Bank of England

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

Andrew Bailey
Governor

18 December 2024

Dear Rachel,

In my role as Chair of the Financial Policy Committee (FPC), I attach the FPC's response to the recommendations set out in your letter of 14 November 2024 for the coming year. The FPC welcomes the recommendations made, and its response can be found in this letter and the Annex.

As you note, financial stability is a pre-requisite for broad-based and resilient economic growth. Importantly, it gives confidence to households and businesses that the financial system can reliably provide vital financial services such as funding, saving, insurance and payment services. Conversely, financial instability can lead to severe disruptions in the ability of households and businesses to make transactions, manage risks, and access credit, amplifying economic shocks and hindering growth.

To support financial stability, the FPC seeks to ensure the UK financial system is prepared for, and resilient to, the wide range of risks it could face – so that the system is able to absorb rather than amplify shocks, and serve UK households and businesses, thus supporting stability and growth in the UK economy.

The latest Financial Stability Report (FSR), published on 29 November, sets out the FPC's assessment of the resilience of the UK financial system, the main risks to UK financial stability, and the action it is taking to remove or reduce those risks.

Global risks associated with geopolitical tensions, global fragmentation and pressures on sovereign debt levels remain material. Uncertainty around, and risks to, the outlook have increased. Domestically, UK household and corporate borrowers in aggregate are expected to remain resilient.

The results of the 2024 desk-based stress test[1], set out in the latest FSR, show that the UK banking system has the capacity to support households and businesses even if economic, financial and business conditions were to be substantially worse than expected. As part of its updated approach to stress testing the UK banking system from 2025 onwards, the Bank will move from an annual to a biennial frequency for its main bank capital stress test in which banks participate by submitting stressed projections. This will yield considerable efficiency gains for firms as well as the Bank and create space to assess and address a wider range of risks in an evolving risk environment, thus supporting the objectives of the FPC and PRA. We have also published the results from our system-wide exploratory scenario. This has been the first exercise of its kind, and has been world-leading in its approach. It has significantly enhanced our understanding of the resilience of the financial system and core UK markets, including in the non-bank sector.

The FPC has made progress over the past year across all four of its medium-term priorities.[2] As part of these priorities, there has been significant progress this year in setting out the FPC's approach to operational resilience, alongside the continuation of the programme of cyber stress testing. The FPC also continues to build its understanding of the financial stability risks from climate change, as set out in a chapter in the latest FSR, as well as supporting the transition to net zero.

An outline of the work of the Committee to help identify, monitor and address systemic risks to the resilience of the UK financial system is set out in Section B of the Annex to this letter.

The FPC has noted that the government's economic policy objective is to 'restore broad-based and resilient growth built on strong and secure foundations'. As requested in your letter, the Committee will 'assess and identify areas where there is potential to increase the ability of the financial system to contribute to sustainable economic growth without undermining financial stability'. Section C of the Annex to this letter sets out examples of how we have supported the FPC's secondary objective in recent years.

[1] The exercise has tested the resilience of the banking system to two hypothetical adverse macroeconomic scenarios that each include a severe but plausible combination of adverse shocks. The test has not involved banks submitting their own stressed projections. Instead, it used the Bank's own estimates of the impact of the stress scenarios on the resilience of the UK banking system.

[2] **The Financial Policy Committee's medium-term priorities (2023–2026) | Bank of England**

Bank of England | Threadneedle Street, London EC2R 8AH +44 (0)20 3461 4444 | www.bankofengland.co.uk

As you noted in the FPC's remit letter, maintaining macroprudential and regulatory standards is important, given the crucial role they play in underpinning the FPC's objectives. This is particularly pertinent in the current heightened global risk environment, which can affect stability and growth in the UK. This year, the FPC welcomed the PRA's second near-final policy statement on the implementation of Basel 3.1 standards in the UK, its Consultation Paper on the Strong and Simple Framework, as well as Parliament's introduction of the Bank Resolution (Recapitalisation) Bill. These initiatives will help to support the resilience of the financial system and its ability to support economic growth.

