



**Funding for Lending Scheme Extension: worked examples, November 2015**

The Bank and HM Treasury announced an amendment to the Funding for Lending Scheme (FLS) Extension on 30 November 2015, which extended the drawdown period to end-January 2018.<sup>1</sup> This document provides worked examples to illustrate the quantity of borrowing available under the extension in various hypothetical scenarios. The fee on all FLS drawings made during the FLS Extension will be 25 basis points per annum.

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**Example 1 – Bank 1 is able to draw throughout the further extension period.**

Bank 1 has generated an Extended Borrowing Allowance of £100 through net lending over 2013-2015, but has only drawn £4 by end-January 2016. According to the terms of the extension, Bank 1 can continue to draw from its Extended Borrowing Allowance until 31 July 2016. At 1 August 2016, its borrowing allowance (now known as the Scaled Borrowing Allowance) falls by £25, and then in further £25 increments every six months after that. Bank 1 draws £4 in each six-month period and is able to draw throughout the further extension period (to end-January 2018) because at no point do its outstanding drawings hit its Scaled Borrowing Allowance (**Table 1 and Chart 1**).

**Table 1: Borrowing Allowance and Drawings for Bank 1**

<b>Period</b>	<b>Up to Jan-16</b>	<b>Feb-16 to Jul-16</b>	<b>Aug-16 to Jan-17</b>	<b>Feb-17 to Jul-17</b>	<b>Aug-17 to Jan-18</b>
Borrowing allowance during period	100	100	75	50	25
New drawings in the period	4	4	4	4	4
Outstanding drawings at end of period	4	8	12	16	20

**Example 2 – Bank 2 is able to draw during part of the further extension period.**

Bank 2 has generated an Extended Borrowing Allowance of £100 through net lending over 2013-2015 and has drawn £40 by end-January 2016. According to the terms of the extension, Bank 2 can continue to draw from its Extended Borrowing Allowance until 31 July 2016. At 1 August 2016, its borrowing allowance (now known as the Scaled Borrowing Allowance) falls by £25, and then in further £25 increments every six months after that. Bank 2 aims to draw £7 in each half-year period and is able to draw this amount during the six months to end-July 2016, and the six months to end-January 2017. However, on 1 February 2017 its Scaled Borrowing Allowance has fallen below its outstanding drawings, so it cannot draw any further (but is not required to repay any drawings; **Table 2 and Chart 1**).

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<sup>1</sup> See <http://www.bankofengland.co.uk/markets/Pages/FLS/default.aspx> for detail

**Table 2: Borrowing Allowance and Drawings for Bank 2**

Period	Up to Jan-16	Feb-16 to Jul-16	Aug-16 to Jan-17	Feb-17 to Jul-17	Aug-17 to Jan-18
Borrowing allowance during period	100	100	75	50	25
New drawings in the period	40	7	7	0	0
Outstanding drawings at end of period	40	47	54	54	54

**Example 3 – Bank 3 has exhausted its borrowing allowance so is unable to draw during the further extension period.**

Bank 3 has generated an Extended Borrowing Allowance of £100 through net lending over 2013-2015 but has drawn the entire amount by end-January 2016. So Bank 3 is not able to draw during the further extension period, but is not required to repay any drawings (Table 3 and Chart 1).

**Table 3: Borrowing Allowance and Drawings for Bank 3**

Period	Up to Jan-16	Feb-16 to Jul-16	Aug-16 to Jan-17	Feb-17 to Jul-17	Aug-17 to Jan-18
Borrowing allowance during period	100	100	75	50	25
New drawings in the period	100	0	0	0	0
Outstanding drawings at end of period	100	100	100	100	100

**Chart 1: Scaled Borrowing Allowances and drawdowns for Banks 1-3**

