Markets and operations

- Shortly after the start of the review period (3 March), the European Central Bank (ECB) announced new easing measures including a deposit rate cut, a credit-easing scheme and a corporate bond purchase programme. Later in March, the Federal Open Market Committee (FOMC) reduced their forecasts for the path of policy rates.
- Partly as a result of this fresh monetary policy stimulus, international risky asset prices continued to recover from the trough they reached in mid-February.
- UK asset prices became increasingly influenced by expectations of the outcome of the United Kingdom's referendum on European Union (EU) membership, held on 23 June.
- Shortly before the end of the review period (27 June), the United Kingdom voted to leave the EU. There was significant market volatility as this result became clear, including large falls in sterling exchange rates, interest rates and UK bank share prices.

Overview

The review period began with a fresh round of monetary policy stimulus from the ECB, which reinforced the recovery in international risky asset prices that had begun in mid-February. Although these and other international developments were material drivers of UK asset prices over the review period, the largest moves were caused by expectations regarding the potential outcome of the United Kingdom's referendum on its membership of the EU, and the subsequent vote to leave, which occurred just before the end of our review period.(1)

On 10 March the ECB announced a fresh set of easing measures including a corporate bond purchase programme, a new targeted long-term repo operation and a further 10 basis points cut in the deposit rate to -0.4%. Comments from the ECB President were interpreted as suggesting that the policy rate was unlikely to fall further. Shortly afterwards, the FOMC published forecasts for the future path of the policy rate that were lower than had been expected, resulting in a fall in short-term market interest rates and in the dollar exchange rate.

UK short-term interest rates moved in line with US and euro-area counterparts following these announcements. Partly as a result of the interventions by the ECB and FOMC, risky asset prices continued their recovery following the trough reached in mid-February.

Throughout the review period, financial markets became increasingly sensitive to expectations of the outcome of the referendum. Following a perceived increase in the likelihood of a leave vote in early June, the sterling exchange rate and short-term interest rates fell, and then rose again following an apparent shift in expectations towards a remain vote in the week preceding the referendum. Uncertainty regarding the referendum also affected other asset prices. In particular, financial market implied volatility rose sharply and UK banks' equity and debt tended to underperform that of their European counterparts in the lead up to the referendum.

Following the vote to leave, which became clear in the early hours of 24 June, there was significant market volatility. Among the most notable moves between the evening of the vote and the end of our review period (27 June), the sterling exchange rate fell 9% on a trade-weighted basis, the ten-year UK government bond yield fell by 41 basis points, sterling investment-grade corporate bond spreads widened by 23 basis points and the FTSE 250 fell by 14%. There was also contagion to a wide range of international asset prices, with core government bond yields and risky asset prices falling markedly.

(1) Further discussion of the referendum can be found in the July 2016 Bank of England *Financial Stability Report*.

In discharging its responsibilities to maintain monetary and financial stability, the Bank gathers market intelligence from contacts across a range of financial markets. Regular dialogue with market contacts provides valuable insights into how markets function, and provides context for the formulation of policy, including the design and evaluation of the Bank's own market operations. The first section of this article reviews developments in financial markets between the 2016 Q1 *Quarterly Bulletin* and 27 June 2016.[1] The second section goes on to describe the Bank's own operations within the Sterling Monetary Framework.

Monetary policy and interest rates

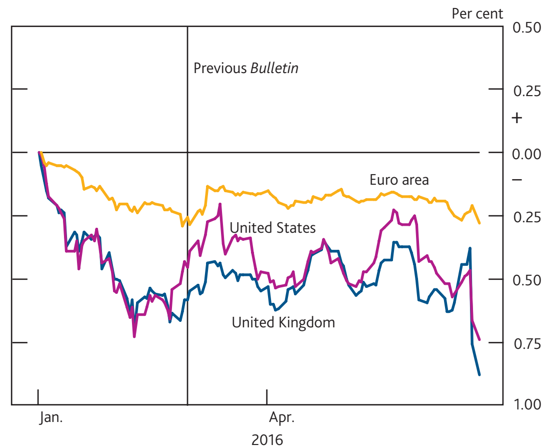
Shortly after the start of the review period, there was a fresh round of monetary policy easing by central banks. The European Central Bank (ECB) announced a range of stimulatory measures on 10 March comprising: (i) a cut in its deposit rate from -0.3% to -0.4%; (ii) an increase in the size and scope of their Asset Purchase Programme to include corporate bond purchases (see 'Corporate capital markets' section); and (iii) a new series of targeted longer-term refinancing operations which enable banks to expand their lending to the real economy by borrowing funds from the ECB at a low interest rate. The cut in the deposit rate had been expected, and comments by the ECB President in the press conference were interpreted by market contacts as reducing the likelihood of further rate cuts.