Yours sincerely,

Andrew Bailey

FINANCIAL POLICY COMMITTEE RESPONSE TO HM TREASURY'S "REMIT AND RECOMMENDATIONS FOR THE FINANCIAL POLICY COMMITTEE"

On 14 November 2024, the Chancellor set out a series of recommendations to the Financial Policy Committee (FPC) under sections 9E(1) and 9E(2) of the Bank of England Act 1998 (the Act). This document and the accompanying cover letter, provide the Committee's response, in accordance with section 9E(3) of the Act. The response is organised around the subheadings of the HM Treasury document.

A. The Government's economic policy

The Financial Policy Committee notes the Government's economic policy objective to restore broad-based and resilient growth built on strong and secure foundations, with price and financial stability being essential pre-requisites to achieve this.

The Committee notes the Government's economic strategy.

B. Matters that the FPC should regard as relevant to the Bank's financial stability objective, and the responsibility of the Committee in relation to the achievement of that objective

The Committee acknowledges the matters that HM Treasury recommends the Committee to regard as relevant to the Bank's financial stability objective. The Committee agrees that the purpose of preserving stability is to contribute to avoiding serious interruptions in the vital functions which the financial system performs in our economy: notably, the provision of payment and settlement services, intermediating between savers and borrowers, and insuring against risk.

In line with the Act, the Committee seeks to further the Bank's financial stability objective primarily by identifying, monitoring and taking action to remove or reduce systemic risk with a view to protecting and enhancing the resilience of the UK financial system. Those systemic risks include in particular those associated with: structural features of financial markets; the distribution of risk within the financial sector; and unsustainable levels of leverage, debt or credit growth.

The FPC will therefore consider:

i. Prudential risks associated with the banking system;

ii. Prudential risks associated with the non-bank financial system, including markets and infrastructure;

iii. Non-financial risks, such as conduct risks, cyber security and climate change; and

iv. Risks from growth of private sector debt that could make the system less resilient and economic growth more fragile.

The Committee will continue to work closely with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) to ensure coordination between microprudential and macroprudential policy, so far as it is possible while complying with its objectives. For example, the Committee regularly coordinates with the PRA on stress testing and reviews of the leverage ratio, and is briefed on work related to the approach to operational resilience. The Committee continues to work closely with the FCA, for example as part of the UK regulators' approach to the oversight of critical third parties.

The FPC will work closely with the newly formed Financial Market Infrastructure Committee (FMIC). This year, the FPC and FMIC met jointly to discuss innovation in wholesale markets, including systemic stablecoins and tokenised assets.

The Bank will also continue to work in an open and collaborative way with other relevant bodies, including The Pensions Regulator (TPR) and the Payments System Regulator, for the purpose of pursuing its financial stability objective.

Geopolitical risks

Global risks associated with geopolitical tensions, global fragmentation and pressures on sovereign debt levels remain high. Uncertainty around, and risks to, the outlook have increased. The National Cyber Security Centre describes the threat to critical infrastructure from state-aligned groups as enduring and significant.

Higher geopolitical tensions also create an environment of heightened risk of cyber-attacks, which could coincide with and amplify other stresses. Recognising that this is a global challenge, the FPC encourages continued industry, government, and international regulatory community focus on sharing information and building national and cross-border resilience to these threats. The Committee will continue to monitor geopolitical risks.

Non-financial risks (including cyber and operational risks, and emerging technologies)

As part of its responsibilities, the FPC has taken a number of actions to build resilience to potential systemic risks from cyber attacks, including establishing a cyber-vulnerability testing framework (CBEST), setting 'impact tolerances' for how quickly the financial system must be able to make critical payments following a severe but plausible cyber or operational incident and continuing its programme of cyber stress testing. The Committee will continue to monitor the implementation and outcomes of the new critical third parties regime.

