Financial Stability Report Press Conference

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Faisal Islam, BBC: Great, thank you Governor. Good morning everyone. I just wanted to ask a question about no-deal. Do you, Governor, think that, what is the additional risk to the financial system from leaving European Union transition period with a no-deal? How does that combine with what we've seen from the COVID economic shock and would all sectors really be resilient? Even some of the fundamental changes that we've seen, say in commercial property, is that not a longer term risk?

Andrew Bailey: We've been working since the referendum in 2016 to prepare the financial system for a range of possible outcomes, but obviously focusing particularly on what we tend to call the no-deal exit because obviously that one in a sense has the most implications. And as I said in my remarks and as you'll see in the Report, we think that those preparations have reached a point where from a financial stability point of view we are confident that the effects have been taken into account. And I'll really reflect on two parts to that, if you like. One is the work we've done and set out in successive efforts of the very detailed work on individual areas, individual sectors of the system, individual measures. Really going through in a very granular way how we would mitigate risks of that outcome and you'll see in the report our latest assessment of that. Now, I did, as you may have picked up in the Report, in my comments, rather pointedly, so of course that the EU has not matched in all respects, in quite a few respects actually, and that has introduced risks particularly for customers and clients based in the European Union who use access to the UK in terms of continuity. The second area which is important is obviously the stress test and the reverse stress test. Let me just say something about that, although I'm sure my colleagues will want to come in. We've used a reverse stress test approach this year very deliberately where obviously we've got two big issues obviously on our mind and on our hands. One is COVID, the other is obviously the transition. There is no scenario, the bank doesn't have a scenario on those up its sleeve, as it were.

The great advantage of reverse stress testing is it turns the question around, if you like, and says, 'How much pain can the system take?' as it were. 'How resilient is the system to a range of possible things and outcomes?', and the answer which we've set out in the Report is that we believe the system is resilient, it's very resilient and that is essential of course, given the year we've had. So, those are in a sense the two main planks of our approach to that question.

Oscar Williams-Grut, Yahoo Finance: Just a quick one, follow up on the Brexit point. I mean, you mention in the report that financial stability is not the same as market stability. Can you speak a little bit about what the bank foresees potentially happening in markets when they reopen in January and will the Bank of England be prepared to take action if we see significant moves or disruption?

Andrew Bailey: Well, obviously I can't tell you how markets will respond to any particular outcome because that, to be honest with you, you have to get into the mind of those in markets as to what they're effectively expecting today and how much that differs from what the outcome may possibly be, and I don't think any of us can get into that mind. But I think

the important answer to the question, let's go back to March and the COVID shock. I remember it well, it was the first week of my term. That was a period of very disruptive financial markets. Now, let's be clear, I'm not predicting that will happen again. Please, please understand that but I'm using it as a benchmark to answer your question because it's a very good question which is what's the Bank of England got in its armoury, as it were? And the answer is a lot. We will use our tools, as we did in March, should we be in that situation. And I say, please understand that I'm not predicting that so please don't think that but we have a very substantial array of responses that we can make and of course in any situation like that we'll put them to work.

David Milliken, Thomson Reuters: Good, and one thing Governor I did want to ask is something that didn't really come up in the Financial Stability Report is the Bank's thinking on negative interest rates. I know that you've been in touch with banks to assess the feasibility of cutting interest rates below zero, if you were to want to go down that path in the future, and I was hoping you could just give some update on where you're headed in terms of your conclusions on that, if that's something that will be viable for UK banks to do without endangering financial stability?

Andrew Bailey: Well, the reason it didn't come up in the Financial Stability Report is that of course it did come up and has come up quite a lot in the Monetary Policy Committee's deliberations and publications and, you're right, of course the work we're doing at the moment, as I've said quite a lot of times, is to assess whether the tool that we in our tool kit, in our box as it were, actually could be used with the clear understanding that we have reached. We've had no discussions on whether we would use it. So, we've undertaken quite an extensive piece or undertaking quite an extensive piece of work, particularly with the banks, to understand the answer to practical questions like, how do their IT systems respond to putting a negative number in? That work is going on, the banks are coming back to us, we will do an assessment and distil that work and that will form the basis of our assessment and if we felt it was the appropriate thing to do, then how feasible is it? What actions need to be taken to prepare, should we need to do it? The second point, I just want to make on point again because it obviously is a point in the financial stability world. The FPC does obviously have a role here because the FPC does obviously consider the broader stability of the banking system and obviously takes the view on how negative interest rates would affect the business models of banks and therefore the stability of banks.

