



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

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

3 November 2023

Dear Andrew,

Asset Purchase Facility

Thank you for your letter of 3 November 2023, setting out the change in the Asset Purchase Facility's (APF) stock of purchased assets.

On 3 February 2022 you jointly agreed with my predecessor that the maximum authorised size of the APF should be updated every six months in line with the reduction in the stock of assets.¹ In your letter of 3 November 2023, you confirmed the current stock APF holdings, as of 1 November, comprised £750.3 billion of gilts and £0.6 billion of corporate bonds, all held for monetary policy purposes. I am therefore writing to agree to reduce the authorised maximum size of the APF from £821.3 billion in our exchange of letters on 28 April 2023 to £750.9 billion, of which up to £0.6 billion can be corporate bonds. This will be reviewed and confirmed between us again in April 2024.

I welcome the MPC's assessment that the first year of gilt sales has gone smoothly and that this has helped inform the decision to unwind the APF by £100bn from October 2023 to September 2024. I note the MPC's three key principles for stock reduction, and the Committee's judgement that this modest increase in the unwind pace is unlikely to disrupt the functioning of financial markets, and that the pace of gilt sales will remain broadly unchanged compared to the first year of gilt sales. I also note the successful near-complete unwind of the corporate bond portfolio with the remaining corporate bonds maturing by 5 April 2024.


¹ <https://www.gov.uk/government/publications/asset-purchase-facility-apf-ceiling-february-2022>

Your letter references the measures in place to support value for money as the Bank unwinds the APF in order to deliver the MPC's policy objective, outlined in more detail in your letter 28 April 2023.² I note these measures will continue to be applied under the new unwind target.

HM Treasury and Bank of England officials will continue to monitor the APF's implementation and risks to the Exchequer. Any future cash transfers will be handled under the terms of the indemnity as has been the case to date.

I am copying this letter to the chairs of the Treasury Committee and the Public Accounts Committee and depositing it in the libraries of both Houses of Parliament and on the HM Treasury website.

Yours sincerely



Jeremy Hunt

² <https://www.bankofengland.co.uk/-/media/boe/files/letter/2023/governor-apf-letter-april-2023.pdf>