



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

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

5 November 2020

Dear Andrew,

EXTENSION OF ASSET PURCHASE FACILITY

Thank you for your letter of 5 November, 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 the MPC judged that a further easing of monetary policy is warranted, and that further asset purchases financed by the issuance of central bank reserves should be undertaken to enable the MPC to deliver the stimulus it considers necessary to meet its statutory objectives.

Alongside the actions the Bank is taking, I reiterate that as Chancellor of the Exchequer my priority is to support the economy, and to protect both lives and livelihoods during this difficult time for the country. That is why the Government has announced unprecedented support for public services, jobs and businesses, to secure our future economic recovery and to minimise long term scarring in the economy. And our policy support is adapting to the course of the virus and the needs of the economy, through the extension of the Coronavirus Job Retention Scheme (CJRS) and business loan schemes.

We recognise the extreme disruption Covid-19 is causing for people's lives, their businesses, their jobs and the nation's economy, and further action now to protect the economy will ensure we are in the best possible place to recover once the health situation improves.

I am therefore writing to authorise an increase of up to £150 billion in the amount of UK government bonds that the APF is authorised to purchase, financed through the issuance of central bank reserves. The authorised limit for the APF will rise from £745 billion to £895 billion.

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 copying this letter to the Chair of the Treasury Committee and depositing it immediately in the libraries of both Houses of Parliament and on the Treasury website.

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

RISHI SUNAK