So, that is something that is considered and the reason for that, as I've said before, is that it is true to say that as you go towards zero and into negative territory I think a lot of the research that has been done in the academic world quite rightly I think says that the impact of the structure and form of the financial system, and particularly the banking system, on the transmission of monetary policy, so on the transmission of the interest rates, tends to increase. So, in other words, the structure of the system, particularly the proportion of retail deposits, because most countries in the world that have used negative rates have not on the whole used them in the retail deposit world. Obviously therefore the structure of the financial system does become more important so that's something that obviously that's where, in a way, the synergies of having both of the objectives and both of the committees and the Prudential Regulation Committee, I should say, in the Bank of England helps us a great deal.

Ed Conway, Sky: Hello, hi Governor. So, just a quick one, first of all, that bounces off something you said about the EU and the extent to which their preparations or lack thereof will affect us. I mean, are you saying that the way that the EU has approached this in terms of their planning has actually exacerbated the likelihood of financial dislocation in the first few weeks of the year? Which EU institutions are you talking about and just can you build on that a little bit? And, if I may, just one other question. Your review of the mortgage market and the measures, that 3% test, what would you say to the potentially thousands of renters-, I know it's not an enormous amount but you say potentially 2% of renters in this report, but still that's potentially thousands of renters who have effectively been kept off the house ladder because of these measures. What's your message to them?

Andrew Bailey: Well, I'll bring Jon in but let me say two things. First of all, and I'll take it in reverse order, if you don't mind Ed. I mean, I do think that, we're about six years or so into the application of these measures and they have brought a great deal of stability to housing finance so I would caution on that note but Jon would want to say more. On the EU, let me just say this, I know Jon will come in on this as well but let me just say this, the reason that I emphasise this point is that we've done a large amount of work over the last four years to provide and ensure that we provide as much, in a sense, reassurance and underpinning for customers and users of the financial system, and for the financial system itself as we can. And that's for financial stability reasons but it goes beyond that. I mean, when we get into things like payment systems, it's trying to help people who depend upon these transactions, but I have to be really clear here, we can't provide the same level of assurance for people who use the UK financial system but are based in the EU because it's just not within our power. Obviously we can do a lot for people in the UK. I can't do the same for people in the EU because obviously they depend on what the EU is doing and they haven't wanted to do as much. They have their own reasons for that, I'm not going to comment on that, but I have to be very clear because if we get to January, I have to be very clear, we can provide levels of assurance. I think we've done a huge amount in this field. We've set it out extensively in FSR's but I just can't, I don't want us to be in a situation, were it to occur, where people say, 'Well, you haven't done this and you haven't done that', because I have to say there is a limit to what we can do. Let me bring Jon in.

Jon Cunliffe: Yes, thanks very much Andrew. Just on the mortgage market and the tools, I'll make a number of points. I mean, the first point I'll make is just to bear in mind the purpose of these tools is to prevent in aggregate for the highly indebted households making a recession worse by cutting back on consumption. Now, we saw those effects in 2009-10, and the reason for that sort of resilience I think is underlined a lot by the current crisis, that shocks hit the economy and you're just much more vulnerable if you have a high level of indebtedness, of household indebtedness, across the system generally. So, that's the purpose of them and I think it's worth kind of bearing that purpose in mind, especially as we go through the current shock, that when you get a shock like this you don't want things that will amplify them and make them worse. On the specifics, I'd say a couple of things. One, I mean, there's no evidence, as we set out in the Report, that these tools are having a constraining effect. We're actually seeing mortgage approvals rise. In October they were back to nearly 100,000, which is 2007 levels, and within that a high proportion of first time buyers getting onto the housing ladder. So, it doesn't look as if the tools are constraining first time buyers to any measurable degree. On the analysis that you referred to, which winds up with a 2% of

renters figures, that's the 2% of renters who could be caught by these tools, relative to the FCA's consumer protection rules. That's not to say they are caught and they have, as the report points out, they have other options. But my other point will be going back to where I started, you have to see that picture in the context of trying to ensure that we don't have imbalances and vulnerabilities in the economy that will make a crisis like this worse than it already is. Thank you.