The FPC's findings from the latest cyber stress test are expected to be published in the first half of 2025. The Committee is continuing to consider the potential financial stability implications of continued adoption of artificial intelligence (AI) and machine learning (ML) in financial services. AI and ML could deliver significant benefits to the UK financial services sector, but given the rapid pace of innovation and potentially widespread use cases, the FPC will develop further its understanding of the channels of financial stability risks. The Committee plans to publish an assessment of those channels, as well as its approach to monitoring financial stability risks from AI, in a report in the first half of 2025. Working alongside other relevant authorities, the Committee will also seek to ensure that the UK financial system is resilient to risks that may arise from widespread adoption of AI and ML.

The Committee has also considered the need for the regulatory system to adapt so the public can have similar confidence in new forms of digital money as in existing forms, allowing them to be widely used and trusted. UK authorities have taken important steps towards putting in place a regulatory regime for the sector.

The FPC also continues to monitor risks to UK financial stability that could arise from cryptoassets, their associated markets and the adoption of the underlying technology.

Risks from the non-bank financial sector

Market based finance provides vital financial services to support the wider economy. These services include providing credit, intermediating between those seeking to invest their savings and borrowers, insuring against and transferring risk, and offering payment and settlement services. This part of the financial sector has grown materially and plays an increasingly important role for the UK economy.

As part of its responsibilities, the FPC identifies, monitors and takes action to remove or reduce systemic risks in the system of market-based finance (MBF), including non-bank financial institutions (NBFIs).

Episodes of volatility in financial markets, such as the 'dash for cash' in March 2020, and the disruption to the functioning of UK government bond markets in late September 2022, have underlined the importance of continuing to improve the overall resilience of market-based finance.

The FPC's approach to identifying, assessing, monitoring and mitigating vulnerabilities in MBF, was published in October 2023.[3] It noted that reforms are required in a number of areas, including to address structural liquidity mismatches, risks arising from margin requirements and margin calls, and risks arising from leverage in non-bank financial institutions.

The Committee continues to attach a high priority to supporting the work undertaken by the Bank and Financial Stability Board (FSB) to address vulnerabilities in MBF that could affect financial stability and encourages authorities globally to take action to reduce the vulnerabilities through internationally co-ordinated policy reforms. Alongside international work, the Bank will continue to work to reduce vulnerabilities domestically where it is effective and practical.

[3] **Financial Stability in Focus: The FPC's approach to assessing risks in market-based finance | Bank of England**

In late 2022, a rapid and unprecedented increase in UK gilt yields exposed vulnerabilities in LDI funds in which many pension schemes invest. In response, the Bank took temporary and targeted action to restore market functioning, in support of financial stability, and the FPC made recommendations to improve the resilience of these funds. Given the significant progress made on liability-driven investment (LDI) fund resilience across domestic and international authorities, the FPC closed its November 2022 and March 2023 Recommendations on LDI resilience at its meeting in June 2024. Its March 2023 Recommendation that TPR should have the remit to take into account financial stability considerations in its work on a continuing basis remains in place.

The FPC also continues to carry out horizon scans across a wide range of non-bank activities and markets – within and outside the regulatory perimeter – in order to facilitate ongoing vigilance of a broader set of risks in the sector and assesses and develops policy responses. As part of this work, the Bank has published the results of its first system-wide-exploratory scenario exercise (SWES) in November 2024. The SWES is an important tool for surveillance and thus helping to improve understanding of the behaviours of banks and NBFIs in stressed financial market conditions, building insights on how shocks in UK financial markets might be amplified including through the functioning of core markets.

In 2024 Q3, the Committee discussed the development of the Bank's new tools for lending to non-bank financial institutions (NBFIs) in the event of severe gilt market disruption that threatened UK financial stability. As part of its responsibilities under the Principles of Engagement governing the Bank's balance sheet, the Committee approved the scope and principles determining their design. As a first phase in this work, the Bank is putting in place a new Contingent NBFI Repo Facility (CNRF).

