



## Public Accounts Committee

**Rt Hon Jeremy Hunt MP**  
**Chancellor of the Exchequer**  
**HM Treasury**  
**1 Horse Guards Road**  
**London SW1A 2HQ**

20 October 2022

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

Dear Chancellor of the Exchequer,

On 28 September 2022, your predecessor wrote to the Public Accounts Committee to explain the amendment to the indemnity for the Bank of England's Asset Purchase Facility (APF) and explained why the normal practice of notifying Parliament before incurring contingent liabilities had not been followed.

The letter highlights that the normal process for notifying Parliament was not followed due to special urgency required to increase the APF's purchasing facility to restore orderly market conditions given the significant re-pricing of financial assets, particularly long-dated UK government debt. We note that the departmental minute and [written ministerial statement](#) were due to be laid once Parliament returned from recess and that this occurred on 12 October 2022.

The letter explains that the APF indemnity was increased in value by £100bn. The Bank of England have announced interventions with a maximum exposure of £65bn. I therefore request that you explain the purpose of the additional £35bn increase in the indemnity.

In relation to the details of the intervention, it is normal practice to explain the estimated fiscal impact of a new contingent liability. We note that the increase in the APF indemnity is for the purposes of financial stability whereas the purpose of the original indemnity is to support monetary policy. As such I request that you write to us with your estimate of the fiscal impact of this intervention; and also explain how you will ensure transparent reporting of the financial impact of the indemnity against each of its two purposes going forwards.

The significant re-pricing of UK and financial assets referenced in your letter will have a significant impact on HM Treasury's finances as a result of indemnifying the APF. I ask therefore that you set out your assessment of the financial impact of movements in gilt and bond market values since 31 March 2022 upon HM Treasury's finances, including the increased level of losses that will be crystallised in relation to the announced active unwind of the APF.



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Thank you for the offer of a meeting with Clare Lombardelli, HM Treasury's Chief Economist, and Cat Little, HM Treasury's Second Permanent Secretary to discuss further. The Clerks are in discussion with your officials to find a suitable date.

I would appreciate it if you could provide a response by **Friday 4 November**. I shall provide a copy of this letter to the Chair of the Treasury Committee, the Rt Hon Mel Stride MP, the Comptroller and Auditor General and the Treasury Officer of Accounts.

Yours sincerely

Dame Meg Hillier MP  
Chair of the Committee of Public Accounts