Lucy White, Daily Mail: Morning Governor. I just wanted to ask a quick question. I mean, it seems from the Report that the message to banks is generally that you have the capacity to lend and you should be lending to support the economy. Do you believe that banks are currently fulfilling their responsibility to keep lending and do you have any evidence that any are shirking their responsibility? And if I may just extend that as well, there's obviously going to be a lot of indebted businesses at the end of this crisis and you mention I think in the Report the potential cash flow deficits. What do you think that banks and essentially the government need to do about that?

Andrew Bailey: Well, let me take that in two parts. So, as you say, so first of all I think the record of lending this year has been extremely strong. This year may seem, I don't have all the history but it may see record levels of lending and that of course is essential. I mean, again in this Report, as in a couple of predecessors, we've spent a lot of time looking at the financing needs of the corporate sector, obviously in these extreme conditions, and I think that the good news this year is that the financial system has been able to step forward and play its part. And our message today is the financial system has the resilience to go on doing that and of course that's very important. One of our core messages here is that it's obviously a better outcome for the economy and it's a better outcome for businesses if that happens but it's also a better outcome for the banks. They will have fewer loan losses if we can support businesses through this huge shock that they've had to contend with over the course of this year. So, that's a very strong message and it's one that I'm encouraged by what we've seen this year and I'm encouraged that we've got the resilience and the banking system to go forward. The last thing I'll say, and Sam may want to come in as well briefly, but I'll just go back to the work I emphasised in my opening comments on productive finance. This is ensuring particularly that we have equity like financing, equity financing going forwards and the reason for this is well two reasons.

One, as you rightly say, inevitably I'm afraid we're going to have companies with stretched balance sheets as a result of what they've had to do or had to take on to survive the COVID shock and we're going to have to ensure that, as you said, that those balance sheets are sustainable and that will involve, and particularly I think ensuring that there is access to equity capital. And that's why we're doing so much work particularly with the investment management industry to ensure that we've got that channel working. It actually has worked pretty well this year but we're going to need more of it, frankly. I think the Government is doing all the right things by the way in terms of the lending schemes. The chancellor and I talk a lot about that but it's ensuring that we have that. Now, the final thing I'd say is it's also important for ensuring that we can support an increase in investment in the economy because getting over the COVID shock, in my view, is going to require us to strongly support investment in the economy. We've had weak investment for recent years, all sorts of reasons for that. We need strong investment going forwards and we also need investment, but it's part

of the same story actually, to support particularly the transition to climate change. But that's an opportunity. I mean, it's a necessity, from the point of view of climate change, but it's also an opportunity from the point of view of business and investment in the financial system. So, I can't emphasise enough the importance of that part of the work.

Tim Wallace, Telegraph: Good morning, and if I might bring it back to Brexit for a moment, can you explain a bit more about the disruption faced by these EU based clients and caused by decisions taken on the continent? What are the knock-on effects for markets? Could that spill over into the wider economy and have implications for financial stability as well? Thank you.

Andrew Bailey: No, I don't want to overemphasis this. I mean, let's be clear, I mean, there have been important decisions taken in respect of financial stability, the most important one is the one area where equivalence has been granted on both sides is central clearing. Very important because that's absolutely one of the cores of the financial system and there is a common understanding from a financial stability perspective that that's critical. It's not financial stability, it's actually about the access of people who have been assuming that they will have, they've set up their financial affairs, as it were, depending on access across boarders to financial system, access to the UK financial system. We've spent a lot of time on our side saying, 'Well, if you're in the opposite position and you're in the UK and you depended on access to some bit of the EU, the rest of the EU financial system, then we're not going to put any roadblocks in your way to ensure that you've got continuity. You can do that.' But the EU haven't matched us in that respect so I can't say to citizens and the rest of the EU, 'If you've got that sort of arrangement and you've been depending on it, if you've got an insurance contract in London, if you're making payments to an institution in the UK, I can't give you an assurance that there won't be some form of disruption because obviously we're not in control of that end of it.' So, I don't want to overdramatise this but it's not about financial stability really, but it is about the access of people to financial services that they've quite reasonably depended upon and relied on, and I just can't tell you whether they assume that that's going to go on or not, or whether they've made the preparations, because obviously we're not in such direct contact with them.

