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RECORD OF THE FINANCIAL POLICY COMMITTEE MEETING

24 MARCH 2015

This is the record of the Financial Policy Committee meeting held on 24 March 2015.

It is also available on the Internet:
http://www.bankofengland.co.uk/publications/Documents/records/fpc/pdf/2015/record1504.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 FPC's next policy meeting will be on 24 June and the record of that meeting will be published on 8 July.

RECORD OF FINANCIAL POLICY COMMITTEE MEETING HELD ON 24 MARCH 2015

At its meeting on 24 March, the Financial Policy Committee made no new recommendations and considered that recommendation 14/Q3/2 relating to powers of direction over the leverage ratio had been implemented.

The FPC decided to maintain the countercyclical capital buffer rate for UK exposures at 0%.

The macroeconomic and financial environment

1. There had been a combination of positive and negative developments with respect to the global risks to financial stability. But overall, the FPC judged that the balance of risks to financial stability had been broadly unchanged since the Committee's previous policy meeting in December.

Global risks

2. On the positive side, the fall in oil prices, together with monetary policy measures taken abroad, would support global demand. And euro-area growth prospects had improved. Despite these encouraging signs, however, the Committee judged that significant external risks to financial stability had persisted. In particular, the risks in relation to Greece and its financing needs, including in the near-term, had increased. More generally, there was a risk that low nominal growth in the euro area would exacerbate financing challenges in highly indebted economies. The Committee also noted the risks associated with a further slowdown in China and the possibility of a reversal in capital flows to some emerging economies as the stance of monetary policy began to diverge globally.

3. With regards to Greece, since the announcement on 20 February to extend the existing financial support programme by four months, deposit outflows from banks in Greece had fallen back from their very elevated levels. Despite this improvement, however, uncertainties had reemerged. The FPC noted that the deterioration in risk sentiment towards Greece had not spilled over to other euro-area countries.

4. Prior to the policy meeting, the FPC had discussed and received a briefing on the financial stability risks and contingency planning associated with the continuing uncertainties in Greece. The Committee noted that risks were likely to remain elevated given the fragility of the political and financial situation.

5. Given the above material risks, Bank staff had been working closely with HM Treasury and the FCA to ensure contingency plans were in place. Supervisors had reviewed the contingency planning arrangements of the major UK banks and also of the subsidiaries and branches of Greek and Cypriot banks that operated in the United Kingdom. Supervisors had also undertaken enhanced monitoring of the deposit and liquidity movements of those Greek and Cypriot institutions. Bank staff had also reviewed exposures of UK CCPs to Greek clearing members, the

counterparty risk of payment systems and the exposures of securities settlement systems to Greek assets.

6. Renewed or increased stress in the euro area and associated market uncertainty could lead to an increase in interbank funding costs, either because of specific counterparty concerns or a general increase in risk aversion. The euro area had suffered severe financial market stress during 2010-12 when there had been an increase in UK bank funding costs and heightened economic uncertainty which had weighed on UK consumer and investment spending. Since then, however, bank capital and liquidity positions had strengthened and the Bank of England had enhanced its liquidity insurance facilities to allow it to provide liquidity against a wider range of collateral, to a broader range of counterparties, and for a longer term. The banks that had signed up to these facilities had prepositioned substantial amounts of collateral at the Bank, which would allow the Bank to respond quickly if a liquidity need arose.[1]

7. The Committee considered both the direct and indirect channels through which a shock could propagate to the UK financial system. The impact via the direct financial and trade exposures to Greece was likely to be relatively small. Net exposures to Greece were less than 1% of UK banks' aggregate Common Equity Tier 1 (CET1) capital. In addition, at an aggregate level, the major counterparties of UK banks were also not heavily exposed to Greece and the Greek economy only accounted for less than 2% of euro-area GDP.

8. The economies of other peripheral euro-area countries were strengthening and the resilience of their banking systems had improved. Nevertheless, the Committee judged that, were Greece and its euro-area partners to be unable to reach an agreement, more significant effects could arise. Although UK banks had reduced their exposures to highly indebted euro-area economies in recent years, exposures to these countries were still significant: equivalent to just over 60% of UK banks' aggregate CET1 capital. Other banks from the large euro-area economies were also heavily exposed to these countries.

