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News release

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Asset Purchase Facility

The Bank of England today publishes the first quarterly report on the transactions undertaken through its Asset Purchase Facility.

The initial objective of the Facility was to improve the liquidity in, and increase the flow of, corporate credit by making purchases of high quality private sector assets including commercial paper and corporate bonds. The Facility was initially authorised by HM Treasury to purchase up to a total of £50 billion of private sector assets financed by Treasury bills. The first purchases of commercial paper began on 13 February.

The scope of the Asset Purchase Facility was also designed to enable it to be used by the Monetary Policy Committee in order to meet the 2% target for CPI inflation. The range of assets eligible for purchase by the Facility on behalf of the Committee included government debt. For this purpose, the Facility was authorised to purchase up to £150 billion, of which up to £50 billion should be used to purchase private sector assets.

The Committee voted at its March policy meeting for the Facility to purchase £75 billion of assets financed by reserves balances held at the Bank. This would include continued purchases of private sector assets, but in order to reach that total over three months, the majority of purchases would be of UK government debt.

At 26 March, purchases under the Asset Purchase Facility totalled £15,087mn, of which £14,103mn were financed by the issuance of central bank reserves. These purchases comprised £128mn of corporate bonds; £1,966mn of commercial paper and £12,993mn of gilts. Further details of the Asset Purchase Facility's operation are set out in this quarterly report.

Details of purchases made after 26 March under the Asset Purchase Facility can be found on the Bank's website.

Asset Purchase Facility Quarterly Report - 2009 Q1

<http://www.bankofengland.co.uk/markets/Documents/apf/apfquarterlyreport0904.pdf>