



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

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

19 March 2020

Dear Andrew,

EXTENSION OF ASSET PURCHASE FACILITY

Thank you for your letter of 19 March, setting out the Monetary Policy Committee's (MPC) case for its decision to raise the limit on purchases that may be undertaken by the Asset Purchase Facility (APF).

Your letter explains that in light of actions to tackle the spread of Covid-19, evidence on the global and domestic economy, and conditions in the UK and international government bond markets, the MPC judged further asset purchases financed by the issuance of central bank reserves should be undertaken to enable the MPC to meet its statutory objectives.

Alongside the actions the Bank is taking today, I reiterate that as Chancellor of the Exchequer I am prepared to take whatever further action is necessary to support the economy through the economic crisis.

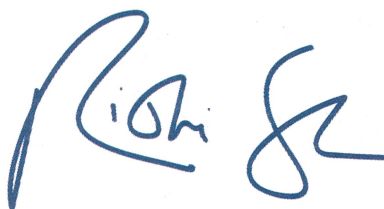
We have collectively already taken a coordinated series of measures to support the economy. I announced measures to support public services, individuals and businesses at Budget on 11 March, alongside the Bank of England's interest rate cut, new Term Funding Scheme with additional incentives for lending to SMEs and reduction in Countercyclical Capital Buffer. We have subsequently established a new Covid-19 Corporate Financing Facility to support companies which are fundamentally strong, but have been affected by a short-term funding squeeze. And I have announced further support from the government for businesses and workers.

The risk management framework previously agreed with the Treasury will remain in place. In line with enhanced oversight arrangements for the expanded APF, regular risk oversight

meetings of Treasury and Bank senior officials will continue to monitor the scheme's implementation and risks to the Exchequer.

I am therefore writing to authorise an increase of up to £200 billion in the amount of assets that the APF is authorised to purchase, financed through the issuance of central bank reserves, the majority of the additional purchases will comprise UK government bonds. The authorised limit for the APF will rise from £445 billion to £645 billion.

I am copying this letter to the Chairman of the Treasury Select Committee and depositing a copy in the libraries of both houses.

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', with a stylized flourish at the end.

RISHI SUNAK