



BANK OF ENGLAND

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HMT Treasury
1 Horse Guards Road
London
SW1A 2HQ

Andrew Bailey
Governor

13 July 2021

Dear Rishi,

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 3 March 2021.

The FPC welcomes the remit and recommendations letter ("remit letter") sent on 3 March 2021. The FPC's response to the recommendations made to the Committee can be found in this letter and the Annex.

Consistent with its remit, the FPC has taken action to respond to the financial stability risks associated with the economic disruption resulting from Covid-19 (Covid). This included maintaining the UK countercyclical capital buffer (CCyB) rate at 0% of banks' exposures to UK borrowers since 9 March 2020.

The UK financial system has provided support to households and businesses to weather the economic disruption from the Covid pandemic, reflecting the resilience that has been built up since the global financial crisis, and the exceptional policy responses of the UK authorities.

In recent months, the rapid rollout of the UK's vaccination programme has led to an improvement in the UK economic outlook. But risks to the recovery remain.

Households and businesses are likely to need continuing support from the financial system as the economy recovers and the Government's support measures unwind over the coming months.

Based on its monitoring of bank resilience, the FPC judges that the UK banking system has the capacity to provide that support. The banking sector remains resilient to outcomes for the economy that are much more severe than the Monetary Policy Committee's central forecast. This judgement is supported by the interim results of the 2021 solvency stress test.

The FPC will continue to monitor closely the credit conditions faced by UK households and businesses and the functioning of the UK financial system and stands ready to take any further actions deemed appropriate to support UK financial stability.

Building back better

The Committee attaches great importance to its secondary objective of supporting the Government's economic policy, and will continue to have regard to the impact of its policies on the Government's economic objectives, the Government's strategy for achieving these objectives, and the recommendations set out in the remit letter. The Committee welcomes the recommendations set out in the remit letter and will use its regular communications, including the Financial Stability Report (FSR), to explain how its actions are contributing to the achievement of its secondary objective and how it interacts with its financial stability objective.

As part of its work on the secondary objective, the FPC will continue to consider how the UK financial system might best be able to intermediate the supply of finance for productive investment. As highlighted in recent FSRs, investments that are longer-term, less liquid and more equity-like require particular attention in the UK at present and will likely be more important post-pandemic. Removing impediments to businesses' access would allow these forms of finance to better support economic growth and financial stability.

The FPC continues to develop its work programme in three areas: i) the barriers to investment into long-term less liquid assets; ii) incentives for insurers to invest in longer-term and illiquid instruments as part of the Solvency II Review; and iii) widening the ability for investment funds to invest in long-term assets by seeking ways to reduce the liquidity mismatch in open-ended funds, and ensuring the risk structures and regulation are in place for investors to access a variety of illiquid asset classes. Across these three areas, the FPC is working closely with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Consistent with the Chancellor's ambition to see the establishment of the UK's first Long-Term Asset Fund (LTAF) in 2021, the Bank, the FCA and HMT have convened an industry-led Working Group on Productive Finance. The Working Group's priority is to facilitate the creation of the LTAF and, more generally, to identify practical solutions to the barriers to investment in longer-term and less liquid assets. The Working Group's output will be a proposed roadmap, timetable and set of actions for the private and official sectors to take forward.

The Committee notes a range of factors will play a role in supporting productive investment in the UK – such as investors' expected return relative to the risk undertaken, tax treatment, investors' expertise, and even the national savings rate.

A new chapter for financial services

The Committee welcomes the Chancellor's commitment to the effective regulation of financial services as the sector enters a new chapter in its history.

Consistent with this, the FPC will remain committed to the implementation of robust prudential standards in the UK. This will require maintaining a level of resilience that is at least as great as that currently planned, which itself exceeds that required by international standards. Robust standards will allow the financial system to act as a source of strength for the economy in its recovery from Covid and beyond.

Further, the Committee considers that the UK's reputation for strong standards, independent regulation and financial stability has been and will remain a crucial component of its attractiveness to internationally active financial institutions.

The Committee expects that new and deeper financial services relationships will be characterised by the concept of 'safe openness', that is: based upon robust regulatory frameworks, regulatory and supervisory cooperation and a commitment to common international standards.

The Committee will take note of the findings of the International Monetary Fund's Financial Sector Assessment Program (FSAP) review of the UK's financial sector. The FSAP will provide a robust independent assessment of standards in the UK.

