

Bank of England Scrutinizes UK Lenders for Dollar Risk Amid Trump-Related Uncertainty

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The Bank of England (BoE) has directed several major UK lenders to examine their exposure to U.S. dollar funding, amid growing concern over potential disruptions linked to the political climate in Washington. The move comes as part of a broader effort to ensure financial resilience should access to dollar liquidity suddenly tighten.

The BoE's Prudential Regulation Authority has asked institutions including Barclays, HSBC, and Standard Chartered to review their dollar funding exposures and conduct stress tests simulating severe disruptions to U.S. dollar liquidity markets. These exercises include scenarios in which dollar funding becomes temporarily unavailable, amid broader geopolitical risks and concerns about potential political pressure on the U.S. Federal Reserve.

In recent months, Trump has made repeated public comments critical of Federal Reserve Chair Jerome Powell, fuelling fears that political interference could undermine confidence in the central bank's decision-making. While the U.S. has not curtailed dollar swap lines with foreign central banks, UK regulators are taking no chances.

The U.S. dollar remains central to global finance, but overdependence on it could leave financial institutions vulnerable during geopolitical shifts. According to internal assessments, several UK banks would face liquidity strains within days if access to dollar markets were disrupted. Although hypothetical, these risks highlight the importance of proactive contingency planning.

The European Central Bank has issued similar warnings to eurozone banks in recent months, as part of a coordinated push to reduce systemic risk tied to dollar-based funding. Regulators across Western economies are increasingly focused on ensuring that financial institutions can weather short-term shocks without relying heavily on foreign intervention.

From a center-right viewpoint, the BoE's stance represents prudent financial stewardship. By preparing UK banks for potential volatility, the central bank is reinforcing economic sovereignty and ensuring the City of

London retains its position as a resilient global financial hub.

Diversification and robust capital buffers are seen as key to maintaining long-term competitiveness in a turbulent international environment.

While current market conditions remain stable and there is no indication of an imminent disruption, the Bank of England's intervention signals a shift toward greater caution. It serves as a reminder that national preparedness must take precedence over assumptions of global stability, particularly in an era where political shifts can rapidly alter economic realities.

In sum, the BoE's push to assess dollar exposure underscores a clear priority: safeguarding Britain's financial system from external risks through measured, forward-looking oversight.