



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

18 June 2020

Andrew Bailey
Governor
Bank of England
Threadneedle Street
London EC2R 8HA

Dear Andrew,

EXTENSION OF ASSET PURCHASE FACILITY

Thank you for your letter of 18 June, setting out the Monetary Policy Committee's (MPC) case for its decision to raise the limit on purchases that may be undertaken by the Asset Purchase Facility (APF).

Your letter explains that the MPC judged that a further easing of monetary policy is warranted, and that further asset purchases financed by the issuance of central bank reserves should be undertaken to enable the MPC to deliver the stimulus it considers necessary to meet its statutory objectives.

Alongside the actions the Bank is taking today, I reiterate that as Chancellor of the Exchequer my priority is to support the economy through the immediate crisis and into the recovery.

During this difficult time for the country, we recognise the extreme disruption Covid-19 is causing for people's lives, their businesses, their jobs and the nation's economy. That is why the Government has announced unprecedented support for public services, jobs and businesses to protect against the current economic emergency.

In the Budget, we set out the first stage of the Government's economic response, with £12bn of support to businesses, households and public services, including the £5bn Covid-19 Response Fund to support the NHS and other public services. Since then, we have extended the support available to individuals and businesses, including introducing the Coronavirus Job Retention Scheme and Self-Employment Income Support Scheme, changes to Universal Credit and Statutory Sick Pay, business rates holidays, grants to smaller businesses and a package of government-backed and guaranteed loans.

Along with these Government measures, the Bank of England has cut interest rates, launched a new Term Funding Scheme with additional incentives for lending to SMEs, and reduced the Countercyclical Capital Buffer. And we have jointly established a new Covid-19 Corporate Financing Facility to support companies which are fundamentally strong but have been affected by a short-term funding squeeze. These measures aim to

protect the productive capacity of our economy and enable a strong and sustainable recovery from this crisis as we start to gradually and safely reopen our economy.

The risk management framework previously agreed with the Treasury will remain in place. In line with enhanced oversight arrangements for the expanded APF, regular risk oversight meetings of Treasury and Bank senior officials will continue to monitor the scheme's implementation and risks to the Exchequer.

I am therefore writing to authorise an increase of up to £100 billion in the amount of UK government bonds that the APF is authorised to purchase, financed through the issuance of central bank reserves. The authorised limit for the APF will rise from £645 billion to £745 billion.

I am copying this letter to the Chair of the Treasury Committee and depositing it immediately in the libraries of both Houses of Parliament and on the Treasury website.

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', is centered on the page. The signature is fluid and cursive, with the first name 'Rishi' being more prominent than the last name 'Sunak'.

RISHI SUNAK