Jon Cunliffe: Can I come in on this? So, I think we've looked very closely at where those disruptions might come and do they rise to the level of financial stability? I mean, the evidence that we have is they don't. As Andrew says, you can never be entirely sure what will happen in markets but if you take for example on the wholesale side as well as the retail side, share trading obligations, derivatives trading obligation, some business as a result of that will need to transfer. The question is, is the market ready? Have people made the right preparations for that? We've got the same thing on uncleared derivatives and life cycle events where we think that most people have made, most of the private sector have made the necessary arrangements but there may be some who aren't prepared. In many of those cases, other routes exist for them but it's impossible to know unless and until we get there exactly what the impact will be. But they're quite carefully analysed in the FSR and the reasons behind our judgement that they are disruption rather than financial stability are pretty clearly set out.

Brian Swint, Bloomberg: Good morning. Governor, I just wanted to, again, stick with Brexit. You've said you're confident that the UK banks can withstand what, and the stress test is kind of a worst case scenario. I'm a little bit surprised you're that confident, given that there could be so many unknown unknowns that come with a no-deal Brexit and given that we're now just a few weeks out and no-deal Brexit looks more likely than ever, you still haven't told us what you actually might think would happen in the case of a no-deal Brexit to finance or to the wider economy. I was wondering if there's a risk that that doesn't lead to some complacency about it, complacency given that no one really knows what's going to happen?

Andrew Bailey: Well, can I reiterate what I said earlier, if you don't mind. Which is the problem with doing single scenarios is that they're always wrong because none of us have that power of prediction, to be honest. There's many different angles to what could happen and so what we've done, as I said earlier, is if you like flipped the, (gap 33.20-33.46)… system to a whole range of possible outcomes, and that's important because it gives us, in a sense, a much stronger answer on resilience. It allows us to take a view, which we've set out in the report, what overall level of losses the system could take before that strain starts to have effects on financial stability. And I think that is a better way of approaching the question than trying to, in a sense, pick a winner amongst scenarios, which is ultimately an impossible thing to do. Sam, did you want to come in on that?

Sam Woods: Yes, if maybe I'll just add a little colour to that, Brian. You can look at that also in two ways. One is if you look at the stress test that we did and we published back in August, that was for a severe, so extremely severe COVID outcome with £120 billion of credit losses, and in order to generate that we reverse out of a scenario which has unemployment going up to 15%. That compares to our latest projection in the November MPR of 7.75%, and it has house prices going down by 30%. As you know, they're actually growing. So, that was just illustrating the way that Andrew was saying the sort of things that you would need to believe to generate losses of that severity. And even if that did occur, banks have another £80 billion that they could take after that. Or you could look at it in terms of capital positions, so they're currently, as we have this call, the banks are 5.3% of CET1 above even their buffers. So, you could think of that as a full stress test sized draw down of capital before they even get to the top of their buffers, and they're about nine percentage points above their minima. So, we put all of that together and of course it's always easy for us to worry and we are paid to worry, but you have to look at it analytically and that does give us quite a high confidence, in fact a very high confidence that there's enough capital in the system to deal with all the uncertainties that you described. Thanks.

Jon Cunliffe: One point on this because I think you said it's impossible to know the impact on the financial sector. The one point I'd make is that no-deal is in a way not news for the FPC and its preparations because what we've been doing, it's our job to do, is preparing the financial system for the worst outcome, which up to 2018, 2019 was exit from the EU without any agreement and now it's no-deal on the trade side. And there's nothing in the trade negotiations that would change the access for the financial sector, whether there's an agreement or not. So, to some extent this is the, if it turns out that there is no deal, that's the scenario for which we've been preparing for, well, over three years now.