9. Given the above material risks, Bank staff had been working closely with HM Treasury and the FCA to ensure contingency plans were in place.

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[1] The Committee decided not to publish this text, as permitted by Section 9U(8)(b) of the Act. It was of the opinion that publication at this time was against the public interest. Subsequently, the Committee agreed at its September 2015 meeting to release this text, for the reasons set out in the Record of that meeting.

10. The realisation of any of the global risks that the Committee had identified could trigger abrupt shifts in global risk appetite. This might, in turn, lead to a sudden reappraisal of underlying vulnerabilities in highly indebted economies, or sharp adjustments in financial markets. It was noted that sovereign bond yields were close to historical lows; at the same time, however, equity prices had not increased by as much as might have been expected given the falls in bond yields. This combination was consistent with the possibility that market participants were pricing in an increased likelihood of an adverse tail risk event. Some measures of equity risk premia were at historically high levels; the models used to derive these estimates, however, were based on the current very low levels of long-term interest rates. Most bond spreads for emerging market debt and other classes of high yield debt were, in contrast, around or below their historical averages suggesting that tail risks might not be being appropriately factored into the prices of these assets.

11. Very low bond yields and spreads that might not fully reflect the prevailing tail risks could indicate, in part, a search for yield in the current low interest rate environment. Insurance companies that had sold guaranteed return products might find it difficult to generate sufficient returns, though such products were not as prevalent in the United Kingdom as in other countries. Faced with this situation, there was a risk that these firms might shift their investment strategies more towards riskier assets in an attempt to better match the obligations they faced on their liabilities. This could push down credit risk premia and increase the risk of a subsequent market correction that could be amplified by market illiquidity.

Market liquidity risks

12. The Committee remained concerned that investment allocations and pricing of some securities presumed that asset sales would be possible in an environment of continuous market liquidity, whereas liquidity in some markets appeared to have become more fragile. Trading volumes in fixed income markets had fallen relative to market size. And recent events in financial markets, including in US Treasury markets in October 2014, had suggested that sudden changes in market conditions could occur in response to modest news. One factor that could exacerbate this was any increase that might have occurred in the correlations between various market participants' trading activities, such as the use of passive investment strategies.

13. Misperceptions about market liquidity could lead to heightened volatility and undermine financial stability. The Committee judged that market participants needed to be alert to these risks, to price liquidity appropriately and manage liquidity prudently. The Committee asked the Bank and FCA to work together to:

- Encourage and contribute to international work to address data gaps and build a common understanding of vulnerabilities in capital markets and asset management activities.

- Deepen understanding of the channels through which UK financial stability could be affected by any market correction and reduction in market liquidity. This would include analysis of the reliance of UK corporate financing and economic activity on market-based sources of finance.

- Gather information from asset managers in the United Kingdom about their strategies for managing the liquidity of their funds in normal and stressed scenarios. This would inform assessment of the extent to which markets are reliant on investment funds offering redemptions at short notice.

- Assess how and why liquidity in relevant markets might have become more fragile drawing on evidence from recent episodes of heightened market volatility.

14. This analysis would help to clarify the extent of any macroprudential risks associated with market liquidity and allow the FPC to assess potential policy mitigants. There was a range of views among Committee members about the main drivers of more fragile market liquidity. There was a concern that the observed decline in market-making activities by some firms had reduced liquidity in some markets. It was also noted that these developments had reflected, in part, changes in the regulatory framework designed to make institutions more resilient although pre-crisis levels of liquidity had not been available in times of stress. In addition, they could reflect changes in market structure and participation. More information and analysis was needed to shed light on these issues. The Committee asked Bank and FCA staff to produce a full report for its meeting in September and for an interim report in June.

Cyber risk

15. In an environment of geopolitical tension, the Committee remained concerned about the threat to financial stability from cyber attack. The Committee had previously made a recommendation to relevant authorities [13/Q2/6] to put in place a programme of work to improve and test resilience to cyber attack. At its next meeting, the FPC would receive the first results of the private sector cyber vulnerability testing of systemic firms.

