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

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

10 November 2026

Dear Andrew,

Asset Purchase Facility

Thank you for your letter of 10 November 2026, setting out the change in the Asset Purchase Facility's (APF) stock of purchased assets.

On 3 February 2022 you jointly agreed with the then Chancellor that the maximum authorised size of the APF should be updated every six months in line with the reduction in the stock of assets. In your letter of 10 November 2026, you confirmed the APF continues to be comprised solely of gilts, and that the current stock of APF gilt holdings, as of 4 November 2026, was £482.4 billion. I am therefore writing to reduce the authorised maximum size of the APF from £524.9 billion agreed in the exchange of letters on 5 May 2026 to £482.4 billion, of which £362.4bn is authorised to be held for monetary policy purposes and £120bn is authorised to be held for the purposes of indirectly backing current and future banknote issuance.[1] This amount will be reviewed and confirmed between us again in six months. As of 4 November 2026, the APF has been reduced by £412.5 billion from its peak of £894.9 billion in January 2022. This equates to a 46% reduction in the stock of assets held.

As set out in the 17 September exchange of letters, I acknowledge the decision taken by the Monetary Policy Committee (MPC) to unwind the APF through an annual sales pace of £20bn in purchase proceeds terms until gilts held for monetary policy purposes are fully unwound by the end of 2034. Taking the maturity profile into account, this is equivalent to an average annual stock reduction of £46bn. As a consequence, the Bank Executive have announced that it would not sell gilts with redemption dates earlier than 2035, and that £120bn of the longest-dated gilts in the APF will remain in the APF for the purposes of indirectly backing current and future banknote issuance.

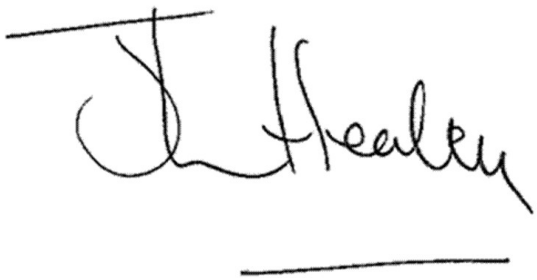
[1] For further detail see Update on the Asset Purchase Facility (APF) - GOV.UK

I also note that, as set out in my letter to you on the 17 September, Bank and HM Treasury officials continue to work together to develop a model whereby all APF active gilt sales are conducted to the government and not to the market. We will review progress before April 2027 such that, subject to a final decision to proceed, implementation could begin in a way that allows this to be incorporated into the DMO's annual financing remit, as set by HMT.

I welcome that the APF continues to be unwound in a way that maximises value for money by minimising cost and risk over the lifetime of the APF, subject to achieving the MPC's objectives. 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 ever,



THE RT HON JOHN HEALEY MP
Chancellor of the Exchequer