Bank of England

Record of the Financial Policy Committee meeting on 15 November 2024

29 November 2024

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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 His 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 a committee of the Bank of England.

The FPC's next meeting will be on 4 April 2025 and the record of that meeting will be published on 9 April 2025.

Record of the Financial Policy Committee meeting on 15 November 2024

Headline judgements and policy actions

- **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.** As the UK is an open economy with a large financial sector, these risks are particularly relevant to UK financial stability.
- **Valuations across several asset classes have risen further, leaving risk premia even closer to historical lows despite the challenges facing the global risk environment.** Vulnerabilities in market-based finance could amplify price corrections resulting from any crystallisation of these risks, potentially affecting the availability and cost of credit in the UK. It remains important to continue to make progress on the development and implementation of international standards for the whole financial sector, alongside using new surveillance tools such as the system-wide exploratory scenario.
- **UK household and corporate borrowers are likely to remain resilient in aggregate.**
- **The UK banking system is in a strong position to support households and businesses, even if economic, financial and business conditions were to be substantially worse than expected, as demonstrated by the results of the 2024 desk-based stress test.** The FPC is maintaining the UK countercyclical capital buffer rate at its neutral setting of 2%.
- **Under the guidance of the FPC and PRC, the Bank has updated its approach to stress testing the UK banking system. As part of that, it 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 and the Bank, and create space to assess and address a wider range of risks in an evolving risk environment, while preserving predictability through biennial capital stress tests for the purposes of informing individual banks' capital buffers. The next bank capital stress test will be run in 2025.
- **The Bank has published the conclusions of its system-wide exploratory scenario (SWES).** This first-of-its kind exercise has improved the FPC's understanding of the behaviours of banks and non-bank financial institutions during stressed financial market conditions in core UK markets, and revealed a number of mismatches in expectations among market participants. The headline results illustrate that actions taken by authorities and market participants following recent stresses have helped to increase gilt market resilience. They also highlight a number of remaining risks and vulnerabilities, including the importance of the resilience of the repo and the corporate bond markets. **It is important for all financial market participants to factor in system-wide dynamics and the lessons from the SWES exercise into their internal risk management and stress testing.**

- **The rapid growth in the global private equity (PE) sector, which plays a significant role in financing UK businesses, has been accompanied by the acquisition of insurance liabilities as a low-cost source of long-dated funding for lending activities.** This business model, which is established in the US and growing elsewhere involves the acquisition of insurance companies, including reinsurance companies that offer funded reinsurance (FundedRe). Complexity and lack of transparency in these arrangements mean they have the potential to increase the fragility of parts of the global insurance sector and to pose systemic risks if the underlying vulnerabilities are not addressed. **The FPC supports the regulatory actions taken by the PRA to mitigate risks to UK life insurers from FundedRe, and international work to address the build-up of these risks more broadly**.

At the FPC's meeting on 15 November, the Committee also:

- Welcomed the publication of **the Bank's third public supervisory stress test of UK central counterparties**.
- Welcomed the publication of **the UK regulators' final policy and rules for critical third parties (CTPs), as well as information on how the regulators will approach CTP oversight.**
- Welcomed the **FCA's policy statement on improving transparency for bond and derivatives markets,** and judged that the transparency regime would support UK financial stability.
- Reviewed the **current thresholds for other systemically important institutions (O-SII) buffer rates** and decided it would consult on a proposal to index the thresholds based on the growth in nominal GDP since the Committee last updated the thresholds in 2019. The FPC proposed to assess the thresholds as part of its future regular reviews of the framework, and to update them in line with nominal GDP growth, where appropriate.
- Considered developments in the macroeconomy and the mortgage market in the context of **the FPC's loan to income (LTI) flow limit recommendation**. The FPC recommended to the PRA and FCA to index the de minimis threshold of the flow limit based on the growth in nominal GDP since 2014. This change would mean the LTI flow limit would only apply to lenders who extend residential mortgages above £150 million per annum, rather than £100 million.
- Agreed to publish further detail on **the Committee's approach to evaluating the impacts of climate change on financial stability** in the November FSR.
- **Received a Remit letter from the Chancellor setting out the economic policy of His Majesty's Government and Treasury's Recommendations under Sections 9D-9E of the Bank of England Act 1998.** The FPC noted the strong emphasis on economic growth, and agreed to publish its response in due course.

