



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

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

3 February 2022

Dear Andrew,

### Unwinding the Asset Purchase Facility

Thank you for your letter of 3 February 2022, setting out the Monetary Policy Committee's decision to begin reducing the Asset Purchase Facility's (APF) stock of purchased assets.

I am writing to agree the joint approach to reduce the size of the APF's indemnity every six months in line with the reduction in assets. As you note, the proposal will see the size of the indemnity fall in a gradual and predictable way, in line with the redemption profile of the APF-owned gilts and the unwind of its corporate bond portfolio as set out in your letter. As agreed, the size of the indemnity will be confirmed through an exchange of letters between us every six months beginning in April 2022.

The risk management framework previously agreed with HM Treasury will remain in place. In line with enhanced oversight arrangements for the expanded APF, regular risk oversight meetings of senior HM Treasury and Bank of England officials will continue to monitor the scheme's implementation and risks to the Exchequer, and officials will continue to work together to manage the cash flows between the Facility and HMT. Under the terms of the indemnity any potential future cash shortfalls in the APF will be met in full by the Government.

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 HM Treasury website.

Best wishes,

RISHI SUNAK