Climate change and nature

The Committee continues to have regard to the risks from climate change, including physical risks and risks from the transition to net zero, as relevant to its primary objective. The findings from the climate change focused Biennial Exploratory Scenario exercise (CBES), published in May 2022, were an important step in helping to assess better these risks. It advanced both the Committee's and financial firms' understanding of risks to the financial system and provided insights on how participating UK banks and insurers might seek to adapt their business models in the face of different climate scenarios. However, the exercise showed how financial services firms needed to do much more to develop understanding and management of exposures to climate risk. The Bank and the FPC have continued to build their understanding of how these risks might arise.

The Committee has noted that risks are rising as the physical impacts of climate change emerge and as the transition to net zero progresses. The November 2024 Financial Stability Report includes an update on the FPC's approach to evaluating the impacts of climate change on financial stability.

The Committee will continue to consider how risks from climate change could impact financial stability, including through its stress testing frameworks where appropriate, ensuring that risks stemming from possible and severe global climate scenarios are reflected in its analysis on climate risks and that sufficient time horizons are considered.

Over the next year, the Committee will continue to consider the materiality of nature-related risks for its primary objective.

C. The responsibility of the FPC in relation to support for the Government's economic policy

i. Recommendations as to the interaction between the FPC's objectives

In practice, actions that seek to protect and enhance the resilience of the UK financial system would be expected to contribute positively to growth over the medium and long term, and therefore the FPC's primary and secondary objectives will often be complementary. Financial stability is a precondition for sustainable economic growth; a resilient financial system should help to facilitate a sustainable and efficient flow of funds within the economy and an effective allocation of savings to investment.

The Committee will design its policies in pursuit of its primary objective in ways that, as far as possible, are effective in achieving also its secondary objective. The Committee recognises that action to increase resilience may in some circumstances have a short-term effect on growth, even when that action will make a positive contribution to growth in the medium and longer term. In such circumstances, where the Committee faces potential conflicts, it will consider these in light of the recommendations made to it in its remit, and it will manage and communicate its approach transparently and consistently, having regard to proportionality and, where appropriate and practicable, the costs and benefits of its actions in the context of its primary and secondary objectives. More broadly, the Committee will set out how its actions contribute to its objectives, including its judgement as to the balance of risks to those objectives and how those risks have evolved and are expected to evolve.

Further, the Committee will routinely assess, as an important element of its work, where it can support the Government's economic objectives. Where it judges that it can do so in a way that is consistent with its primary objective, the Committee will act accordingly, in a way that is consistent with the recommendations set out in the remit letter.

For example, as part of its work to support the secondary objective, the Committee has:

- **set out how it will use the UK countercyclical capital buffer (CCyB) to support the FPC to achieve its primary and secondary objectives in its Policy Statement on the FPC's approach to setting the CCyB.**[4] The CCyB is designed to reduce the impact of the financial cycle on the real economy and to ensure that the financial system acts to absorb rather than amplify shocks. As a result, active use of the CCyB should support long-term growth for the UK economy as well as higher employment. This effect is likely to be particularly strong when the CCyB is cut or reduced if the banking system faced losses that could otherwise cause it to restrict lending to defend capital positions by more than was warranted by the macroeconomic environment. A strategy of using the CCyB actively in response to the financial cycle rather than having a higher baseline level of capital requirements, means that the FPC expects to be able to build resilience for the banking system efficiently - which should lead to a higher overall level of economic growth. And by taking into account the economic cost of raising capital when increasing the CCyB, the FPC lowers the cost of building resilience on economic growth. This approach ensures the CCyB contributes to both the FPC's primary objective and its secondary objective of supporting HM Government's economic policy, including its objectives for growth and employment.
- **regularly reviewed its mortgage market recommendations, with regard to its primary and secondary objectives**. In 2022, the FPC withdrew its affordability test after concluding it was simpler, more predictable and more proportionate to deliver an appropriate level of resilience to the UK financial system from its LTI flow limit sitting alongside the wider assessment of affordability required by the Financial Conduct Authority's (FCA's) Mortgage Conduct of Business (MCOB). Analysis published in the December 2023 FSR found the withdrawal of the FPC's affordability test had so far had only a limited effect on borrower resilience, as was expected at the time of withdrawal. The analysis also suggested that the withdrawal had a small positive impact on access to the mortgage market, given the rise in interest rates and fall in mortgage approvals since the withdrawal. The Committee considered the impact of its remaining mortgage market recommendation (the loan to income flow limit recommendation to the PRA and FCA) in 2024 Q4 and recommended the de minimis threshold of the flow limit be updated consistent with nominal GDP growth since its introduction in 2014. This change would mean that lenders which extend residential mortgages of less than £150 million per annum would be exempt from the LTI flow limit.
- **made changes to how the Other Systemically Important Institutions (O-SII) buffer framework operates** in 2022 in order to mitigate the risk that future changes in central bank balance sheets inadvertently affect banks' lending decisions, whilst keeping the overall resilience provided by the framework unchanged. **Further changes proposed this year will update the O-SII buffer framework to ensure it is operating as intended and without undue tightening**, supporting firms' competitiveness and economic growth, while encouraging consistency and predictability in future decision-making by the Bank.[5]

---

[4] **The Financial Policy Committee's approach to setting the countercyclical capital buffer - Policy Statement**

[5] The update to the O-SII buffer, and the proposed update to the LTI flow limit threshold described above, are consistent with the broader approach to indexing regulatory thresholds within the Bank and PRA.

- **guided the Bank's updated approach to stress-testing the UK banking system**, which will move from an annual to a biennial frequency for its main bank capital stress test. This will yield considerable efficiency gains for firms as well as the Bank.

More broadly, under the recommendation regarding support for the Government's economic policy towards the financial services industry, the FPC has supported work on productive finance (see Section C(ii) below), which also contributes to the secondary objective.

As part of its work in 2025, the Committee will further assess and identify areas where there is potential to increase the ability of the financial system to contribute to sustainable economic growth without undermining financial stability.

ii. Recommendations regarding support for the Government's economic policy towards the financial services sector

Through discharging its secondary objective - and subject to achieving its primary objective - the FPC will support the Government's overall policy towards the financial services sector, recognising that growth and competitiveness of the sector is the Government's top priority, and including the other priorities, as set out in the remit letter, in relation to sustainable finance; home ownership; and reinvigorating capital markets.

The FPC will, where practicable in the context of its financial stability objective, consider how its policy actions or decisions might affect these areas.

The Committee will use its regular communications to outline how it is able to support these areas in a way which is consistent with its objectives.

For example, the Committee recognises the importance of innovation and emerging technologies in financial services, including in areas such as AI, ML, cryptoasset technology and digital money. Realising those benefits sustainably will require innovation to be undertaken safely and be accompanied by effective public policy frameworks that mitigate risks and maintain broader trust and integrity in the financial system.

The Committee has considered the impact of its policy actions on the ability of the financial sector to provide finance for productive investment.

Over the period November 2020 and April 2023, the industry-led Productive Finance Working Group - convened by the Bank, HM Treasury and FCA - made important progress in a number of areas to develop practical solutions to the barriers to investment in long term less liquid assets. Appropriately managed, investment in less liquid assets could benefit investors and the broader economy by supporting the supply of long-term capital, financial stability and transition to net zero (in line with the FPC's primary and secondary objectives).

The FPC welcomed the establishment and progress made by this Working Group, including the materials it published in November 2022. This included the first comprehensive set of guides for the UK Defined Contribution (DC) pension schemes' decision makers, focusing on the key considerations around investment in long-term, less liquid assets, as well as a call to action to investment platforms. These materials make a significant contribution to raising awareness of these considerations in an increasingly important sector for saving for retirement that invests relatively little in these asset classes.