Record of the Financial Policy Committee meeting on 15 November 2024

1. 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 it is able to absorb rather than amplify shocks, and serve UK households and businesses, thus supporting stability and growth in the UK economy.

2. The Committee met on 15 November 2024 to agree its view on the outlook for UK financial stability. The FPC discussed the risks faced by the UK financial system and assessed the resilience of the system to those risks. On that basis, the Committee agreed its intended policy actions.

The overall risk environment

3. The FPC discussed recent developments in financial markets; global vulnerabilities; UK household and corporate debt vulnerabilities; and the resilience of the UK banking sector and market-based finance. The FPC's judgements for these areas would be set out in the **November Financial Stability Report** (FSR).

Results of the 2024 desk-based stress test of the UK banking system

4. The FPC discussed the results of the 2024 desk-based stress test of the UK banking system, which the Bank had launched in June 2024. A key benefit of a desk-based approach was to allow for banking sector resilience to be tested to more than one adverse macroeconomic scenario. The exercise tested the resilience of the banking system to two hypothetical adverse scenarios that each included a severe but plausible combination of shocks.

5. One of the scenarios featured a global aggregate supply shock with higher-than-expected inflation leading to an increase in interest rates. The other scenario featured a global aggregate demand shock with falling inflation leading to a decline in interest rates. Both scenarios featured a severe fall in economic output and asset prices domestically and globally, along with rises in unemployment.

6. The FPC noted the results of the desk-based stress test, which indicated the UK banking system would have the capacity to continue supporting households and businesses in either scenario.

7. The overall capital drawdown was higher in the global aggregate supply shock scenario relative to the demand shock scenario. This reflected the impact of higher credit impairments in that scenario, predominantly driven by differences in affordability pressures and interest rates.

8. The aggregate results were sensitive to different assumptions regarding scenario severity and behavioural responses. The FPC noted sensitivity analysis suggested that increasing the size of the house price shock could have a non-linear impact on impairments. Separately, sensitivity analysis also indicated that were banks to pass on more than the increase in Bank Rate to depositors in the supply shock scenario, or were interest rates to remain low for longer in the demand shock scenario, it would likely lead to upward pressure on lending spreads, and so affordability, relative to the assumptions embodied in the exercise.

9. Further detail of the results of the test would be published in the November FSR.

The UK countercyclical capital buffer rate decision

10. The FPC discussed its setting of the UK countercyclical capital buffer (CCyB) rate. The Committee reiterated that its principal aim in setting the CCyB rate was to help ensure that the UK banking system was better able to absorb shocks without an unwarranted restriction in essential services, such as the supply of credit, to the UK real economy. Setting the UK CCyB rate enables the FPC to adjust the capital requirements of the UK banking system to the changing scale of risk of losses on banks' UK exposures over the course of the financial cycle. The approach therefore includes an assessment of both financial vulnerabilities and banks' capacity to absorb losses on their UK exposures, including the potential impact of shocks.

11. In considering the appropriate setting of the UK CCyB rate, the FPC discussed its judgements around underlying vulnerabilities that could amplify economic shocks. Since the FPC's Q3 meeting, the outlook for UK growth was a little stronger, but significant financial market and global vulnerabilities remained. However, those indicators directly relevant to banks' UK exposures, including household debt-to-income, corporate gross debt to earnings and domestic credit growth, continued to be around or below long-term averages. There were some further indications of easing credit conditions over the past quarter. The FPC judged that, overall, credit conditions continued to reflect the macroeconomic outlook.

12. The FPC observed that UK banks' resilience to these risks continued to be supported by strong asset quality and strong capital positions. The results of this year's desk-based stress test further suggested that the UK banking system could continue to support households and businesses even if economic, financial and business conditions turned out to be substantively worse than expected. The Committee noted that the greater level of UK impairments in the supply shock scenario implied that a higher CCyB rate would be required to absorb the set of shocks in this scenario relative to the demand shock scenario.

13. In view of these considerations, the FPC decided to maintain the UK CCyB rate at 2%. Maintaining a neutral setting of the UK CCyB rate in the region of 2% would help to ensure that banks continued to have capacity to absorb unexpected future shocks without restricting lending in a counterproductive way.

14. The FPC recognised the continued uncertain environment and reiterated that it would continue to monitor the situation closely. The FPC stood ready to vary the UK CCyB rate in either direction in line with the evolution of economic and financial conditions, underlying vulnerabilities, and the overall risk environment. The Committee would continue to use the Bank's stress tests to help assess the potential impact of any build up in risks on the ability of banks to continue lending to UK households and businesses.

