



BANK OF ENGLAND

## Market Notice

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9 February 2012

### Asset Purchase Facility: Gilt Purchases

1. The MPC has decided on a further £50bn of gilt purchases as part of its programme of asset purchases financed by central bank reserves. Asset Purchase Facility (APF) gilt-purchase operations will therefore resume in the week beginning 13 February 2012.
2. The Bank will continue to purchase conventional gilts with a minimum residual maturity of greater than three years, divided into three maturity sectors. However, the boundaries between those sectors are being adjusted. For future gilt-purchase operations, the maturity sectors will be defined as 3-7 years, 7-15 years and over 15 years<sup>1</sup> – the same as those used by the Debt Management Office. This operational change is intended to help reduce the risk of undesirable frictions in the functioning of the gilt market arising from the concentration of the Bank's holdings of gilts in certain maturity sectors.
3. The Bank will, normally, conduct three auctions a week: gilts with a residual maturity of 3-7 years will be purchased on Mondays; of over 15 years on Tuesdays; and of 7-15 years on Wednesdays.
4. The Bank intends to purchase evenly across the three gilt maturity sectors. The size of auctions will initially be £1.5bn for each maturity sector.
5. The Bank will confirm details of the following week's operations each Thursday at 16.00. The Bank does not currently intend to purchase gilts where the Bank holds more than 70% of the "free float", i.e. the total amount in issue minus government holdings. The Bank will, however, continue to keep the identity of gilts eligible for purchase in the APF under review.
6. The MPC expects the announced programme of asset purchases to take 3 months to complete. The scale of the programme will be kept under review. The Bank will not hold gilt-purchase operations on Wednesday 21 March 2012 (the day of the Budget statement) or on

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<sup>1</sup> A gilt with exactly 7 years residual maturity would be included in the 7-15 year maturity sector, and a gilt with exactly 15 years residual maturity would be included in the over 15 years maturity sector.

the bank holiday on 9 April. This has been taken into account when determining the auction sizes.

7. Other than as amended by this Market Notice, previous Market Notices relating to the Bank's gilt purchases under the APF will apply.<sup>2</sup> The Bank will publish an updated consolidated Market Notice in due course.

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<sup>2</sup> The current consolidated Market Notice can be found at <http://www.bankofengland.co.uk/markets/marketnotice100108apf-gilt.pdf>