Andrew Bailey: Can I just make one point again, just to emphasise what Sam said? We're not predicting that unemployment is going to go up 15%. We're answering the question, what if it did? That's the key point.

August Graham, Press Association: Hi, good morning. I've just got a quick one. In October you guys said that, or it was you Governor, I think you said that capital buffers are there to be used and now we've got this decision to extend the zero percent for a year. Just based on that, is there any clear evidence that the banks are not running down the buffers in the way that you were hoping they would?

Andrew Bailey: Well, I'll bring Sam in because Sam has just made the important point that they're well above their buffers so in a way this question arises when we look forwards and we do these tests of stress. So, in a sense the question doesn't arise at the moment because they're not near to them but, Sam, would you like to come in on that?

Sam Woods: Yes, so I think, I mean, that's right. It hasn't really hit us yet, is the truthful answer. Having said that, we do worry that if and when banks do get close to their buffers, we do worry about whether the way the system is set up encourages them sufficiently to actually go into them and that's why we've done two things actually. One is the thing announced today on extending the guidance, forward guidance if you like, on a countercyclical buffer to give banks confidence that they will have plenty of time before that starts to go up again. And the other is in a different part of the framework, the systemic risk buffer, which is the buffer for large ring-fenced banks here in the UK. We've decided also to push that up for the same sort of reason that we don't want banks to be concerned about lending because of what it might do to their position against their capital crumbs. But as we sit here, as I said, at 15.8%, we expect some headwinds to that next year but that's a long way above their buffers.

Matei Rosca, Politico: Thank you. One question please about the DTO, the Derivatives Trading Obligation. The FPC report says the lack of equivalence impacts about 200 billion out of 1.2 trillion of derivatives traded in London. Is that right? And if so, does that mean anything for the future of the derivatives industry in the UK? Is there any danger of the UK losing this section of the financial market due to it moving somewhere else for example? Thank you.

Andrew Bailey: Thanks. Jon, do you want to take that one?

Jon Cunliffe: Yes, if I can. So, that £200 billion is the normal amount of derivatives that could be caught by the DTO, the Derivatives Trading Obligation, the EU one or the UK one. As far as the EU one is concerned, the EU trading in that will be a proportion of that 200 billion but it probably won't be the whole “200 billion. It's difficult to get completely precise figures but I think the bigger point here is that for the proportion of the £200 billion that is caught by the EU trading obligation, that trading would need to move either to the EU or to a jurisdiction recognised by the EU and at the moment the EU is not recognised the UK. The UK also has a Derivatives Trading Obligation, it's a mirror image because we've on-shored, brought onto the UK statue book the EU regulations and there will be a subset of that £200 billion, particularly the branches of EU banks located in the UK, who are subject both to the

UK and the EU Derivatives Trading Obligation. And for that subset, as things now stand, they won't be able to trade in the EU but they also won't be able to trade in the UK and they will have to use third country jurisdictions, particularly the US, which has been recognised by both the UK and the EU. So, the disruption is really, I think, primarily in that area. I think many firms have been preparing for this, preparing for having to use non-UK, non-EU locations, but the question is whether that will work smoothly if things continue and the approach continues on the DTO in that sense. In terms of the trading moving from London, well that's the point of the 1.2 trillion derivatives market and that is an international market with players from all around the world trading in multiple currencies. So, we're talking about a subset of that, the £200 billion, and within that a subset which would be affected by the EU trading obligation. So, some trading would move but relative to the scale of the market as a whole, it's not that large I think.

Richard Partington, Guardian: I have two, if I may. The first on the mortgage review that you're undertaking. If there are no constraints that you currently see from your recommendations on the mortgage market currently biting, do you think that if you were to relax your recommendations next year there would be an increase in the proportion of higher loan to value mortgages offered on the market and addressing that need for first time buyers? And then second, if I may, looking a bit more longer term, I mean, the focus of Brexit again in the talks recently has been much more on fisheries than on finance. Do you think that over time there will be a gradual leaking away of financial services activity in the City of London to European capitals, given the lack of cooperation so far and also the lack of prioritisation of finance and the City of London's position in these talks?

