



Market Notice

28 November 2013

Changes to the Funding for Lending Scheme Extension

1. The Funding for Lending Scheme (FLS) was launched on 13 July 2012 and was designed to incentivise banks and building societies to boost their lending to the UK real economy. An extension to the FLS was announced on 24 April 2013 to allow drawdowns up to the end of January 2015.¹ This Market Notice sets out details of changes to the terms of the FLS Extension, to focus it on business lending by removing the direct incentives to expand household lending in 2014.

2. Other than as amended by this Market Notice, the terms of the FLS remain unchanged. The Operating Procedures will be updated to reflect this Market Notice in due course. Further information on the FLS, including all the relevant documentation and a Consolidated Market Notice detailing the operation of the Extended FLS, can be found on the Bank's website.²

Borrowing Allowance

3. Lending data for the extended FLS will be reported on Form FLC for 2013 Q2-Q4 and on Form FLD for 2014 Q1-Q4.³

4. During the Extended Drawdown Period, Participants in an FLS Group may draw in aggregate up to the "Extended Borrowing Allowance" for the FLS Group, where the Extended Borrowing Allowance will be equal to the "Initial Allowance" plus the "Additional Allowance". The calculation of the Initial Allowance remains unchanged.

5. The Additional Allowance is determined by net lending during the period 1 January 2014 to 31 December 2014. The Additional Allowance during that period will be equal to the sum of net lending from 1 January 2014 to UK resident Large Corporates and certain Non Bank Credit Providers ("NBCPs") (including financial leasing corporations and factoring corporations but excluding mortgage and housing credit corporations, as defined in the statistical definitions of Form AL⁴) that are not part of the FLS Group,

¹ www.bankofengland.co.uk/markets/Documents/marketnotice130424.pdf

² www.bankofengland.co.uk/markets/Pages/FLS/default.aspx and www.bankofengland.co.uk/markets/Documents/marketnotice131128cons.pdf

³ www.bankofengland.co.uk/markets/documents/flsformflc.xls and www.bankofengland.co.uk/markets/documents/flsformfld.xls

⁴ See definitions for 15A and 15D within Parts IV.1 and IV.2 of the Classification of Accounts Guide: www.bankofengland.co.uk/statistics/Pages/reporters/default.aspx.

plus five times net lending to Small and Medium Sized Enterprises (“SMEs”). If this weighted sum is negative, the Additional Allowance is zero. Form FLD data during this period must be submitted quarterly, based on calendar quarters.

Fee for drawings made in the Extended Drawdown Period

6. Participants will pay a flat fee of 25bp per annum each calendar quarter in arrears on all drawings made during the Extended Drawdown Period.

Bank of England

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