This work helped to support the successful delivery of the Long-Term Asset Fund (LTAF) structure. Thirteen LTAFs have since been authorised by the FCA.

The Committee has also recently welcomed the publication of results of the survey on SME's access to finance and investment decisions, including the insights it provided on challenges facing SMEs. The survey was commissioned by the Bank in collaboration with the Department for Business and Trade.[6]

Over the coming year, the Committee will act with a view to supporting the Government's priorities as part of its secondary objective, including supporting HMT and the other regulators to work on sustainable finance.

D. Matters to which the Committee should have regard in exercising its functions

i. Recommendations as to the interaction between monetary policy and macroprudential policy

Monetary policy and macroprudential policy objectives are, in general, complementary. A resilient financial system is a vital precondition for price stability and helps to ensure changes in monetary policy are transmitted to the economy effectively and predictably; price stability contributes to fostering a resilient financial system, by removing the distortions caused by varying inflation expectations.

The actions of the FPC can have implications for the objectives of the Monetary Policy Committee (MPC) and vice versa. That makes close liaison between the FPC and MPC especially important.

In reaching its decisions, the Committee considers the policy settings and forecasts of the MPC, as first explained in its June 2013 FSR.[7] The FPC takes into consideration the MPC's forecasts in its discussions of the macro-economic back-drop, including in the most recent November 2024 MPR. The Committee will continue to explain how it has regard to the stance of monetary policy and the MPC's forecasts.

[6] Identifying barriers to productive investment and external finance: a survey of UK SMEs | Bank of England

[7] Box 3 of the June 2013 FSR discusses how the FPC has regard to the policy actions of the MPC: See Financial Stability Report Issue 33, June 2013.

More generally, overlapping membership of the Committees should foster coordination. This is enhanced by the sharing of relevant information, briefing and analysis to all members of both Committees. For example, FPC and MPC members are able to attend the other Committee's briefing meetings. The Committees are able to jointly discuss areas of mutual interest, and have done so this year on the impact of the higher interest rate environment on the corporate sector.

ii. Recommendation that the FPC have regard to risks to public funds

As recommended, the Committee considers material risks to public funds arising from its actions to support resilience, or failure to take such actions, in both the short and long run. It seeks to minimise overall risks to public funds in this context where consistent with its statutory objectives, and takes account of any such risks in formulating its actions.

iii. Recommendations to the Treasury on legislative changes

The Act provides for the Committee to make recommendations to HM Treasury relating to the boundaries between and within regulated activities and products. The FPC will generally make such recommendations only where it identifies systemic risks that cannot otherwise be addressed.

The Committee has an established process to assess such systemic risks. It receives regular briefings from the Bank, the PRA and the FCA on potential risks to financial stability presented by different sectors and activities. It also holds dedicated discussions on these risks. And it undertakes a regular deep analysis of certain market-based finance activities that merit further investigation. The FPC draws on this analysis to inform its judgement on the appropriate boundaries around, and within, the regulatory perimeter.

Were the Committee to make a recommendation to HM Treasury in any such areas, it would, as recommended, provide evidence to explain why a change to the perimeter was a necessary and proportionate response to the risks it had identified, and an explanation of why existing provisions were insufficient.

iv. Recommendations regarding enhancing the accountability of the FPC

The Committee is accountable to Parliament and the public. FPC members are subject to a clear code of conduct and a separate statutory conflict of interest code of practice designed to preserve the Committee's reputation for integrity and independence of judgement. Members need to be, and be seen to be, independent of Government and other influences. To promote accountability, all FPC members stand ready to give evidence to the Treasury Committee, including by giving evidence following each FSR. As required by the Act, the Governor also meets with the Chancellor after each FSR to discuss matters relating to the stability of the UK financial system, with a public record of the meeting published within six weeks.

