

**MORTGAGES (FPC INTEREST RATE STRESS TEST RECOMMENDATIONS)
INSTRUMENT 2014**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers); and
 - (2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 2 May 2014.

Amendments to the FCA Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument
- E. The Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) is amended in accordance with Annex B to this instrument

Citation

- F. This instrument may be cited as the Mortgages (FPC Interest Rate Stress Tests Recommendations) Instrument 2014.

By order of the Board of the Financial Conduct Authority
1 May 2014

Annex A

Amendment to the Glossary of definitions

Insert the following new definition in the appropriate alphabetical place. The text is not underlined.

Financial Policy Committee The sub-committee of the court of directors of the Bank of England, established by Part 1A of the Bank of England Act 1998 to contribute to the Bank of England's Financial Stability Objective and, subject to that, to support the economic policy of the Government.

Annex B**Amendment to the Mortgages and Home Finance: Conduct of Business sourcebook
(MCOB)**

In this Annex, underlining indicates new text and strike through indicates deleted text.

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(2) ~~A~~ In coming to a view as to likely future interest rates, a *mortgage lender* must be able to justify the basis it uses for determining likely future interest rates for the purposes of this rule by reference to have regard to:

(a) market expectations; and

(b) any prevailing *Financial Policy Committee* recommendation on appropriate interest-rate stress tests;

and must be able to justify the basis it uses by reference to (a) and (b).

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