage framework was relatively simple.

7. In the Consultation Paper, the Committee had consulted on possible components for a leverage ratio framework consistent with the risk-weight framework, including: a minimum requirement; a conservation buffer; a supplementary buffer for firms whose failure would be most destabilising to the financial system; a countercyclical leverage ratio buffer (CCLB) which would be varied in a countercyclical manner as system-wide risks evolved; and potentially additional elements reflecting 'Pillar 2' risks.

8. The Committee felt that there was a clear need to be able to set a supplementary leverage ratio buffer for systemically important firms – defined as UK G-SIBs and other major domestic UK banks and building societies, including ring-fenced banks, that would be subject in future to a systemic risk buffer in the risk-weighted regime. This reflected the impact that the distress or failure of these firms could have on the wider financial system and the economy – and was particularly important for the United Kingdom given the number of systemically important institutions present here and the size of the UK banking system relative to the domestic economy. The only way to deal with such an impact and maintain complementarity between the Basel III risk-weighted capital requirements and the leverage ratio in the regulatory framework was to require systemically important firms to have a leverage buffer calibrated in proportion to the corresponding systemic risk-weight buffer.

9. The Committee also judged it important to be able to apply a CCLB to all firms subject to the minimum requirement, which could be raised in line with the Committee's countercyclical capital buffer (CCB). In the absence of this power, the Committee's ability to react quickly to excessive credit and balance sheet growth – and its consequences – would be compromised. Having a CCLB would also ensure complementarity with the risk-weighted framework.

10. The Committee judged, however, that having a leverage conservation buffer would introduce unnecessary complexity, and that instead a simple minimum requirement seemed appropriate. This buffer would therefore not be included in the Committee's recommendation for

the proposed leverage ratio framework. For the same reasons, the Committee agreed that the leverage ratio framework should not reflect Pillar 2 risks.

Calibration and definition of capital

11. Turning to the calibration of the framework, the Committee discussed first the appropriate level of the minimum leverage requirement. Discussions in international regulatory fora seemed to be converging on a likely minimum leverage requirement of 3%. This in part reflected an international data collection exercise run by the BCBS on losses made by international banks during the recent financial crisis. The Committee noted also that peak losses of most UK banks during the crisis would have been absorbed by capital if a leverage requirement of 3% had been in place. Some firms lost more, however, and for the FPC it was important – particularly for the largest firms – that they were viable after sustaining losses so that they could continue supporting lending to the real economy – i.e. having enough capital only to cover losses was not sufficient.

12. The Committee judged that a 3% minimum leverage ratio requirement would be equivalent to 35% of the 8.5% risk-weighted capital standard (consisting of the 6% minimum capital requirement and 2.5% capital conservation buffer). This was also consistent with the risk-weight for mortgage lending under the Standardised Approach, a key determinant of the risk-weighted capital requirement for many smaller banks and building societies with significant mortgage books.

13. Members then discussed the calibration of the two leverage ratio buffers that it had agreed were needed: the buffer that would be applied to systemically important firms and the CCLB. If the minimum requirement were set at 3%, then one option would be to use the same 35% scaling factor against the risk-weighted requirements for these buffers. Members discussed the implications of such an approach.

14. A key advantage of using the same scaling factor was that it would maintain complementarity with the risk-weighted buffers. A number of members placed particular weight on not creating incentives for firms to change their business models towards holding more risky assets. Such a change in behaviour could occur if the leverage requirement for a class of firms was above the risk-weighted requirement for these firms based on their existing average risk weight – i.e. if they could increase the riskiness of their portfolios without breaching capital requirements. This could potentially be a consideration in relation to those firms concentrated in mortgage markets.

15. For those members that put particular weight on incentive effects, a benefit of using a scaling factor of 35% was that it was the only calibration where the critical risk weights (i.e. the average risk weight for which both the leverage ratio and the risk-weighted capital requirement would imply the same amount of required capital) would be the same across firm types. In contrast, having a higher scaling factor, or a flat supplementary buffer for all systemically-important firms, would result in differing critical risk weights across firm type and therefore could affect incentives.

16. Other members questioned whether firms would increase their risk-taking in direct response to higher critical risk weights such as would be implied by a higher scaling factor or flat capital add ons. One perspective was that firms typically pursued business opportunities which they perceived at the time to be low risk, but which later proved to be higher risk than they had anticipated. But other members judged that a number of UK mortgage lenders had actively sought out higher-risk, higher-margin business in the run up to the financial crisis, which had caused subsequent problems.

