



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

Rt Hon Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

28 September 2022

Dear Meg,

Notification of amendment to the indemnity for the Bank of England's Asset Purchase Facility

It is normal practice, when a government department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a Departmental Minute to Parliament giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until fourteen Parliamentary sitting days after the issue of the Minute, except in cases of special urgency.

The above process has not been followed on this occasion because the Bank of England (Bank) and HM Treasury judged that immediate action was required to ensure financial stability.

In recent days, there has been a significant repricing of UK and global financial assets, which is particularly affecting long-dated UK government debt. In light of this, the Bank have set out their intention to carry out temporary purchases of long-dated UK government bonds (gilts) from 28 September, to be carried out through the Asset Purchase Facility (APF) on whatever scale is necessary to restore orderly conditions.

To be able to do so, the Bank has requested an extension to the maximum size of the APF by £100bn to £966bn. The APF cannot in practice be extended without an associated HMT indemnity coming into force in parallel. I have therefore concluded that there was special urgency to incur this liability without the normal provision for a period of Parliamentary scrutiny, in line with previous extensions to the APF. I will instead lay a departmental Minute and a Written ministerial statement as soon as parliament returns from recess.

Given the significance of the policy, Clare Lombardelli, HM Treasury's Chief Economist, and Cat Little, HM Treasury's accounting officer, have offered to have a meeting with you to discuss the policy and its implications.

The risk control framework previously agreed between the Treasury and the Bank will remain in place. The Government will continue to indemnify the Bank and the BEAPFF from any losses arising out of, or in connection with, the remaining schemes in the APF. If the liability is called, provision for any payment will be sought through the normal Supply procedure.

I am writing in the same terms to the Chair of the Treasury Select Committee.

Kind regards,

A handwritten signature in black ink, appearing to read 'Kwasi Kwarteng', written in a cursive style.

RT HON KWASI KWARTENG MP
Chancellor of the Exchequer