Domestic risks

16. The Committee discussed the potential risks relating to the UK current account deficit position. The current account deficit had widened to 6% of GDP in Q3 2014 which was high by historical standards in the United Kingdom and elsewhere. The Committee had set out its analysis of the risks in this area in the December *FSR*, including the extent to which the risks depended on the nature of the related financing flows. It was noted that there had not been a rapid pick-up in domestic credit growth to date and also that the currency composition of the United Kingdom's assets and liabilities meant that depreciations of sterling tended to improve the net international investment position and vice versa. Moreover, to the extent that fiscal policy was credible and investors were confident in the monetary and fiscal policy frameworks and the United Kingdom's continuing openness, current account deficits would be easier to finance. That said, the current account deficit was large and could, in adverse circumstances, trigger a deterioration in market sentiment towards the United Kingdom. Indeed, the large current account deficit had been one of the considerations that was assumed to be a trigger for the Bank's 2014 bank stress test scenario. The Committee agreed to keep their assessment of this risk under close review and would monitor the maturity and liquidity of the financing of the deficit.

17. The Committee judged that risks stemming from the UK housing market and household indebtedness had not increased. However, UK household indebtedness remained high and the insurance provided by the FPC's June 2014 housing-related recommendations remained warranted. The Committee noted the increasing share of interest-only mortgages in buy-to-let mortgage lending and agreed to continue to monitor developments closely.

Underwriting standards in UK commercial real estate and leveraged loan markets

18. Previous market intelligence had suggested a loosening in underwriting standards in some UK corporate lending markets. Reflecting this, the December *FSR* had outlined that the Bank intended to conduct a survey and review of risks from the commercial real estate (CRE) and leveraged loan markets. The Committee reviewed the results of these surveys.

19. The CRE market had historically been highly cyclical and a source of significant losses for UK banks. Commercial property prices had risen significantly in the past two years. However, CRE yields were not unusually low; increased values of commercial property transactions had not been financed primarily by debt; and UK banks had contributed a smaller share of lending to finance CRE transactions than in the past. Major UK banks had been subjected to a severe stress in commercial property markets in the 2014 stress test and more recent calculations by Bank staff

had suggested that banks remained resilient to such a stress scenario. As such, the Committee's judgement was that at present no action was necessary to mitigate risks in this market.

20. Underwriting standards of UK banks, though currently not out of line with historical averages, had loosened recently, as measured by loan-to-value and interest coverage ratios. If this trend were to continue, past experience suggested that UK banks could quickly become less resilient to stress in these markets. In addition, the evolution of CRE markets would affect the wider economy through the ability of businesses to borrow because commercial property is commonly used as collateral for their borrowing. Mindful of the past cyclicality of these markets, the Committee agreed that it would consider appropriate action if underwriting standards threatened to evolve in an unsustainable way. The Committee agreed to continue to monitor developments carefully and asked Bank staff to further develop the data sources on individual CRE loans.

21. In the UK leveraged loan market, loan spreads had fallen, debt-to-EBITDA ratios had increased and covenants had loosened. That said, gross leveraged lending to UK borrowers had only picked up gradually since 2009 and net lending in 2014 had been negative. The Committee's judgement was that, based on the historical experience of losses, the UK banking system currently appeared resilient to stress in the leveraged loan market; consequently, the Committee considered that no action was necessary at present to mitigate risks in this market. However, if the recent loosening in underwriting standards were to continue, major banks could face increased risks in stressed and illiquid market conditions, particularly if forced to retain loans intended for distribution to investors. It was noted that some major UK banks had additional exposures to global leveraged loan markets, including in the United States and where US regulators had acted to tighten underwriting standards. The Committee therefore asked Bank staff to repeat the surveys of standards in this market on a regular basis.

Banking system resilience

22. UK banks had continued to increase their resilience. Major UK banks' CET1 ratios had risen to a weighted average of 11.4% in 2014 H2, up from 10.7% in H1; their aggregate Basel III leverage ratio had increased to 4.4%; and their reliance on short-term wholesale funding had continued to decline. All major UK banks were above their Basel III end-point Pillar 1 requirement plus their respective current Pillar 2a requirements. And the major UK banks' risk density (the ratio of risk weighted assets to total assets) had increased to 38%; the previous decline in this ratio since the 1990s had been one factor that had contributed to the earlier erosion of confidence in banks' risk-weightings.