17. Another consideration was the impact on the overall level of capital in the financial system from using a 3% / 35% calibration. There was a question for some members of whether using scaling factors of 35% would result in an appropriate capital requirement for systemically important firms and at all points of the economic cycle. Although it was important not to distort incentives, there were arguments for seeking to ensure overall capital requirements were higher. Models used to determine risk-weights tended to underestimate tail risks and risk correlations during boom times – i.e. were procyclical. And the use of countercyclical capital instruments was as yet untested in the United Kingdom. Setting a higher leverage ratio – by using a higher scaling factor for both of the buffers or having a flat add-on for systemically important firms – would help to compensate for these potential shortcomings by ensuring that banks had sufficient loss absorbing capacity to be able to continue to provide credit even after experiencing large losses.

18. For some members, these considerations pointed to considering a higher minimum requirement for all systemic firms, with the additional CCLB used when justified by the credit cycle. But they also recognised that the calibration of the leverage ratio and questions around the overall level of capital in the financial system needed to be seen within the broader context of the new regulatory environment – including the establishment of a resolution regime, the development of requirements for total loss-absorbing capacity (TLAC) and the use of robust stress testing.

19. Members looked again at leverage requirements in other similar countries. In the United States, systemic firms would be required to meet leverage requirements of around 5%-6%, to be met with Tier 1 capital. Systemically important banks in Switzerland would be required to meet minimum ratios of 3.1%-4.6%, depending on the level of their risk-weighted requirements in the national framework, to be met with the same quality of capital as for risk-weighted requirements (Common Equity Tier 1 capital and contingent convertible bonds). In the Netherlands, systemic firms would be expected to meet a minimum 4% leverage ratio with CRD IV end-point Tier 1 capital. All of the approaches had some complementarity with risk-weighted measures.

20. In considering the calibration of the minimum requirement, members noted that the minimum would be just that – as well as the buffer for systemically important firms, the CCLB would help to ensure higher leverage requirements alongside higher risk-weighted requirements at appropriate points in the cycle. Members noted that this was why the structure and calibration of the framework were linked – and in particular why the power to set a CCLB was linked to the calibration that the FPC would choose for the minimum requirement. Having that power would allow the FPC to set requirements that were prudent yet efficient across the cycle. If the final framework were not to include a CCLB, the FPC would need to review the calibration of the minimum leverage requirement to ensure it delivered appropriate levels of resilience throughout the cycle – and would likely set a higher minimum requirement.

21. The Committee discussed the definition of capital and whether Additional Tier 1 (AT1) instruments should be eligible to meet capital requirements under the leverage ratio, as this could have implications for the overall calibration. Many consultation respondents had strongly supported including AT1 in the leverage numerator, as excluding it would put UK leverage requirements out of line with those being developed internationally and could hinder the development of the AT1 market. There were also concerns about restricting the forms of capital that building societies could use to meet leverage requirements given the greater impediments to raising capital externally that mutuals faced.

22. Some members noted, however, that AT1 instruments had triggers set against firms' risk-weighted capital requirements: this could be seen to be at odds with the leverage requirements being an alternative requirement to the risk-weighted framework, given the potential weaknesses in calibrating risk weights, and would make them less effective for meeting leverage requirements. For example, a firm with a low-average risk weight might breach its leverage requirements without its AT1 instruments having triggered unless the trigger was set relatively

high. Further, the AT1 market was relatively new and so the Committee had not seen how it would respond under stressed market conditions.

23. It was noted that US agencies had allowed Tier 1 capital with no restrictions on AT1 in their final rules. Furthermore, in the United States AT1 comprised preference shares with no going-concern write-down or conversion feature whose principal amount was likely only to support losses when CET1 ratios were close to 0%, so that a firm remained solvent on an accounting basis.

24. The Committee agreed that the share of AT1 instruments eligible to meet the minimum leverage ratio should be limited to 25% and that all leverage buffers should be met with common equity Tier 1 only. This arrangement would mirror the rules in the risk-weighted framework. Further, it was agreed that only high-trigger contingent convertible instruments (i.e. those that triggered at a ratio of at least 7% CET1) should be allowed to count in the AT1 portion.

25. Turning to actions that could be taken in the event that firms did fall below their leverage ratio requirements, the Committee emphasised the importance of the PRA acting promptly and appropriately in that case. The supervisory actions to take in response should be similar to those in place if firms fell below their risk-weighted requirements. The Committee agreed, however, that it would not, as part of this review, specify automatic supervisory actions following breaches of these leverage requirements and buffers.

26. The Committee also agreed that the leverage ratio should be an integral part of future stress tests. Having not set an explicit minimum leverage ratio threshold with respect to firms' stressed capital positions in the 2014 stress test exercise, the Committee agreed that for future stress tests it would expect regulatory responses to be based both on risk-weighted and leverage requirements. This would help to ensure that any future vulnerabilities in the financial system were adequately addressed.