Developments in Federal Open Market Committee (FOMC) policy expectations were mixed over the review period. Policy communication from the FOMC on 16 March, and in particular a downwards revision of members' forecasts for the policy rate, was thought to have signalled a more accommodative path for policy than previously expected. US short-term interest rates fell in response, delaying market expectations for the timing of the next US rate rise by a few months. Later, in May, short-term interest rates rose as markets re-evaluated the possibility of a near-term rate rise. Then, a smaller than expected rise in US employment, measured by non-farm payrolls data for May, as well as communications from FOMC members suggesting that the United Kingdom's referendum might delay the pace of rate rises in the United States, resulted in a fall in rates in June.

The Bank of Japan left monetary policy unchanged. Market contacts report that expectations for further easing remain, particularly following the recent upward pressure on the level of the yen. Short rates continue to imply that the Bank of Japan will cut its policy rate to more negative levels, while speculation also persists about additional unconventional policy — including the purchase of additional risk assets.

UK short rates were largely driven by overseas developments early in the review period, with the one-year interest rate, one year forward moving closely in line with its US counterpart (**Chart 1**).

Chart 1 Cumulative change in one year overnight index swap rates, one year forward since January 2016[a]



Sources: Bloomberg and Bank calculations.

(a) Forward rates derived from the Bank's overnight index swap (OIS) curves.

Uncertainty around the outcome of the EU referendum was increasingly cited by contacts as a major domestic risk in May. While contacts acknowledged comments from Monetary Policy Committee (MPC) members highlighting uncertainty around the appropriate path of policy in the event of a leave vote (in particular, that it would depend on the relative magnitudes of the demand, supply and exchange rate effects), their central expectation was that the MPC would ease policy in that event.

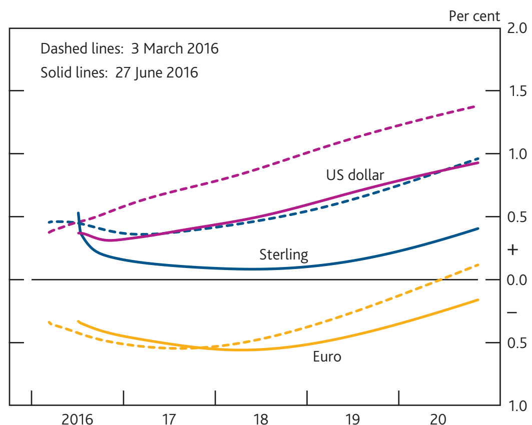
An increase in the perceived likelihood of a leave vote (as reflected, for example, in opinion polls and bookmaker odds) in late May led to a marked reassessment of the risks relating to such an outcome in the market. Contacts reported that, around this time, UK short-term interest rates, and to a lesser extent US rates, became more sensitive to changes in the perceived likelihood of a leave vote, and implied volatility on sterling forward interest rates rose sharply. Rates rose in the days leading up to the referendum, which contacts attributed to an apparent small shift towards a vote to remain.

Following the vote to leave, which became clear in the early hours of 24 June, there were significant falls in short-term interest rates in the United Kingdom and overseas (**Chart 2**), with one-year interest rates, one year forward in the United Kingdom and United States falling 50 basis points and 27 basis points on 24 June, respectively. The equivalent rate for the euro area fell by 8 basis points. Market contacts noted that this reflected expectations of monetary policy easing in the United Kingdom, and that the pace of monetary tightening in the United States may now be slower than previously

(1) Please note that our review period is slightly longer than the usual quarter due to pre-referendum purdah arrangements.

thought. Overall, short-term interest rates ended the review period considerably lower than at the start of the review period (**Chart 2**).

Chart 2 Instantaneous forward interest rates derived from OIS contracts[(a)]

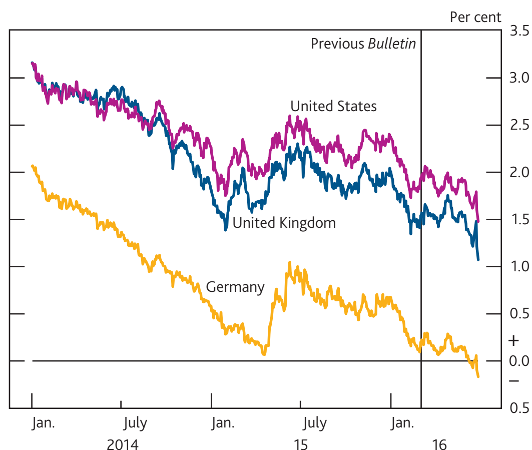


Sources: Bloomberg and Bank calculations.

(a) Instantaneous forward rates derived from the Bank's OIS curves.

Core government bond yields followed a similar path to short-term interest rates over the review period (**Chart 3**). In particular, longer-term interest rates fell in early June as the perceived likelihood of a leave vote increased, then rose in the week leading up to the vote as remain appeared to edge ahead, and finally fell sharply following the leave vote. Contacts attributed this to the potential for a spillover of geopolitical risk to the euro area as a result of the referendum outcome and a global flight to safe assets. The UK ten-year yield was down by 46 basis points overall over the review period.

