

Bank of England

The Rt Hon Rachel Reeves
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
SW1A 2HQ

Andrew Bailey
Governor

5 May 2026

Dear Rachel,

Asset Purchase Facility

Stock of holdings in the Asset Purchase Facility

As you are aware, the Bank currently holds a stock of high-quality assets within the Asset Purchase Facility (APF), arising from activities in support of its statutory objectives. The APF's portfolio comprises UK government bonds (gilts) and is being reduced in line with the instructions of the Monetary Policy Committee (MPC).

As agreed when it was established in 2009, the activities of the APF are indemnified by HM Treasury (HMT). As the size of the APF holdings changes, the authorised maximum size of the APF should be periodically adjusted to reflect the size of the portfolio. In 2022 it was agreed that the maximum authorised size of the APF should be updated every six months in line with the reduction in the stock of assets and that this be detailed by an exchange of letters between us.¹

I can confirm that the stock of APF gilt holdings, as of 29 April 2026, was £524.9 billion.

The maximum size of the APF can therefore now be adjusted downwards from £555.0 billion as agreed in our exchange of letters on 11 November 2025 to a total of £524.9 billion. This will be reviewed and confirmed between us again in six months, alongside the relevant APF Quarterly Report.

I would be grateful if you could confirm these changes.

¹ [Letter from the Governor to the Chancellor on the Asset Purchase Facility - February 2022](#)



The Bank's approach to unwinding the APF

In September 2025 the MPC voted to reduce the APF's stock of gilts by £70 billion over the 12-month period from October 2025 to September 2026, comprising both sales and maturities.²

In line with this decision, the Bank has proceeded with the sale of the APF's stock of gilts. Since October 2025, these sales, in addition to the maturity of gilts held by the APF, have led to a reduction in the stock of gilts held for monetary policy purposes of £33.2 billion as of 29 April 2026. The appropriate pace of gilt stock reduction continues to be guided by a set of key principles. First, the MPC intends to use Bank Rate as its active policy tool when adjusting the stance of monetary policy. Second, sales are to be conducted so as not to disrupt the functioning of financial markets, and only in appropriate market conditions. Third, to help achieve that, sales will be conducted in a gradual and predictable manner over a period of time.

Whilst different unwind strategies might affect the timing of cash flows between HMT and the APF, they will not necessarily change the lifetime amount accumulated in the APF. For example, active sales incur upfront costs, but they also reduce lifetime net interest costs from carrying gilts on the APF's portfolio when Bank Rate is higher than coupon payments.

The Bank will continue to monitor the impact of APF unwind on market conditions.

The Bank's operations, as carried out by the Bank Executive, should maximise value for money by minimising cost and risk over the lifetime of the APF, subject to achieving the MPC's chosen unwind target and in line with the MPC's key principles. That is achieved, amongst other things, through:

- The use of auction mechanisms that are carefully designed to maximise demand and competition.
- Close liaison with the Debt Management Office (DMO).
- The application of comprehensive risk management techniques.
- Detailed public information on APF activity, and the design and control of auctions, available in the Bank's [Market Operations Guide](#).
- Comprehensive governance, reporting and transparency arrangements consistent with the indemnity provided by HM Treasury and the HM Treasury Accounting Officer's requirement to protect the rights and assets of the taxpayer including value for money.

Yours sincerely,



² [Bank Rate maintained at 4% - September 2025 | Bank of England](#)