



BANK OF ENGLAND

Andrew Bailey
Governor

The Rt Hon Rishi Sunak
Chancellor of the Exchequer
HM Treasury
Horse Guards Road
London
SW1A 2HQ

5 November 2020

Dear Rishi

At its meeting ending on 4 November 2020, the Monetary Policy Committee (MPC) agreed to additional monetary policy stimulus measures in order to meet its statutory objectives.

In light of this, I am writing to request a number of changes to the authorisation of the Asset Purchase Facility (APF) and confirm some existing arrangements about how the Facility is used.

Existing Authorisations

As set out in your letter of 18 June 2020, the APF is currently authorised to purchase up to £745 billion of assets financed by the creation of central bank reserves. Assets eligible for purchase under this arrangement include gilts and high quality private sector assets, including corporate bonds, as specified in the exchange of letters at the time of the Facility's inception and subsequently. The APF also has authorisation to purchase eligible private sector assets using Treasury Bills and the DMO's cash management operations.

The use of the APF for monetary policy

At its November 2020 meeting, the MPC judged that a further easing of monetary policy was warranted. It agreed to increase the target stock of purchased UK government bonds, financed by the issuance of central bank reserves, by an additional £150 billion in order to meet the inflation target in the medium term.

For these reasons, I am requesting that the APF is authorised to purchase up to a further £150 billion of UK government bonds financed by the creation of central bank reserves. Consistent with this, I am requesting that you authorise an increase in the total size of the APF from £745 billion to £895 billion.

These changes to the APF would further enhance the MPC's ability to pursue its remit by delivering the stimulus it judges necessary to meet its statutory objectives. Given the large size of the measures proposed by the MPC relative to the Bank's balance sheet, the Bank judges that they are most appropriately undertaken through the APF to benefit from its Government indemnity.

Governance, transparency and accountability

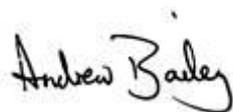
As detailed in previous letters, the operation of the APF, including the implementation of monetary policy decisions of the MPC, is managed through a wholly owned subsidiary of the Bank - the Bank of England Asset Purchase Facility Fund Limited. The Government indemnifies the Bank and the APF from any losses arising out of or in connection with the facility. Accountability, transparency and risk management are hence an important part of the framework of the APF.

The MPC remains accountable for its use of the APF in the same way that it is for any monetary policy decision. It will continue to explain its actions through the Monetary Policy Summary and minutes which are published alongside its decisions, through the *Monetary Policy Report*, and through its regular evidence to the Treasury Committee through which the Bank is accountable to Parliament.

The Bank will continue to operate the APF in an open and transparent manner. Details of how the Bank intends to carry out its operations will continue to be set out in Market Notices. The Asset Purchase Facility Quarterly Report will include details of all of the transactions undertaken, as it has done since the Facility's inception.

I would be grateful if you could authorise the changes in size and composition of the APF that I have requested in this letter, and for the purposes of transparency and accountability confirm that the Government will continue to indemnify the Bank and the APF from any losses arising out of or in connection with the facility.

Yours sincerely

A handwritten signature in black ink that reads "Andrew Bailey". The signature is written in a cursive style with a small dot above the 'i' in Bailey.