

FUNDING OF THE BANK OF ENGLAND'S ASSET PURCHASE FACILITY: IMPLICATIONS FOR TREASURY BILL ISSUANCE

Following the exchange of letters between the Chancellor of the Exchequer and the Governor of the Bank of England and today's statement by the Bank of England's Monetary Policy Committee, the purchase of further private sector assets in the Asset Purchase Facility (APF) announced on 19 January 2009 will be financed by central bank reserves.

As a consequence, the arrangements for the financing of purchases of private sector assets in the APF through a combination of Treasury bill sales and DMO cash management operations, as announced on 19 January 2009, are being suspended. The option of using Treasury bills to finance such asset purchases will remain open. Existing financing of APF assets by these means, which totalled £820 million as at 26 February 2009, will roll off as the relevant assets mature.

The DMO will update its plans for Treasury bill issuance in 2009-10 in its provisional financing remit on 18 March 2009 and these plans will again be updated in the financing remit for 2009-10 to be published alongside Budget 2009 on 22 April 2009.

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