27. Before confirming its view on the appropriate calibration, the Committee reviewed the range of leverage ratios that could result from a 3% minimum requirement and buffers set at 35% of the relevant risk-weighted requirements:

- For UK systemically important firms, the internationally agreed risk-weighted capital buffers for G-SIBs would currently range when implemented from 1% to 2.5%. So using a 35% scaling factor would result in a systemic leverage buffer of between 0.35pp and

0.875pp - and so a requirement, before any CCLB, of between 3.35% to 3.875% for G-SIBs.

- The risk-weighted supplementary capital buffer for large domestic UK banks and building societies, including ring-fenced banks, had not been set yet but would be in the range of 0% to 3%. Using a 35% scaling factor would imply a systemic leverage ratio buffer of up to 1.05pp for these firms – and so a leverage ratio requirement, before any CCLB, of between 3% and 4.05%.

- For the CCLB, using the Basel buffer guide range for the CCB of 0% to 2.5% would result in a CCLB of 0% to 0.9% (the Committee proposed to round the CCLB to the nearest 10 basis point increment) – though as the FPC had set out in the Records of its meetings in June and September, the buffer guide would be only one input to its decisions on the appropriate CCB rate and so the CCB rate could be higher.

28. Putting all of this together would lead to estimated ranges of leverage ratios of between 3% and 3.9% for non-systemically important firms, 3.35% and 4.775% for G-SIBs and 3% to 4.95% for other major domestic UK banks and building societies including ring-fenced banks. The Committee was clear that these ranges were necessarily approximate: the risk-weighted requirements on which the leverage requirements would be based were not finalised for large domestic UK banks and building societies, including ring fenced banks; and the CCB rate could range more widely than the Basel buffer guide suggested.

29. In view of these estimates, and taking into account the proposed structure of the framework, the PRA regulatory response to breaches of the requirements and the inclusion of leverage requirements in future stress tests, the Committee agreed that the minimum leverage ratio requirement should be set at 3% for all firms within scope of the framework. The supplementary buffer for systemic firms should be set equal to 35% of the applicable risk-weighted requirements on top of the minimum leverage ratio requirement of 3%. And the CCLB should be set equal to 35% of the prevailing CCB, consistent with the calibration of the rest of the framework.

30. The Committee recognised that relevant discussions on other capital requirements – in particular on total loss absorbing capital requirements as part of initiatives on ending ‘too big to fail’ – were still taking place internationally. In addition to having considered the appropriate leverage ratio framework as part of this review, the FPC would consider the overall calibration of UK bank capital requirements, including risk-weighted capital buffers for systemically important firms such as ring-fenced banks, following progress on relevant international agendas and taking

into account its discussions on ending ‘too big to fail’. This formed part of the FPC’s priority on establishing the medium-term capital framework that it had set out in its *Financial Stability Report* in November 2013 and the Record of its March 2014 meeting.

31. Importantly, the Committee judged that there was a strong financial stability case for introducing a leverage ratio framework ahead of an internationally agreed standard for UK G-SIBs and other major domestic UK banks and building societies. As it had discussed earlier, this reflected the number of systemically important institutions present in the United Kingdom; the size of the UK banking system relative to the domestic economy; and the importance, therefore, of being able to manage effectively model risk, and to respond consistently to risks to financial stability that might emerge before an international standard on leverage was agreed and implemented. Setting out a framework now would also help firms with their planning, especially by providing clarity for systemically-important firms on how supplementary leverage ratio and risk-weighted requirements would fit together.

32. A further key reason for setting these as powers of Direction rather than Recommendation was the greater speed at which Directions could be implemented. A power of Direction required the PRA or the FCA not only to comply but to act as soon as reasonably practicable. There was scope for HM Treasury when establishing a power of Direction to allow for the disapplication of procedural requirements for consultation periods, if that was judged necessary, which could help where urgent implementation was required. This could be an important consideration in relation to a CCLB, where certainty on changes might be important to enable firms to alter their capital plans as soon as possible.

33. The associated statutory scrutiny and accountability over the use of Direction powers was also important: the requirements that would be placed on the Committee included publishing and maintaining a statement of general policy for each of its Direction powers setting out the policy it would follow in using that power.