Consistent with its statutory objectives and functions, the Committee recognises the importance of reducing uncertainty and boosting confidence in the financial system through its actions. To that end, it has continued to develop its published indicators, which appear in its policy statements on how it uses its tools (recently updated in July 2023)[8], and which it publishes regularly.[9] These indicators are considered alongside a wider set of information, varying over time depending on emerging risks, including market and supervisory intelligence. And the Committee will explain its decisions and judgements in the context of the analysis of this information.

Concurrent stress tests of banking sector resilience are also a key element of the Committee's approach to increasing confidence in the UK financial system. Regular concurrent stress testing exercises began in 2014 and the first biennial exploratory scenario was completed in 2017. Following that publications have included a desktop stress test in May 2020, a 'reverse stress test' in August 2020, a solvency stress test in 2021, the CBES in May 2022, and the 2022/3 annual cyclical scenario in July 2023. In November 2024, the Bank published the results of its latest desk-based stress test exercise and updated its framework for concurrent bank stress testing, drawing on lessons learned from its first decade of concurrent stress testing.[10]

As part of wider work, following the findings from the 2022 cyber stress test (published in March 2023), the latest cyber stress test is expected to be published in the first half of 2025.The Bank has also published the results of its first system-wide exploratory scenario in November 2024.[11]

On the mortgage market, the Committee has committed periodically to review its Recommendations.

The Committee agrees on the importance of clear and consistent communication, to support both public confidence in the financial system and build public trust in the Committee's actions. The FPC Record gives a full summary of Committee deliberations, including differences of views amongst members, and plays an important role in public accountability. The Committee will use its communications to explain how its actions have contributed to the achievement of both the Bank of England's Financial Stability Objective and have supported the economic policy of the Government.

The Act (paragraph 11 (4) of Schedule 2A) requires the Chair of a meeting of the Committee to seek to ensure that decisions are reached by consensus where possible.

[8] See **The Financial Policy Committee's approach to setting the countercyclical capital buffer - Policy Statement**

[9] See **FPC core indicators - December 2023**

[10] **The Bank of England's approach to stress testing the UK banking system**

[11] **The Bank of England's system-wide exploratory scenario final report**

The Record of the FPC's policy meeting will continue to reflect the deliberations of the Committee in reaching a consensus to ensure that its decision making is transparent and accountable. As set out in the Record of the Committee's March 2015 meeting, this will include the range of views expressed in the FPC's regular briefing and issues meetings ahead of its policy meetings, in the event that these played a role in the forming of a consensus. Where a consensus cannot be reached, the results of any vote, including individual members' votes and the balance of arguments, will be set out in the Record of the meeting; and members will be free to explain their vote subsequently. In such circumstances, the Committee will seek to ensure that its communications avoid uncertainty.

As set out in the Record of the Committee's November 2015 meeting, while the legislation requires the Chair of a meeting of the Committee to seek decisions of the Committee to be reached by consensus wherever possible, the discrete nature of the decision on the countercyclical capital buffer (CCyB) may not always lend itself to a consensus-based process. The legislation allows the Committee to vote on the setting of the CCyB when the Chair forms the opinion that consensus cannot be reached. As agreed at that meeting, the Committee will be flexible in its approach to deciding how to set the buffer.

v. Recommendations as to engagement with financial sector participants

The FPC will continue to fulfil its statutory responsibilities in an open and collaborative fashion, seeking the views of industry participants, academics, other regulators and the public, as appropriate, to supplement its own expertise, and will further develop structures to do so.

When it consults publicly, the FPC will generally endeavour to continue to align the length of the consultation to the context, complexity and impact of its proposals.

There may be cases where urgent action is required in order to protect and enhance the stability of the UK financial system - either directly or because implementation of the policy with a lag could bring about precisely the action that the Committee was seeking to avoid. In such cases, it may be appropriate for the Committee to act without, or with abbreviated, consultation.