The Committee also observes that the successful transition to a 'future regulatory framework'¹ will mark an important milestone in this new chapter for financial services and should enhance the Committee's ability to advance its primary and secondary objectives. This is an opportunity to tailor the UK's approach to financial services policy and regulation to ensure that standards are both strong and proportionate.

The Committee will, where necessary, make Recommendations to HMT regarding gaps in the regulatory perimeter in order to protect financial stability, while providing certainty for regulators and innovators, and ensuring that innovation can take place in the UK with confidence.

Climate change

The Committee continues to regard the risks from climate change as relevant to its primary objective. In order to better assess these risks, the FPC and Prudential Regulation Committee (PRC) launched a climate change-focused Biennial Exploratory Scenario (CBES) exercise on 8 June 2021. The CBES is intended to be a learning exercise, for participating banks, insurers and the Bank. It will provide useful information for the FPC on the extent of financial system exposures to risks associated with the transition to a net-zero economy and the potential physical effects of climate change (e.g. rises in sea-levels and more frequent severe weather events). It will also help the Committee assess the current state of climate-related risk management capabilities across the financial sector and understand how participating UK banks and insurers might seek to adapt their business models in the face of different climate scenarios.

¹ The conclusion of the process initiated through HM Treasury's [Financial Services Future Regulatory Framework Review: Phase II Consultation](#)

The Committee also continues to support, through its secondary objective, the Government's Green Finance Strategy as part of the Government's economic policy. In particular, the FPC's work to support investment in productive finance can support sustainable investment in areas such as renewable energy infrastructure and green technologies.

Furthermore, the Committee will explore the potential relevance of other environmental risks to its primary objective. This work will consider whether environmental risks beyond those related directly to climate change can create financial risks that, left unaddressed, could pose a threat to UK financial stability. It will also take into account evidence from existing literature such as The Dasgupta Review².

Yours sincerely,

A handwritten signature in black ink that reads "Andrew Bailey". The signature is written in a cursive style with a small dot above the 'i' in Bailey.

² See [‘The Economics of Biodiversity: The Dasgupta Review’](#)

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

On 3 March 2021, 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 achieve strong, sustainable and balanced growth, with price and financial stability being essential pre-requisites to achieve this objective in all regions and sectors of the UK economy.

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 it should consider all parts of the UK financial system, prioritising as appropriate, and that it should consider all types of risks to the stability of the UK financial system as a whole or a significant part of that system, including financial and non-financial (such as cyber and operational) risk, prioritising as appropriate. The Committee agrees that the purpose of preserving stability is to contribute to avoiding serious interruptions in the vital functions which the financial system as a whole 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.

Risks from the non-bank financial sector

The FPC will publish an update on its market-based finance agenda in the summer 2021 Financial Stability Report (FSR). This follows publication of the FPC's preliminary findings in the August 2020 FSR, and will also represent the FPC's response to HM Treasury's recommendation in 2020 to publish a more detailed assessment of the oversight and mitigation of systemic risks from the non-bank financial sector. The FPC will incorporate the findings of the ongoing work at the Financial Stability Board (FSB) into its assessment.

The Committee recognises that given the global nature of financial markets, work to assess and ensure the resilience of core markets should continue to be co-ordinated internationally. This assessment will help the Bank to support the international efforts to address vulnerabilities in the non-bank financial system.

Risks from climate change

The Committee continues to regard the risks from climate change as relevant to its primary objective. In order to better assess these risks, the FPC and Prudential Regulation Committee (PRC) launched a climate change-focused Biennial Exploratory Scenario exercise (CBES) on 8 June 2021. The CBES is intended to be a learning exercise, for participating banks, insurers and the Bank. It will provide useful information for the FPC on the extent of financial system exposures to risks associated with the transition to a net-zero economy and the potential physical effects of climate change (e.g. rises in sea-levels and more frequent severe weather events). It will also help the Committee assess the current state of climate-related risk management capabilities across the financial sector and understand how participating UK banks and insurers might seek to adapt their business models in the face of different climate scenarios.

The Committee also continues to support, through its secondary objective, the Government's Green Finance Strategy as part of the Government's economic policy. In particular, the FPC's work to support investment in productive finance can support sustainable investment in areas such as renewable energy infrastructure and green technologies.