The Bank of England's approach to stress testing the UK banking system

15. Under the guidance of the FPC and PRC, the Bank had produced an updated '**Approach to Stress Testing the UK banking system'**, which would be published alongside the November FSR. The approach was designed to support the objectives of the FPC and the PRA in an effective and proportionate way. It would have three key components.

16. First, the Bank expected to carry out every other year a bank capital stress test in which banks participate. Such an exercise would be a test of risks related to the financial cycle in which the largest and most systemic UK banks participated, and would be used to inform the setting of capital buffers for the banking system and individual banks. The results of the stress test would be informed by both participating banks' submissions of the impact of the stress scenario and the Bank's own estimates. The FPC welcomed the decision to run such an exercise in 2025. As previously announced in the **2023 Q3 Record**, the cohort of participants in the 2025 test will not be expanded beyond the cohort that was included in the 2022/23 annual cyclical scenario.

17. The new approach included a reduced frequency for full cyclical stress tests with bank participation compared to the annual cyclical scenario tests that were used for similar purposes under the previous approach set out in 2015. Reflecting the build-up of bank capital since the global financial crisis, the changing nature of risks the banking sector faces, and the need to be proportionate in pursuit of the FPC and PRC's objectives, in updating its approach the Bank had judged that it could now better support those objectives by undertaking a full bank capital-setting exercise in which banks participate every other year instead of annually.

18. This change represented a material efficiency gain in the Bank's overall approach to stress testing, ensuring the burden placed on participating banks was proportionate and supported the UK banking sector's competitiveness and growth. It also created space to assess and address a wider range of risks to help respond to an evolving risk environment, while preserving predictability for the purposes of informing the setting of individual banks' capital buffers.

19. Participation in such a bank capital stress test would be based on an assessment of a bank's share of lending to the UK real economy, other measures of its systemic importance, and the test's overall coverage of the banking sector's lending to the UK real economy. The

Bank would give notice of at least 12 months to any new bank it decided to include in this exercise to ensure that it had sufficient time to prepare for its participation.

20. The FPC welcomed the Bank's intentions to deliver insights into non-systemic banks by utilising existing stress testing and supervisory assessment tools for these banks. The Bank would also continue to gain reassurance on the resilience of UK-based branches and investment bank subsidiaries of foreign banks through engagement with the home supervisory authorities.

21. Second, in the intervening years the Bank expected to use stress testing approaches when appropriate to supplement its assessment of the resilience of the banking system to risks related to the financial cycle. This would be done in a way that is less burdensome for banks, for example through desk-based stress tests or targeted exercises.

22. Third, the Bank would continue to use exploratory exercises as a means of assessing other risks, including structural and emerging risks that are not closely linked to the financial cycle. Participation in these exercises would depend on the relevance of banks' business models to the scenario, and whether it is proportionate for those banks. As it has done with such tests in the past, when deciding on the timing of these exercises the Bank would take into account the risk environment and sequencing and timing of other stress test exercises. The Bank would also engage with relevant firms, to ensure appropriate notice is provided to allow time to prepare for participation, and will ensure the volume and complexity of submissions is proportionate.

Results of the system-wide exploratory scenario

23. The FPC welcomed the publication of the **conclusions of the Bank's system wide exploratory scenario** (SWES) exercise. The SWES was a first-of-its-kind exercise to explore how the UK financial system as a whole would respond to a market shock. The FPC noted that the SWES had improved its understanding of the behaviours of banks and non-bank financial institutions (NBFIs) during stressed financial market conditions, and how those behaviours interact to affect financial markets that were core to UK financial stability. The FPC discussed and noted the key conclusions of the report.

24. The FPC noted that repo market resilience was central to supporting core markets in stress. The SWES illustrated that during a market stress banks were unlikely to provide all of the additional repo financing despite their willingness to draw on central bank facilities. The FPC welcomed further work to consider how to increase repo market resilience, such as on market structure and considering the costs and benefits of greater use of central clearing or of minimum haircuts on gilt repo.

25. The FPC noted that the SWES illustrated how actions taken by authorities and market participants following recent stresses had helped to improve gilt market resilience. Nonetheless, the exercise highlighted how outcomes in the gilt market were very sensitive to

initial conditions, the nature of the shock and outcomes in other markets – most importantly, repo financing markets and the rates derivatives market. The FPC welcomed further work to deepen understanding of, and mitigate risks from, other vulnerabilities highlighted by this exercise, and noted the importance of work already underway to improve the resilience of MMFs given their role as a source of liquidity.

