



# Treasury Committee

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Andrew Bailey  
Governor, Bank of England

By email

23 January 2022

Dear Andrew,

## Follow-up questions to the 16 January 2023 evidence session on Financial Stability

Thank you for giving evidence to the Treasury Committee with your Financial Policy Committee colleagues on 16 January. You agreed to write to the Committee on a series of matters:

1. The probability and scale of potential costs to the Financial Services Compensation Scheme and the public purse of the Government's proposal as part of the reforms to Solvency II not to reform the fundamental spread as advised by the Prudential Regulation Authority (Q257-259 in the attached transcript)
2. The costs incurred by pension funds as a result of the forced gilt sales that occurred in September and October 2022 (Q303-304)
3. The Bank's analysis of the short-term outlook for the financial stresses on households with mortgages, their ability to service their mortgages, and for mortgage arrears and repossessions. (Q292-294)
4. The impact on financial stability of potential reforms to the Senior Manager and Certification Regime (SMR) and the Ring-fencing Regime (Q339). In particular, we are interested in the Bank's views on:
  - The main areas of concern around potential reforms to the Ring-fencing Regime.
  - Whether confidence in the Resolution Regime is strong enough that some provisions of the Ring-fencing Regime can be relaxed without a reduction in financial stability risks.
  - Whether there is a need for reform of the SMR from a prudential and financial stability standpoint.
  - Whether there is scope for a relaxation of the SMR without unduly increasing financial stability risks.
  - The effectiveness of the SMR in the light of the limited use of its enforcement powers.

In line with the Committee's usual practice, I will be placing this letter and your responses in the public domain in due course.

With best wishes,

**Harriett Baldwin MP**  
Chair of the Treasury Committee