



BANK OF ENGLAND

News release

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Asset Purchase Facility

The Bank of England is today making a number of announcements in relation to the Asset Purchase Facility.

First, the Bank is today providing 12 months' notice of its intention to withdraw the Commercial Paper Facility, consistent with the Market Notice issued following the announcement of the Facility in February 2009. The Commercial Paper Facility was designed to act as a backstop to help improve financing conditions for companies. The Bank's intention was that the Facility would only remain operational for as long as the highly abnormal conditions in corporate credit markets that were impairing finance of real economic activity persisted. The Bank's purchases of Commercial Paper have reduced in recent months and there is currently no outstanding stock held.

Second, the Bank is announcing the withdrawal of the Credit Guarantee Scheme (CGS) Bond Secondary Market Scheme. This scheme gave the Bank the option to purchase bonds issued by banks under HMG's Credit Guarantee Scheme. No purchases have been made under this facility since inception.

The Bank judges that the Commercial Paper Facility and CGS Bond Secondary Market Scheme are no longer necessary given the improvements in financial market functioning seen over the past year.

Third, the Bank notes that conditions in the sterling corporate bond market have also improved substantially since the Corporate Bond Secondary Market Scheme was introduced in March 2009. The Scheme will continue to offer to both buy and sell corporate bonds to serve a useful role as a backstop, particularly during periods of increased market uncertainty. Recognising the improvement in market conditions, the Bank will adapt its reserve prices to permit relatively more sales of corporate bonds in future.

Fourth, the Bank has recognised the eligibility of a programme for its Secured Commercial Paper Facility and expects to make purchases shortly. The Secured Commercial Paper Facility was announced in July 2009. It enables the Bank to purchase high quality sterling commercial paper securities that support the financing of working capital. Its aim is to channel funds to a broad range of corporates, including to smaller companies and/or companies of below investment grade credit-quality.

No other aspects of the Asset Purchase Facility are affected by these announcements.

Notes to Editors

Details of all the APF facilities can be found on the Asset Purchase Facility pages.

<http://www.bankofengland.co.uk/markets/Pages/apf/notices.aspx>