26. The SWES also illustrated how rapid and correlated sales of sterling corporate bonds could amplify an initial shock and impact the functioning of this market, and potentially the ability of corporates to access these markets for either new or refinanced borrowing. Similar issues could arise in other markets used by pension funds for short term liquidity purposes, such as sterling asset backed securities. The FPC welcomed The Pensions Regulator taking forward work to assess the risk of such sales across a wider group of pension funds and, if warranted by this work, considering how guidance or the dissemination of data on collective pension fund liquidity actions could reduce these risks. The FPC noted again its Recommendation that The Pensions Regulator should have a remit to take into account financial stability considerations on a continuing basis.

27. The FPC noted that system-wide stress testing has proved to be an effective tool for improving the understanding of system-level vulnerabilities for the Bank and participating firms. The FPC noted how the exercise had identified many instances where market participants did not correctly anticipate counterparties' likely actions and relevant system-wide dynamics during a stress; for example, some NBFIs did not receive all the repo financing they demanded. The FPC welcomed the Bank's commitment, alongside the FCA, to continue to invest in their capabilities in this area for surveillance and risk assessment, and to update these findings periodically through continued close engagement with market participants in a way that is less resource intensive for firms, as the financial system and risk-taking evolves.

28. The FPC noted that it was important for all financial market participants to factor in system-wide dynamics and the lessons from the SWES exercise into their internal risk management and stress testing. The FPC also noted that there would be several potential benefits to the broader international regulatory community and financial sector of running such system-wide exercises.

Results from the 2024 stress test of UK central counterparties

29. The FPC welcomed the publication of the Bank's third public supervisory **stress test of UK Central Counterparties** (CCPs), which assessed the resilience of UK CCPs in order to inform the Bank's supervisory and policy agenda.

30. The FPC noted that the results of the stress test found that UK CCPs were resilient to a stress scenario similar to the worst-ever historical stresses, combined with the default of their two largest members. When considering alternative scenarios and the cost of liquidating

highly concentrated positions, this exploratory exercise identified some potential pockets of vulnerability that the Bank would investigate further with relevant CCPs as part of its continuing supervision and report back to the Financial Market Infrastructure Committee.

Critical third parties to the UK financial sector

31. The FPC recognised the need for a robust yet proportionate framework to manage the risks that critical third parties (CTPs) may pose to financial stability and market confidence. In this light, the FPC welcomed the publication of the **regulators' final policy and rules for CTPs**, as well as information on how the regulators will approach CTP oversight. This followed extensive industry engagement and collaboration among the regulators.

32. The regulators' final policy for oversight of CTPs, once implemented, would be an important element of the regulators' efforts to strengthen the operational resilience of the UK financial sector. This had been a key area of focus for the FPC since 2017. The policy took into account the FPC's **macroprudential approach to operational resilience** to CTPs. In particular, it set out how disruption to a CTP's services could impact financial stability through the interaction of macro vulnerabilities in the financial system (concentration, interconnectedness, dependence on data) and transmission channels (financial and operational contagion, and/or a loss of confidence). This should help third parties improve their understanding of the overall objective of the CTP regime, and obligations under it. The FPC would monitor the implementation and outcomes of the CTP regime as third parties were designated by HM Treasury and the regulators' rules come into effect, with a focus on the impact of the regime on reducing the systemic risks posed by CTPs.

33. The CTP regime was informed by global standards on operational resilience, and related areas such as cyber, and had been designed to be coherent with similar existing and emerging regimes in other jurisdictions, such as the EU and US. Nevertheless, the FPC considered that international coordination in this increasingly important area could and should be strengthened. This would strengthen the regime and make it more efficient. The FPC encouraged the regulators and HM Treasury to continue to prioritise international coordination, cooperation, and information-sharing (in particular, during cross-border incidents involving CTPs) as the CTP regime is implemented.

Vulnerabilities at the intersection of the private equity and life insurance sectors

34. The FPC discussed the analysis, and agreed its judgements, that would be published in the 'Emerging vulnerabilities at the intersection of the private equity and the life insurance sectors' section of the November FSR.

FCA market transparency Policy Statement

35. The FPC had noted in **March 2024** that there would be value in exploring ways to enhance market intermediation capacity in a stress, without compromising dealer resilience, including through potential changes to market structure.