23. Committee members welcomed these developments. But it was also noted that in the 2014 stress test exercise two banks had come close to the hurdle rate threshold and one bank had fallen below the threshold. The 2015 stress test would shed further light on the resilience of UK banks. It was also noted that the banking sector was still going through large structural changes which could have implications for future resilience.

Risks to financial stability from climate change

24. The Bank had been asked by the Department for Environment, Food and Rural Affairs (DEFRA) to consider the impact of environmental risks on the financial system. There were two interrelated risks: physical risks and transitional risks. The former related to the potential for an increase in catastrophic weather-related events linked to the possibility of rising global temperatures. The latter related to risks around the speed of the transition to a low-carbon economy and whether this might impose sharp changes in energy prices and threaten the viability of business models of some sectors if, for instance, some fossil-fuel intensive assets were to become unusable owing to changes in government policies.

25. The FPC considered the potential financial stability implications of these risks. It was noted that the likely impact on the macroeconomy and any associated financial stability risks would depend on the speed of transition to a low-carbon economy. The Committee's central expectation was that the risks to financial stability were likely to be beyond the FPC's typical policy horizon. Given the importance of the issue, Committee members supported the intention for Bank staff to do more analysis on the risks in this area as part of the One Bank Research Agenda.

26. The Bank would deliver its report to DEFRA by 31 July 2015, for publication thereafter.

Setting the countercyclical capital buffer

27. In response to the outlook, the Committee considered the countercyclical capital buffer (CCB).

28. Following the requirements set out in legislation, the Committee considered the 'buffer guide' – a simple metric which provides a guide for the CCB rate based on the gap between the ratio of credit to GDP and its long-term trend. This credit gap measure remained strongly negative and was likely to remain negative for a considerable period. A simple mapping from the buffer guide suggested that the CCB should continue to be set at zero percent. But this was only one indicator that the Committee considered.

29. In addition to the buffer guide, the Committee also reviewed its assessment of the outlook for financial stability and the progress by UK banks in transitioning to meet new capital standards. Reflecting these considerations, the Committee decided to maintain the countercyclical capital buffer rate for UK exposures at 0%.

30. The Committee noted that the PRA would reciprocate Hong Kong's recently announced CCB rate of 0.625% on its banks' domestic exposures from 27 January 2016. The Hong Kong Monetary Authority (HKMA) had also announced a 15% risk weight floor on the stock of residential mortgage lending in Hong Kong; HKMA had not requested that this policy action be reciprocated. The FPC had previously outlined that it expected to cooperate closely with overseas regulators in their setting of macroprudential policies. Consistent with this, the FPC agreed that it would return to the general issue of its framework for reciprocating the non-CCB macroprudential policy actions of overseas regulators.

Stress testing and resilience of the UK banking system

31. The FPC had agreed at its December policy meeting that the 2015 stress test exercise of the largest UK banks should explore an adverse scenario that would be based on weak global growth and an associated significant market stress; this scenario was also to include an associated severe UK recession. The scenario was not intended to be the FPC's expectation of what would happen, but a coherent tail risk event against which banks' resilience could be tested. Prior to the FPC's March policy meeting, the FPC had discussed and agreed with the PRA Board the key elements to be incorporated in the 2015 stress test.

32. The FPC agreed that the stress case should be based around a scenario in which global growth disappointed materially and disinflationary pressures were assumed to build up further, triggering a rapid deterioration of market sentiment globally. Risk appetite would then be assumed to abruptly diminish and market participants would attempt to de-risk their portfolios. Liquidity in some markets would be assumed to become seriously impaired and credit risk premia to rise sharply, alongside falls in commodity prices. The scenario incorporated a sharp slowdown in China and a recession in the euro area. Reflecting the global downturn and additional financial spillovers and confidence effects, UK output growth was assumed to turn negative.

33. FPC members agreed that the international elements should be more severe than those assumed in the 2014 EBA stress test exercise but less severe than the downturn that actually occurred in 2008/09. The extent of any likely safe haven flows to the United Kingdom in such a scenario was also considered; the Committee felt that most such safe haven flows were likely to

go to high quality US assets but that it was reasonable to factor in some appreciation of sterling against the euro.

