



BANK OF ENGLAND

Mark Carney
Governor

The Rt Hon Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
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Dear Nicky

Thank you for your letter of 11th October. I can confirm that the Bank will provide an analysis of how the EU Withdrawal Agreement will affect our ability to deliver our statutory remits for monetary and financial stability, including in a 'no deal no transition' scenario.

In line with your request, this analysis will be available after the negotiations between the Government and Commission have concluded, but in good time before any Parliamentary vote. This analysis will reflect the work that the Monetary Policy Committee and the Financial Policy Committee (FPC) are undertaking to meet their statutory objectives. As a consequence, it will reflect the policy horizons of these committees and would not represent a judgement of the long term impacts of the various end state relationships between the UK and EU.

While it would not be appropriate for me to provide details of confidential discussions at cabinet, I can confirm that in the course of my presentation I did refer to Bank analysis of the wide range of potential outcomes that could occur in a no-deal and no-transition. Consistent with the FPC's remit this analysis included worst case or "stress" scenarios which contained material adjustments to UK asset prices. Details of such stress scenarios will be part of the material we will send to the TSC in response to your request.

This raises a general point. Our stress scenarios are not predictions of what is most likely to happen but rather estimates of worst case scenarios however unlikely they may be. To meet its responsibilities, the FPC must prepare for the worst not hope for the best. As a consequence of these efforts, we are confident that the core of the UK financial system will be ready to withstand the impacts of any disorderly cliff-edge Brexit and to continue to serve UK households and businesses in that scenario.

My colleagues and I look forward to discussing these issues at the appropriate time.

Yours
Mark