

Bank of England

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

Andrew Bailey
Governor

5 May 2022

Dear Rishi,

Asset Purchase Facility

At its meeting ending on 2 February 2022, the Monetary Policy Committee (MPC) voted to begin to reduce the stocks of UK government bonds and sterling non-financial investment-grade corporate bonds held in the Asset Purchase Facility (APF) by ceasing to reinvest maturing securities, and by initiating a programme of corporate bond sales to be completed no earlier than towards the end of 2023. The size and composition of this stock of asset purchases will continue to be determined by the MPC in the context of achieving its statutory objective of price stability, as defined by the 2% inflation target.

The decisions of the MPC in relation to its stock of asset purchases are operationalised through the APF. As set out when it was established in 2009, the activities of the APF are indemnified by HM Treasury. When the MPC has previously voted to increase the stock of asset purchases, we have exchanged letters to increase the authorised maximum size of the APF accordingly.¹ Symmetrically, we have agreed that, as the

¹ [Exchange of letters between the Governor and the Chancellor on the Asset Purchase Facility - January 2009 | Bank of England](#)



size of APF holdings reduces, the authorised maximum size of the APF should be adjusted to reflect the size of the portfolio every six months.²

Since 3 February 2022, the total purchased assets of the APF have fallen from £895bn to £866.6bn, of which £19.6bn are holdings of corporate bonds and the rest are gilts. The funds used to purchase these assets have been repaid to the Bank, and the size of the loan from the Bank to the APF has been reduced accordingly. In line with our earlier agreement, the authorised maximum size of the APF can now be reduced to align with the size of these current holdings. This will be reviewed and confirmed between us again in October.³

I would be grateful if you could confirm the changes in size and composition of the APF set out in this letter and, for the purposes of transparency and accountability, that HM Treasury will continue to indemnify the Bank, the APF and its directors from any losses arising out of or in connection with the operation of the facility in accordance with the terms of the existing indemnity agreement.

Yours sincerely,



² [Exchange of letters between the Governor and the Chancellor on the Asset Purchase Facility - February 2022 | Bank of England](#)

³ Details of the maturity profile of APF-owned gilts is provided on the Bank's website. See [Results and usage data | Bank of England](#)