Andrew Bailey: Yes, I think those are good questions. So, let me start off, so we'll start of mortgages. I think that the important thing to look at from the point of view of why are we reviewing the policies is of course we have to look at how, well, two things actually. We have to look at how the policies operate in a range of possible future conditions. It's not just today's conditions so we'll obviously be subjecting them to that test, that what if test. That brings me to the second point which is while we're confident in the conclusion we drew about the impact of the policies, it is true that actually the relatives rates in the markets have moved. So, this is particularly the affordability test, which was calibrated back in 2014, based on a relationship between the official rates that we set, the so-called standard variable rates that are the fall back rates, the standard lending rates, and obviously the rates that people tend to get for new mortgages, which are not necessarily the full back rate. Obviously that's that one that tend to literally fall back to. Now, when you look at it, the relationship, and therefore we calibrated it based on a particular set of relationships between those rates and it's intending to create a particular level of resilience. Now, in fact the relationship between those rates has changed over time and therefore I think it's important that we revisit this and as you can see we revisit it at least once every couple of years, and I think that's important because this is always intended as, like I said, a guard rail or an insurance policy against over-exuberance in the mortgage market. And it's important that we keep it under close review.

It's also important we keep it under close review because of the second point you mentioned, because obviously this affects the very real thing of people's ability to buy houses. Now, what we've seen this year is a very high level of mortgage lending since the lockdown ended. Let's be clear, obviously activity in the housing market is at very high levels at the moment,

highest since before the financial crisis, I think. There has been a move away from high LTV mortgages. I don't think that's particularly surprising in the course of this year because obviously there is uncertainty about where house prices are going to go to in a state of such high uncertainty in the economy. What I think will be important is that there it's actually not our restrictions, because our restrictions don't operate around LTVs. I think it is obviously the reduction in the general level of uncertainty, which I would expect would then lead to an increase in the supply of high LTV lending. And, by the way, we're already seeing a little bit of that going on in the last few weeks actually, as I do think the level of uncertainty has come down with the very encouraging news on the vaccine front, and I would expect that to continue as indeed, as I hope, we'll continue to see that reduction in the level of uncertainty. Turning to Brexit, on the question, of course, Jon said earlier, very correctly of course, that the fishing/financing isn't really the right way to look at it because obviously one of them was within the scope of the trade agreement, that's fish that is and finance isn't, it's outside that scope of the finance agreement so it's not right to look at the two together.

I mean, in terms of, you asked a question around the future of London as a financial centre and the move away. Let me say two things on that. I mean, London is a global financial centre, has been for a very, very long time and will continue to be. I would have thought it was in the best interests of people in the European Union to want to have access to that global financial centre, just as they'll want to have access to New York as it is a global financial centre and Jon was making that point a few moments ago on DTO, but they have to decide that. They have to decide, and this is an important point around fragmentation. I mean, they have to decide what they want, it's not for us to decide that. What is for us to do is to have a successful financial centre which we want to do but obviously from the point of view, very important points of the FPC, we want to do that with financial stability. We've seen where that can go wrong in the past so that is our task and that's what we will do. Now, in practice actually the numbers that are quoted, if you talk about it in terms of jobs, the numbers that are quoted today are nothing like the sorts of numbers that were quoted immediately after the referendum but I think going forwards the challenge is very clear. We want London to be a successful financial centre but obviously to do so within a context of financial stability. That's our task and we'll do it.

Oscar Williams-Grut, Yahoo Finance: Thanks very much. Slight change of pace. Obviously the report has taken the time to look at stablecoins. Why wasn't the risk of climate change discussed within this report? And a follow up question to that, I was speaking to the people behind this hoax press release that went out recently and they said one of the motivations behind that was a sense that the bank are failing to build on the good work done by Mark Carney, obviously a predecessor. What would your response be to that accusation?

