

BANK OF ENGLAND  
LONDON EC2R 8AH

12 July 2012

The Rt Hon George Osborne  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Dear Chancellor,

We have been discussing in recent weeks the design of the Funding for Lending Scheme (FLS) that you and I announced in our speeches at the Mansion House in June.

The aim of the FLS is to boost lending to the real economy. It will do so by providing funding to banks and building societies for an extended period, at a price below current market rates, so that they can make loans cheaper and more easily available. Access to the Scheme will be linked to how much each bank and building society lends to the real economy. Those that lend more will be able to borrow more in the Scheme, and do so at lower cost.

Our officials have now finalised the Scheme, which is set out in the attached explanatory note. I also attach the initial market notice for the Scheme.

I can confirm that the Bank is now ready to launch the FLS. Before doing so, I would be grateful for your confirmation that it is within the remit of the Bank and that you approve the launch of the Scheme.

As we have discussed, so that you can remain satisfied that the Scheme remains within the remit of the Bank and that it is meeting its objectives, the Bank and HM Treasury will work closely together on this Scheme, through a joint Bank-HM Treasury Oversight Board.

Yours sincerely  
