



Bank of England Act 1998

1998 CHAPTER 11

[^{F1}PART 1A

FINANCIAL STABILITY

[^{F1}Financial Policy Committee of the Bank

Textual Amendments

- F1** Pt. 1A inserted (24.1.2013 for the insertion of ss. 9I(2), 9L, 9N for specified purposes and for the insertion of s. 9ZA, 19.2.2013 for the insertion of s. 9B for specified purposes, 1.4.2013 in so far as not already in force) by [Financial Services Act 2012 \(c. 21\), ss. 4\(1\), 122\(3\)](#) (with [Sch. 20](#)); [S.I. 2013/113, art. 2\(1\)\(b\)\(c\)\(2\), Sch. Pts. 2, 3, 4](#); [S.I. 2013/423, art. 3, Sch.](#)

9B Financial Policy Committee

- (1) There is to be a [^{F2} committee] of the Bank (the “ Financial Policy Committee ”) consisting of—
- (a) the Governor of the Bank,
 - [^{F3}(b) the Deputy Governor for financial stability,
 - (ba) the Deputy Governor for markets and banking,
 - (bb) the Deputy Governor for monetary policy,
 - (bc) the Deputy Governor for prudential regulation,]
 - (c) the Chief Executive of the FCA,
 - (d) one member appointed by the Governor of the Bank after consultation with the Chancellor of the Exchequer,
 - (e) [^{F4}5] members appointed by the Chancellor of the Exchequer, and
 - (f) a representative of the Treasury.
- (2) The member appointed under subsection (1)(d) is to be a person who has executive responsibility within the Bank for the analysis of threats to financial stability.

Changes to legislation: Bank of England Act 1998, Cross Heading: Financial Policy Committee of the Bank is up to date with all changes known to be in force on or before 15 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (3) Before appointing a person under subsection (1)(e), the Chancellor of the Exchequer must—
- (a) be satisfied that the person has knowledge or experience which is likely to be relevant to the Committee's functions, and
 - (b) consider whether the person has any financial or other interests that could substantially affect the functions as member that it would be proper for the person to discharge.
- (4) The [^{F5}court of directors of the Bank] must keep the procedures followed by the Financial Policy Committee under review.
- (5) Schedule 2A has effect with respect to the Financial Policy Committee.

Textual Amendments

- F2** Word in s. 9B(1) substituted (6.7.2016) by [Bank of England and Financial Services Act 2016 \(c. 14\), ss. 6\(2\), 41\(3\)](#) (with [Sch. 3](#)); [S.I. 2016/627, reg. 2\(1\)\(g\)](#)
- F3** Ss. 9B(1)(b)-(bc) substituted for s. 9B(1)(b) (6.7.2016) by [Bank of England and Financial Services Act 2016 \(c. 14\), ss. 6\(3\), 41\(3\)](#) (with [Sch. 3](#)); [S.I. 2016/627, reg. 2\(1\)\(g\)](#)
- F4** Word in s. 9B(1)(e) substituted (6.7.2016) by [Bank of England and Financial Services Act 2016 \(c. 14\), ss. 6\(4\), 41\(3\)](#) (with [Sch. 3](#)); [S.I. 2016/627, reg. 2\(1\)\(g\)](#)
- F5** Words in s. 9B(4) substituted (6.7.2016) by [Bank of England and Financial Services Act 2016 \(c. 14\), s. 41\(3\), Sch. 2 para. 11](#) (with [Sch. 3](#)); [S.I. 2016/627, reg. 2\(2\)\(e\)](#)

9C Objectives of the Financial Policy Committee

- (1) The Financial Policy Committee is to exercise its functions with a view to—
- (a) contributing to the achievement by the Bank of the Financial Stability Objective, and
 - (b) subject to that, supporting the economic policy of Her Majesty's Government, including its objectives for growth and employment.
- (2) The responsibility of the Committee in relation to the achievement by the Bank of 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.
- (3) Those systemic risks include, in particular—
- (a) systemic risks attributable to structural features of financial markets, such as connections between financial institutions,
 - (b) systemic risks attributable to the distribution of risk within the financial sector, and
 - (c) unsustainable levels of leverage, debt or credit growth.
- (4) Subsections (1)(a) and (2) do not require or authorise the Committee to exercise its functions in a way that would in its opinion be likely to have a significant adverse effect on the capacity of the financial sector to contribute to the growth of the UK economy in the medium or long term.
- (5) In this Part “systemic risk” means a risk to the stability of the UK financial system as a whole or of a significant part of that system.