Implementation

34. The Committee discussed whether non-systemically important investment firms (i.e. those which were FCA-only regulated) should be brought within scope of the leverage framework recommendations. On the one hand, it was important not to create opportunities for regulatory arbitrage among firms. On the other hand, if the Committee became concerned over the leverage of FCA-only regulated investment firms, it could issue Recommendations to the FCA. It could also make recommendations to HM Treasury on the designation of activities requiring prudential

regulation by the PRA. The Committee also noted that the PRA had a close working relationship with the FCA. For reasons of proportionality, the Committee decided not to request a power of Direction to set leverage requirements on FCA-regulated investment firms.

35. With regards to timing of implementation, the Committee noted that the minimum leverage ratio of 3% would be introduced as soon as practicable for the UK G-SIBs and other major UK banks and building societies at the level of the consolidated group. The supervisory expectation that currently applied to these firms to maintain a 3% minimum leverage ratio would be superseded. In relation to other requirements:

- A supplementary leverage ratio buffer relating to G-SIBs would be implemented in parallel with the corresponding risk-weighted systemic risk buffers, which would be implemented from 2016.

- A supplementary leverage ratio buffer relating to other major domestic UK banks and building societies would be implemented in parallel with the corresponding risk-weighted systemic risk buffers. At present, this would only apply to ring-fenced banks and large building societies as HM Treasury had limited the application of the systemic risk buffer under CRD IV to this class of firms. For those firms, the risk-weighted systemic risk buffer would be set by the FPC following a consultation in 2015, and would be implemented from 2019.

- Changes to CCLB rates would be implemented at the same time as changes to CCB rates; the FPC sets the CCB rate for UK exposures quarterly. The CCB rates apply for all banks, building societies and large investment firms incorporated in the United Kingdom. Countercyclical leverage ratio buffers would be applied to firms at the point they become subject to the minimum leverage requirement. The Committee also proposed that the period by which firms must comply with increases in the countercyclical leverage ratio buffer could be up to 24 months rather than 12 months.

- There was an expectation that an international standard for a minimum leverage requirement would be applied from 2018. The Committee therefore agreed to review progress towards this in 2017, and consider the implications for the leverage ratio framework. In particular, at that stage, the FPC expected to direct the PRA to extend leverage ratio requirements to all PRA-regulated banks, building societies and investment firms. As part of this review, the FPC would also consider the case for applying the requirements to firms at a solo level as well as at the level of the consolidated group.

Conclusion

36. In conclusion, the FPC judged a leverage ratio framework to be an essential part of the capital adequacy regime for the UK banking system. The Committee's proposals for the design and calibration of the framework were closely integrated and together would lead to prudent and efficient leverage ratio requirements for the UK financial system. The calibration was predicated on all elements of the framework being implemented. There was a strong financial stability case for introducing this framework for systemically important banks ahead of an international standard. The FPC agreed to set out its planned approach to using these leverage powers in a draft Policy Statement early in 2015, in order to inform any Parliamentary debate.

Recommendation

The FPC recommends that HM Treasury exercise its statutory power to enable the FPC to direct, if necessary to protect and enhance financial stability, the PRA to set leverage ratio requirements and buffers for PRA-regulated banks, building societies and investment firms, including:

a) a minimum leverage ratio requirement;

b) a supplementary leverage ratio buffer that will apply to global systemically important banks (G-SIBs) and other major domestic UK banks and building societies, including ring-fenced banks; and

c) a countercyclical leverage ratio buffer.

The following members of the Committee were present at the meeting:
Mark Carney, Governor
Jon Cunliffe, Deputy Governor responsible for financial stability
Andrew Bailey, Deputy Governor responsible for prudential regulation
Ben Broadbent, Deputy Governor responsible for monetary policy
Martin Wheatley, Chief Executive of the Financial Conduct Authority
Clara Furse
Donald Kohn
Richard Sharp
Martin Taylor
Charles Roxburgh attended as the Treasury member in a non-voting capacity.

Nemat Shafik, Deputy Governor responsible for markets and banking, also attended the meeting. As permitted under the Bank of England Act 1998, Anthony Habgood was also present as an observer in his role as member of the Oversight Committee of Court.

In accordance with the relevant provisions of the Bank of England Act 1998:

- Clara Furse reminded the Committee that as a non-executive director of Nomura Holdings Inc she could be regarded as having an indirect interest in the leverage ratio review given the possible implications for Nomura's UK regulated entities, depending on decisions made on the scope of firms that would be subject to a leverage ratio framework. The Committee affirmed that Clara Furse should participate in the discussions about the conclusions of the leverage ratio review, but that she would recuse herself from the meeting when the FPC decided its final proposals.

- Richard Sharp reminded the Committee that he was Chief Executive of DII Capital, an FCA-regulated investment adviser, and therefore, with the agreement of the Committee, recused himself from the Committee's discussions and decisions relating to whether FCA-regulated firms should be within scope of the leverage ratio framework.