Furthermore, the Committee will explore the potential relevance of other environmental risks to its primary objective. This work will consider whether environmental risks beyond those related directly to climate change can create financial risks that, left unaddressed, could pose a threat to UK financial stability. It will also take into account evidence from existing literature such as The Dasgupta Review.

Interaction with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in exercising its functions

One of the Committee's powers is to make Recommendations to the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). The Committee recognises that this role entails making Recommendations on general policies and approaches rather than on actions specific to individual firms. The Committee is briefed on the position of individual firms by the PRA and FCA when relevant to financial stability, as is to be expected given the United Kingdom's currently concentrated banking system.

Recently, the Committee has been working closely with the FCA on the Bank and FCA joint review of open-ended investment funds.

The Committee recognises that it could, where appropriate, use its Recommendation powers to steer general policies towards types of firms or risks, including the PRA's strategic approach to large systemically important firms, and will do so where appropriate.

The Committee will continue to work closely with the Prudential Regulation Committee (PRC) to ensure coordination between microprudential and macroprudential policy, so far as it is possible while complying with its objectives. Recently, the Committee coordinated with the PRC on the leverage ratio review.

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

The Committee's primary objective is to exercise its functions with a view to contributing to the achievement by the Bank of the financial stability objective. The Act does 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.

Subject to its primary objective, the Committee has a secondary objective of supporting the Government's economic policy, including its objectives for growth and employment. 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. Recent experience demonstrates that financial stability is a precondition for sustainable economic growth; a stable and 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.

A recent example of this is the FPC's proposed Direction on the leverage ratio. As explained in the consultation paper³, the proposed Direction on the leverage ratio is expected to contribute positively to growth over the medium and long term by increasing the robustness of the regulatory framework in a proportionate way.

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.

The Committee will design carefully its policies in pursuit of its primary objective in ways that, as far as possible, are effective in achieving also its secondary objective. And it will regularly assess its work programme against its secondary objective to consider the extent to which policies in pursuit of its primary objective may also support its secondary objective.

Further, the Committee will routinely assess where it can support the Government's economic objectives, and where it judges that it can do so in a way that will not conflict with its primary objective, the Committee will seek to do so, in a way that is consistent with the recommendations set out in the remit letter.

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

Through discharging its secondary objective - and subject to achieving its primary objective - the FPC will support the Government's economic policy towards the financial services industry.

The FPC will, where practicable in the context of its financial stability objective, consider how its policy actions or decisions might affect the Government's strategy, as set out in the remit letter, in relation to competition and innovation; openness and competitiveness; environmental sustainability and climate change; and housing.

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.

iii. Recommendations regarding facilitating finance for productive investment

The Committee acknowledges that the Government places a high priority on expanding the supply of finance through the cycle to support long-term investment to increase the productive capacity of the economy, across all regions and nations of the UK.

Some of the Committee's policies to date, as well as the establishment of the Productive Finance Working Group⁴, will provide support for these initiatives directly.

The Committee will continue to consider the capacity of the financial sector to supply finance for productive investment when judging whether its actions could 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. It will also have a continued focus on the provision of market-based finance which plays an important role in providing finance to the economy. In addition, the Bank continues to undertake further research related to these issues.

The FPC will look at the effects of its policies cumulatively as they are implemented, to consider whether policies designed in pursuit of its primary objective give rise to unintended, undesirable consequences when considered in aggregate.

Box 4 in the August 2020 FSR set out the FPC's assessment of the supply of finance for productive investment.

³ [Consultations by the FPC and PRA on changes to the UK leverage ratio framework](#), 29 June 2021

⁴ An industry working group established by the Bank of England, HM Treasury and the FCA.

The Committee supports the establishment of the industry-led Working Group on Productive Finance, which is co-chaired by the Bank, the FCA and HMT. The Working Group's priority is to facilitate the creation of the Long-Term Asset Fund (LTAF) and, more generally, to identify practical solutions to the barriers to investment in longer-term and less liquid assets. The Working Group's output will be a proposed roadmap, timetable and set of actions for the private and official sectors to take forward.

The FPC is engaging with aspects of the Solvency II Review relevant to its remit, alongside the PRA. Specifically, it is considering incentives for insurers to invest in longer-term and illiquid instruments without reducing insurers' safety and soundness or policyholder protection.