34. Given the assumption that monetary policy would be loosened in response to the shock, it was agreed that falls in UK property prices overall should be smaller than had been the case in the 2014 stress test. It was also agreed that the deterioration of global financial market sentiment should deliver a sharp rise in risk premia for private sector borrowers, particularly in highly indebted countries and where exchange rates were fixed or debt had been issued in foreign currency.

35. The results of the stress test would be used to inform: (a) the PRA's judgement on the capital adequacy of individual institutions, and the appropriate supervisory response; (b) the PRA's judgement on banks' risk management and capital planning processes and the appropriate supervisory response; and (c) the FPC's judgements on the resilience of the banking system as a whole and, in doing so, aid formulation of system-wide policy responses.

36. The FPC approved that the 2015 stress test should include two key capital adequacy thresholds in the stress: 4.5% of Risk Weighted Assets, to be met with CET1 capital; and 3% of the Leverage Exposure Measure, to be met with Tier 1 capital, where relevant additional Tier 1 instruments would be permitted to comprise up to 25% of this requirement.

37. The FPC also agreed that evaluation of stress test results should only allow for a limited set of credible management actions that banks could realistically take in a stress. Improving stressed capital ratios through deleveraging (in particular relative to banks' baseline plans) would be constrained, especially if it led to a material decline in aggregate credit supply. In general, it was noted that the more transparent each bank's assumed management actions were, the more likely they were to be viewed as credible.

38. If a firm's capital ratio was projected to fall below the 4.5% CET1 risk-weighted capital ratio or the 3% Tier 1 leverage ratio in the stress, the Committee agreed there should be a strong presumption that the PRA would require the firm to take action to strengthen its capital position over a period of time to be agreed between the firm and the PRA. Given that this was the first time that the stress test framework had explicitly incorporated two hurdle rates, it was noted that the process would likely reveal new insights about the interactions between the two capital ratios and how these two thresholds might differently affect banks' balance sheets in a stress. In particular, the Committee would monitor the interaction of the leverage ratio threshold and banks' trading books.

39. Full details of the scenario and hurdle rates were to be published on 30 March.

Annual Remit and Recommendations for the Financial Policy Committee

40. On 18 March, the Committee had received a letter and annex setting out the Government's economic policy and a series of recommendations, under section 9E(1) of the Bank of England Act 1998. These were broadly unchanged from 2014.

41. The Committee supported the need, as set out by the Chancellor, for regulators to undertake comprehensive consultation with the industry and the public whenever a new power of Direction was first introduced, in order to establish a robust and well thought through framework for implementation. Once that framework had been established, the Committee noted that it was an important feature that the calibration of macroprudential policy instruments could be changed in a timely way in response to financial stability risks. One of the benefits of its powers of Direction (relative to its powers of Recommendation) was the greater speed with which Directions could be implemented if needed.

42. The FPC's response to the Chancellor was to be published alongside the Committee's statement on 26 March.

FPC's Code of Conduct

43. The Bank of England's Court of Directors had sought the Committee's view as an input into its review of the FPC's Code of Conduct. The framework for the Committee's decision making and communications is established by the Bank of England Act (1998); the Chancellor's annual Remit and Recommendations letter; and the FPC Code of Conduct.

44. The Act states that the FPC should reach decisions by consensus wherever possible, with the Committee taking a vote if consensus cannot be reached. The Record of the meeting must specify any decisions taken at the policy meeting, including decisions to take no action, and must set out a summary of the Committee's deliberations in relation to each decision.

45. Supplementing the Act, the Chancellor's Remit and Recommendations letter emphasises the confidence-building benefits of providing clear and consistent messages around the FPC's decisions. It states that where decisions are reached by consensus, communication by individual members needs to be coordinated and consistent. Where consensus cannot be reached and a vote is taken, the balance of arguments should be reflected in the Record of the meeting; members should be free to explain their differences and will be publicly accountable accordingly.

46. The Committee agreed that it would be useful to set out in the Code of Conduct more fully these requirements, setting out the way the Committee would communicate when a decision was made by consensus, by vote, or when there was no formal FPC position on a topic. The Committee agreed that members were fully entitled to explain their policy position in public but should ensure that their communications respected any consensus reached at the policy meetings in order not to undermine the effectiveness of the agreed policy.

47. Committee members agreed that the Record of its meetings should continue to reflect the range of opinions that had been expressed in arriving at a consensus. In the event that these were made in the FPC's regular briefing and issues meetings ahead of its policy meetings, it would also include a summary of these views in the Record of the subsequent policy meeting.