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(6) For the purposes of subsection (5) it is immaterial whether the risk arises in the United Kingdom or elsewhere.

(7) In subsection (3)(c)—

“ credit growth ” means the growth in lending by the financial sector to individuals in the United Kingdom and businesses carried on in the United Kingdom;

“ debt ” means debt owed to the financial sector by individuals in the United Kingdom and businesses carried on in the United Kingdom;

“ leverage ” means the leverage of the financial sector in the United Kingdom.

9D Specification of matters relevant to economic policy

(1) The Treasury may by notice in writing to the Financial Policy Committee specify for the purposes of section 9C(1)(b) what the economic policy of Her Majesty's Government is to be taken to be.

(2) The Treasury must specify under subsection (1) the matter mentioned there—

(a) before the end of the period of 30 days beginning with the day on which section 9C comes into force, and

(b) at least once in every calendar year following that in which the first notice under that subsection is given.

(3) Where the Treasury give notice under this section they must—

(a) publish the notice in such manner as they think fit, and

(b) lay a copy of it before Parliament.

9E Recommendations by Treasury

(1) The Treasury may at any time by notice in writing to the Financial Policy Committee make recommendations to the Committee about—

(a) matters that the Committee should regard as relevant to the Committee's understanding of the Bank's Financial Stability Objective;

(b) the responsibility of the Committee in relation to the achievement of that objective;

(c) the responsibility of the Committee in relation to support for the economic policy of Her Majesty's Government, including its objectives for growth and employment;

(d) matters to which the Committee should have regard in exercising its functions.

(2) The Treasury must make recommendations under subsection (1)(a) or (b) (“recommendations about the objective”)—

(a) before the end of the period of 30 days beginning with the day on which this section comes into force, and

(b) at least once in every calendar year following that in which the first recommendations about the objective are made.

(3) The Committee must respond to any recommendations made to it under subsection (1) by notifying the Treasury, in relation to each recommendation, of one or more of the following—

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- (a) action that the Committee has taken in accordance with the recommendation;
 - (b) if or to the extent that the recommendation does not relate to immediate action, the Committee's intention to act in accordance with it;
 - (c) whether or not the recommendation relates to immediate action, the Committee's reasons for not intending to act in accordance with it.
- (4) Notification under subsection (3) must be given or confirmed in writing.
- (5) The Treasury must—
- (a) publish in such manner as they think fit any notice given under subsection (1) or notification received under subsection (3), and
 - (b) lay a copy of it before Parliament.

9F Other general duties

- (1) In the exercise of its functions, other than its functions under section 9A(2) or (3), the Financial Policy Committee must have regard to the Bank's financial stability strategy.
- (2) In working with the FCA or the PRA or exercising functions in relation to either of them, the Committee must, so far as it is possible to do so while complying with section 9C(1), seek to avoid exercising the Committee's functions in a way that would prejudice—
- (a) the advancement by the FCA of any of its operational objectives, or
 - (b) the advancement by the PRA of any of its objectives.
- (3) In the exercise of its functions, the Committee must also have regard to—
- (a) the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction;
 - (b) the contribution to the achievement by the Bank of the Financial Stability Objective that the Committee can make by disclosing its views about possible systemic risks or disclosing other information about possible systemic risks;
 - (c) the international obligations of the United Kingdom, particularly where relevant to the exercise of the powers of the Committee in relation to the FCA or the PRA.

9G Functions of the Financial Policy Committee

- (1) The functions of the Financial Policy Committee are—
- (a) monitoring the stability of the UK financial system with a view to identifying and assessing systemic risks;
 - (b) giving directions under section 9H;
 - (c) making recommendations under sections 9O to 9R;
 - (d) preparing financial stability reports under section 9W.
- (2) The court of directors may, with the consent of the Treasury, arrange for specified functions of the Bank to be discharged by the Financial Policy Committee.]

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 9Y(4)(a) word omitted by [2016 c. 14 Sch. 2 para. 13\(4\)\(a\)](#)
- s. 9Y(4)(b) omitted by [2016 c. 14 Sch. 2 para. 13\(4\)\(b\)](#)
- s. 41(4) repealed by [2007 c. 29 Sch. 23](#)