The Committee is also supportive of the Bank and FCA joint review on open-ended funds (OEFs) liquidity mismatch, and has established that there should be greater consistency between the liquidity of a fund's assets and its redemption terms. The Committee also judged that in addition to enhancing UK financial stability, aligning OEFs' redemptions terms with the liquidity of the assets they hold should promote funds' ability to invest in illiquid investments, helping to increase the supply of productive finance to the economy through the business and financial cycles, in line with the FPC's secondary objective.

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 stable 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.⁵ The FSR published on 6 August 2020 presented the FPC's assessment of the risks to UK financial stability and the resilience of the UK financial system to the economic and market shocks associated with Covid-19, based on the central projection set out in the August 2020 Monetary Policy Report (MPR) (that was also published on the same day). The FPC took into consideration the MPC's forecasts in the November 2020, February 2021 and May 2021 MPRs in its discussions of the macro-economic back-drop. The Committee will continue to explain how it has regard to the stance of monetary policy and the MPC's forecasts.

The Committee recently had regard to the interaction between monetary and macroprudential policy in its consideration of the leverage ratio review - notably by its proposals on continuing to exclude central bank reserves from the calculation of the leverage ratio, and to not re-calibrate the minimum leverage ratio requirement to reflect an increase in reserves since 2016, in order to avoid acting as a barrier to the effective implementation of monetary policy.

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 also have joint discussions where the circumstances warrant it. For example, recently joint meetings have been held on topics of mutual interest such as the economic disruption from Covid-19 and climate change.

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.

⁵ Box 3 of the June 2013 FSR discusses how the FPC has regard to the policy actions of the MPC: <http://www.bankofengland.co.uk/publications/Documents/fsr/2013/fsrfull1306.pdf>.

Staff from the Bank, including the PRA, and the FCA brief the Committee on developments that are relevant to financial stability including, as appropriate, the position of individual financial institutions. The Bank executive will alert the FPC to any public funds notification to the Chancellor that, in its judgment, is relevant to the exercise by the Committee of its responsibilities and functions under the Act. Where the FPC is notified, the Committee's briefing will include an assessment of the implications for systemic stability of the failure or distress of the institution in question given its circumstances.

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 from market-based finance. 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, at least annually, a dedicated discussion 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 this area, 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 is continuing to develop its published indicators, which appear in its policy statements on how it uses its tools, and which it publishes regularly. As it set out in the June 2018 FSR (Box 6), to review and update its core indicators, it will consider the evolution of the financial system, improvements in data availability and quality, and new research. 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 both this analysis and its published indicators.

Annual concurrent stress tests of banking sector resilience are also a key element of the Committee's approach to increasing confidence in the financial system. Annual concurrent stress testing exercises began in 2014 and the first biennial exploratory scenario was completed in 2017. Following the disruption from Covid-19, the Committee, alongside the Prudential Regulation Committee (PRC) cancelled the 2020 annual concurrent stress test to help lenders focus on meeting the needs of UK households and businesses via the continuing provision of credit.

The Committee instead carried out a desktop stress test using the illustrative economic scenario outlined in the May 2020 Monetary Policy Report. The results of this were published in the Interim FSR in May 2020. Later in the year, the Committee carried out a 'reverse stress test' to analyse how much worse than the central projection the economic outcome would need to be in order to deplete regulatory capital buffers by as much as in the 2019 stress test that informed the setting of those buffers. The results of this were published in the FSR in August 2020.

The 2021 solvency stress test will test banks' end-2020 balance sheets to a scenario similar to that generated by the reverse stress test. The Bank has published the aggregate outcomes of this exercise in the summer 2021 FSR and will publish bank-specific results in 2021 Q4. The outcome of the test will be used to update the FPC's judgements about the most appropriate ways in which the banking system can continue to support the economy through the stress.

In addition, the CBES was launched in June 2021.

On the mortgage market, the Committee has committed to periodically review its Recommendations. It currently has a review of the mortgage market Recommendations underway and will report its conclusions later this year.

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 the Schedule 2A) requires the Chair of a meeting of the Committee to seek to ensure that decisions are reached by consensus where possible. 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 and other external experts

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. When deciding whether and how to engage with external experts, the Committee will give careful consideration to whether the publication of a contemplated future policy action could give rise to actions aimed at avoiding future requirements, regulatory arbitrage, or financial sector participants taking other actions that could lead to risks to financial stability.