Andrew Bailey: Well, I think I can probably take those two things together in a way because they're sort of different ways into the same question. Seriously, I don't think there is any lack of leadership from the Bank of England on climate change. We have been and remain leaders in that field. I think if you look at the material, the work we've done this year and the material we've put out, we've recently, by the way, reiterated that next year we're going to do the first climate related stress test. I think the Bank of England is a world leader in that respect, frankly. We provided a huge amount of material in the summer about our onus of the Bank of England approach towards applying financial disclosure standards and how actually we

disclose more than I think any other institution I can think of has disclosed on that front. So, I object that but I think we don't cover every issue in an FSR. By the way, in case you've noticed, this is a considerably slimmer FSR than its predecessor and that's deliberate because we want it to be focused, we want people to be able to read it within a decent period of time and therefore we've selected the issues that are most pressing today. It doesn't mean to say we've downgraded climate change. Just on the hoax, the hoax website, I would say to the people who did that that we have already said that the work is underway and it's got going on the question of the bond portfolio we hold. We're doing that work but let me emphasise it's not a straightforward decision.

I mean, some people seem to think that, A, there's a standard out there that we can pick off the shelf and put into effect, B, that we will then dump a load bonds into the market and buy a load of other bonds, and frankly that standard doesn't exist and what I'm very keen-, and this is a point that Mark Carney and I have both said many times, because obviously Mark is very much globally involved in this field. What we do must incentivise climate change. It's not a matter of drawing a binary divide today and saying, 'Well, you're good and you're bad. You're saved and you're damned.' It's a matter of incentivising the change we want to see but that's obviously complex because we've got to get the right incentives there because some change will happen and some won't. So, we're working on that. I fully expect we will be coming out in the not too distant future with more on that and putting it into effect. So, I reject any suggestion that we are not continuing to take climate change seriously. We are very serious about it. I'm very proud of the record of the Bank of England. I think Mark Carney did a fantastic job setting the work up and I'm fully committed to taking it forward.

Lucy White, Daily Mail: Just building on the answer that you gave to Richard a minute ago on mortgages. If we could just try to get some more simplicity there. I mean, are the changes that could potentially flow from your review, will that potentially make it easier for people to get mortgages or is that still very much, as you say, in the Bank's hands as to whether they're willing to lend to a wider range of people?

Andrew Bailey: Well, I'll come back to the point I made. The tools worked and they've worked well but it's always important to ask the question, because they are guardrails, are they in the right place? Are they still doing the job they need to do and would they do the same job under a range of possible outcomes? So, I'm not going to second guess where we'll end up on that but I did make the point a few minutes ago that one area to particularly look at is the relationship between the different interest rates that are in the market now that form the basis of the affordability test and how they've changed over time and what the impact of that is. And that we will be looking at carefully, as we have in the past actually as well. You're right to say we want to strike this delicate balance between preserving financial stability. Let's be honest, the history of this country, and I've had it in my career at least twice, is that an overheating mortgage market is a very clear risk flag for financial stability. So, we have to strike the balance between avoiding that but, as you rightly say, enabling people to buy houses and to buy properties and we want to do that. So, it's right to keep coming back to this issue. I'm not surprised that we review this part of the landscape more frequently then quite a few other parts of the landscape because of the importance of it.

Faisal Islam, BBC: Hello again Governor. Can I just ask, obviously you've talked in the report about the extension of the various schemes for mortgage holders, for business. Is it your message that business owners, people at home should not expect those to be continually extended now, that they're coming into land and people should prepare for the ending of those sorts of extraordinary support, or could you see scenarios where they should be further extended?

Andrew Bailey: Well, no, I'm not going to make any predictions on that front. I mean, I think if you take the two separately for a moment, I think the chancellor's been very clear in his view on the business lending schemes. I think that's all very sensible and they've got a set course. On the mortgage schemes, of course that's really the payment holidays area, again, I think they've played a very valuable part this year and in fact I think I'm right in saying use of mortgage holidays has come down, it's probably about 80% down, I think. I think I'm right in saying that. Now, I think that's sensible and encouraging. I think we have to keep it under close watch but I think it's been a very good tool actually, not one that necessarily was in the tool box actually going back in time but I think it's a good example of innovating in the face of obviously what's been an unprecedented shock, played its role, important that we move off it for the sake of both borrowers, particularly borrows, but also lenders as conditions improve. Again, not making any predictions on what happens next but I think it's appropriate that that tool has been used and its use has been quite heavily reduced now.

Jon Cunliffe: I think it's about 4.5 million payment holidays at the peak and it's down to about 300,000 now. So, very severely reduced.

ENDS