36. In that context, the FPC welcomed the FCA's **policy statement** on improving transparency for bond and derivatives markets (published on 5 November 2024). The policy statement contained rules to revise the scope and calibration of the transparency framework, as well as proposals to improve information content.

37. The FPC judged that, in addition to advancing the FCA's objectives to enhance market integrity and promote effective competition, the transparency regime could support UK financial stability. The regime would do this by helping to increase both the number of participants and their trading volumes, thereby supporting market liquidity in normal and stressed conditions. Through its proportionate calibration, the regime supported continued liquidity provision by dealers, including in larger sizes, and considered the structure of different markets without introducing unnecessary complexity.

38. The FPC noted that the greater transparency of both price and trade size available under the regime would provide market participants with the tools to manage better the risks they face. An improved ability of market participants to manage liquidity risks, which was first and foremost their responsibility, could reduce the risk of demand for liquidity, including from NBFIs, rising unduly in stress. The FPC noted that it was important for market participants to factor in the data which would be made available through the transparency regime into their liquidity risk management, including in order to better estimate market depth and the cost of unwinding their positions.

2024 O-SII buffer framework review

39. Under UK legislation implementing the Other Systemically Important Institutions (O-SII) buffer, the FPC is required to review the framework used to guide the setting of the O-SII buffer rate at least every second year.

40. The FPC had previously noted in its October 2023 Record that it intended to assess in 2024 whether the current thresholds for the O-SII buffer continued to remain appropriate in the context of the intended aims of the framework.

41. Accordingly, the FPC reviewed the O-SII buffer framework and decided[1] it would consult on a proposal to index the thresholds based on the growth in nominal GDP since 2019, the data used when the FPC last updated the thresholds. Between 2019 and 2023, UK nominal

[1] The FPC agreed this via written procedure in October 2024.

GDP had grown around 20%. The FPC judged that updating the O-SII buffer thresholds by that amount would ensure that the framework operated as intended and without undue tightening.

42. To ensure the framework continued to operate as intended in the future, and to avoid significant one-off increases in the threshold, the FPC proposed to assess the thresholds as part of its regular reviews of the framework, and to update them in line with nominal GDP growth, where appropriate. If avoiding significant one-off increases in the future required such reviews to be brought forward, the FPC could still consider doing so.

43. A more detailed proposal would be set out in an FPC consultation paper in 2025 Q1.

Calibration of the FPC's recommendation on the loan to income flow limit

44. The FPC considered developments in the macroeconomy and the mortgage market in the context of its loan to income (LTI) flow limit. The LTI flow limit was an FPC recommendation to the PRA and the FCA that they should ensure that mortgage lenders do not extend more than 15% of their total number of new residential mortgages at LTI ratios at or greater than 4.5. This recommendation applied to all lenders which extend residential mortgage lending in excess of £100 million per annum (the de minimis threshold).

45. The FPC judged that the LTI flow limit, in combination with the FCA's responsible lending requirements, continued to ensure the appropriate level of resilience. The FPC judged that in the current environment, and under a range of long-run scenarios, the LTI flow limit continued to guard against a material and unsustainable increase in household indebtedness and the share of highly indebted households.

46. The FPC considered the LTI flow limit de minimis threshold and decided to recommend to the PRA and FCA to index the threshold based on the growth in nominal GDP since 2014. Accordingly, the FPC has revoked the 2014 recommendation and issued a new recommendation to the PRA and FCA on the same terms as the 2014 recommendation, increasing the de minimis threshold so that lenders which extend residential mortgages of less than £150 million per annum would be exempt from the LTI flow limit. The FPC had considered its general duties in reaching this decision. The implementation date of this change would be set by FCA and PRA consultation processes. The FPC proposed to review this threshold regularly to ensure it continued to operate as intended.

47. The proposed update, and the update to the O-SII buffer threshold described above, were consistent with the broader approach to indexing regulatory thresholds within the Bank and PRA, as noted in the speech **Competing for Growth** by the Deputy Governor for Prudential Regulation, Sam Woods.

Financial risks from climate change

48. The FPC agreed to include an update on its approach to evaluating the impacts of climate change on financial stability in the November FSR.