48. The Committee suggested that the Bank of England's Annual Report could include an assessment by the Oversight Committee of the Court of Directors relating to the robustness of the FPC's deliberations.

Existing recommendations

49. The Committee reviewed the progress made on implementing its existing Recommendations since its previous policy meeting.

Powers of direction over leverage ratio (14/Q3/2): *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.*

50. Following a public consultation, HM Treasury had laid a draft statutory instrument[2] before Parliament, providing for FPC powers of Direction over leverage ratio requirements and buffers. This had been debated and passed by the House of Lords on 19 March, and by the House of Commons on 23 March. The legislation would come into force on 6 April, with the exception of powers over supplementary leverage buffers for those major domestic UK banks and building

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[2] http://www.legislation.gov.uk/uksi/2015/905/introduction/made

societies not covered by G-SIB buffers. These would come into force in January 2019, in line with the international timetable and the FPC's recommendation. **On that basis, the FPC considered that this Recommendation had been implemented.**

Powers of direction over housing instruments (14/Q3/1): *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 and FCA to require regulated lenders to place limits on residential mortgage lending, both owner-occupied and buy-to-let, by reference to: (a) loan-to-value ratios; and (b) debt-to-income ratios, including interest coverage ratios in respect of buy-to-let lending.*

51. Following a public consultation, HM Treasury had laid a draft statutory instrument[3] before Parliament, providing for FPC powers of Direction over mortgage lending for owner-occupied properties. Along with the statutory instrument relating to leverage ratio requirements, this legislation had been debated and passed by both houses of Parliament and would come into force on 6 April. The only outstanding element, therefore, related to the FPC's Recommendation for powers of Direction over buy-to-let mortgage lending; HM Treasury intended to consult separately on these powers later in 2015. **The Committee therefore agreed to review this Recommendation later in 2015, following HM Treasury's consultation on powers of Direction over buy-to-let mortgage lending.**

Stress testing (13/Q1/6): *Looking to 2014 and beyond, the Bank and 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. The framework should be able to accommodate any judgements by the Committee on emerging threats to financial stability.*

52. The Committee intended to discuss the medium-term approach to stress testing in Q2, following publication of the details of the 2015 stress test exercise. This discussion would take into account lessons learned in the 2014 exercise. **The Committee therefore agreed to review this Recommendation at its next policy meeting.**

Resilience to cyber attack (13/Q2/6): *HM Treasury, working with the relevant government agencies, the PRA, the Bank's financial market infrastructure supervisors and the FCA should*

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[3] http://www.legislation.gov.uk/uksi/2015/909/introduction/made

work with the core UK financial system and its infrastructure to put in place a programme of work to improve and test resilience to cyber attack.

53. The FPC had agreed in its previous meeting to review this Recommendation when a fuller set of CBEST cyber vulnerability test results would be available. This was expected in Q2. **The Committee therefore agreed to review this Recommendation at its next policy meeting.**

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, and Alex Brazier, Executive Director for Financial Stability, Strategy and Risk also attended the meeting.

As permitted under the Bank of England Act 1998, Tim Frost and Anthony Habgood were also present as observers in their role as members of the Oversight Committee of Court.

ANNEX 1: EXTANT FPC RECOMMENDATIONS

Identifier[1]	Recommendation
13/Q1/6	Looking to 2014 and beyond, the Bank and 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. The framework should be able to accommodate any judgements by the Committee on emerging threats to financial stability.
13/Q2/6	HM Treasury, working with the relevant government agencies, the PRA, the Bank's financial market infrastructure supervisors and the FCA should work with the core UK financial system and its infrastructure to put in place a programme of work to improve and test resilience to cyber attack.
14/Q3/1	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 and FCA to require regulated lenders to place limits on residential mortgage lending, both owner-occupied and buy-to-let, by reference to: (a) Loan-to-Value Ratios; and (b) Debt-to-Income Ratios, including Interest Coverage Ratios in respect of buy-to-let lending.

[1] Each recommendation is listed with an identifier to allow ongoing tracking of progress. For example, '13/Q1/6' refers to the sixth recommendation made at the 2013 Q1 meeting.