The FPC's remit response

49. The FPC had received a Remit letter from the Chancellor on 14 November 2024 setting out the economic policy of His Majesty's Government and Treasury's Recommendations under Sections 9D-9E of the Bank of England Act 1998. The FPC also noted the remit letters that the PRC and FCA had received. The FPC noted the strong emphasis on economic growth, and specifically the government's new economic policy objective to 'restore broad-based and resilient growth built on strong and secure foundations', as well as the request for the FPC to assess and identify areas where there was potential to increase the ability of the financial system to contribute to sustainable economic growth without undermining financial stability. The FPC agreed to publish its response to the Remit letter in due course.

The following members of the Committee were present at the 15 November 2024 Policy meeting:

Andrew Bailey, Governor

Nathanaël Benjamin

Colette Bowe

Sarah Breeden

Jon Hall

Randall Kroszner

Clare Lombardelli

Liz Oakes

Dave Ramsden

Nikhil Rathi

Carolyn Wilkins

Sam Woods

Gwyneth Nurse attended as the Treasury member in a non-voting capacity.

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

- Jon Hall reminded the Committee that he had previously declared a shareholding in Amazon. He had subsequently fully divested this shareholding, having sought the Bank's advance approval to do so in line with the Bank's personal financial transactions policy. On that basis the Committee affirmed that Jon Hall could participate in discussions about the critical third party regime.
- Jon Hall had notified the Committee of his shareholding at Guardtime (a blockchain based information security provider). It was agreed that he would recuse himself from discussions on cryptoassets, including stablecoins, and that he would not receive the related papers.
- Carolyn Wilkins had notified the Committee of her Non-Executive Directorship of Intact Financial Corporation (including holding company of Royal Sun Alliance Group). It was agreed that she would recuse herself from non-public information on general insurance and that she would not receive the related papers.

Annex 1: Financial Policy Committee policy decisions

Outstanding FPC Recommendations and Directions (as at the date of the FPC's meeting on 15 November 2024)

On 23 March 2023, the FPC made the recommendation (23/Q1/2) that:

- The Pensions Regulator (TPR) should have the remit to take into account financial stability considerations on a continuing basis. This might be achieved, for example, by including a requirement to have regard to financial stability in its objectives, which should be given equal weight alongside other factors to which TPR is required to have regard. The FPC noted that in order to achieve this, TPR would need appropriate capacity and capability.

On 15 November 2024, the FPC made the recommendation (24/Q4/1) that:

- The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) should ensure that mortgage lenders do not extend more than 15% of their total number of new residential mortgages at loan to income ratios at or greater than 4.5. This Recommendation applies to all lenders which extend residential mortgage lending in excess of £150 million per annum. The Recommendation should be implemented as soon as is practicable.

FPC Recommendations withdrawn since the 19 September 2024 Policy meeting

In June 2014, the FPC made the following Recommendation (14/Q2/2): The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) should ensure that mortgage lenders do not extend more than 15% of their total number of new residential mortgages at loan to income ratios at or greater than 4.5. This Recommendation applies to all lenders which extend residential mortgage lending in excess of £100 million per annum. The Recommendation should be implemented as soon as is practicable.

On 15 November 2024, the FPC updated the de minimis threshold contained in this recommendation from £100m to £150m. The updated recommendation (24/Q4/1) is detailed in full above.

Other FPC policy decisions which remain in place

The following text sets out previous FPC decisions, which remain in force, on the setting of its policy tools. The calibration of these tools is kept under review.

Countercyclical capital buffer rate

The FPC agreed to maintain the UK CCyB rate at 2% on 15 November 2024, unchanged from its 19 September 2024 meeting. This rate is reviewed on a quarterly basis. The UK has also reciprocated a number of foreign CCyB rate decisions – for more details see the Bank of England **website**. Under PRA rules, foreign CCyB rates applying from 2016 onwards will be automatically reciprocated up to 2.5%.

Leverage Ratio

In September 2021, the FPC finalised its review of the UK leverage ratio framework, and issued a Direction and Recommendation to implement the outcome of the review as set out in its **October 2021 Record**.

In October 2022, in line with its statutory obligations, the FPC completed its annual review of its Direction to PRA. The FPC revoked its existing Direction to the PRA in relation to the leverage ratio regime, and issued a new Direction on the same terms as in September 2021 with the addition of discretion for the PRA to set additional conditions to the central bank reserves exclusion.

The full text of the FPC's Direction to the PRA on the leverage ratio is set out in the Annex of the **October 2022 Record**, together with the original Recommendation (now implemented).

The PRA has published its **approach** to implementing this Direction and Recommendation.