Chart 3 Selected ten-year government bond yields[(a)]



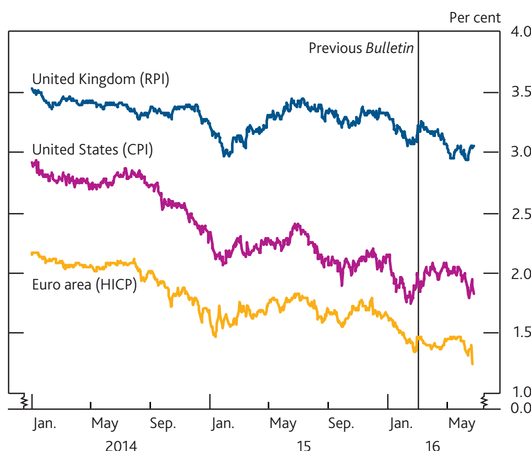
Sources: Bloomberg and Bank calculations.

(a) Yields to maturity derived from the Bank's government liability curves.

Market contacts note that functioning in UK rates markets has been orderly since the referendum. Volumes in gilt repo markets and unsecured overnight markets were slightly below their daily average levels since 2016. Overnight rates remained broadly in line with Bank Rate. In cash gilt markets, activity and trading volumes decreased immediately after the referendum, and bid-offer spreads widened. But market functioning was thought to be orderly, and bid-offer spreads subsequently fell back towards more usual levels.

Market-implied measures of inflation compensation fell in the United Kingdom (**Chart 4**), which was attributed to technical factors including the changing behaviour of investors such as insurers and pension funds seeking to hedge long-term sterling liabilities. These measures picked up slightly in the United Kingdom following the referendum, which contacts attributed to the potential impact of the fall in the sterling exchange rate.

Chart 4 Selected five-year inflation swap rates, five years forward[(a)]



Sources: Bloomberg and Bank calculations.

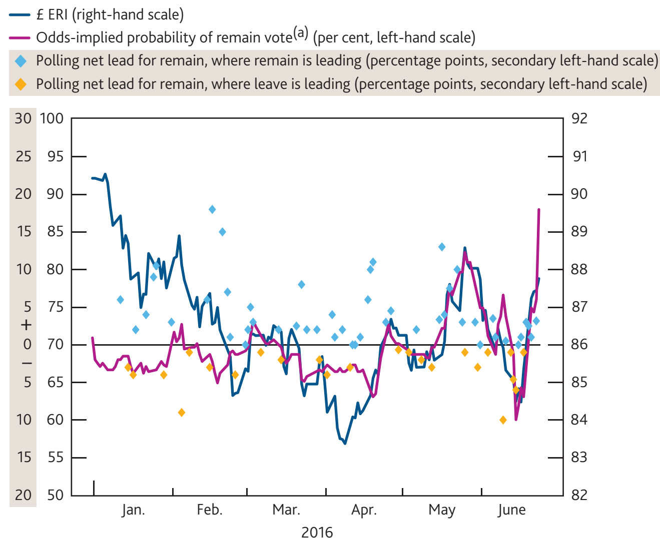
(a) Swap rates derived from the Bank's inflation swap curves.

Foreign exchange

Like short-term interest rates, foreign exchange (FX) markets became increasingly sensitive to changing expectations of the outcome of the United Kingdom's referendum on EU membership over the course of the review period. In particular, contacts pointed to increasing correlation between the sterling ERI and referendum-related measures such as changes in the polls and betting odds (**Chart 5**). Contacts noted increased speculative positioning and hedging activity in both FX spot and options markets ahead of the referendum and there was a deterioration in market liquidity as an increasing volume of orders sought to position for a lower level of sterling. This coincided with relatively large swings in the level of sterling as well as a sharp increase in measures of short-term implied volatility in sterling currency pairs (**Chart 6**). Options markets also suggested an increased risk of a sharp downside move in sterling (in 'risk reversals' — the difference in implied volatility between out-of-the-money call and put options).

Sterling appreciated in the final days before the vote, reaching its highest level versus the US dollar since December 2015. As for short-term interest rates above, this was attributed to an

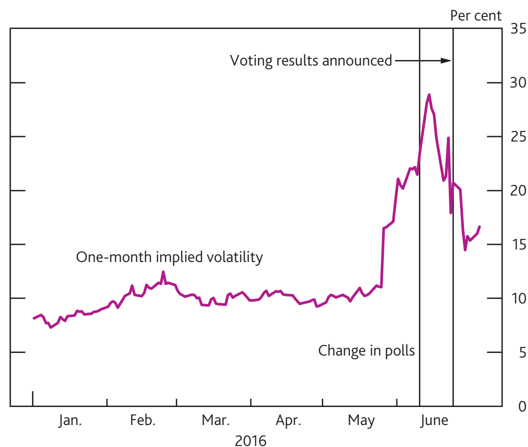
Chart 5 Sterling exchange rate index and EU referendum betting odds and poll results



Sources: Betfair, Bloomberg, FT poll of polls, Thomson Reuters Datastream and Bank calculations.

(a) Calculated as the probability implied from the Betfair odds of a 'remain' vote in the UK referendum. Observations are end-business day snaps apart from 23 June when the snap was at lunchtime.

Chart 6 Sterling-dollar implied volatility

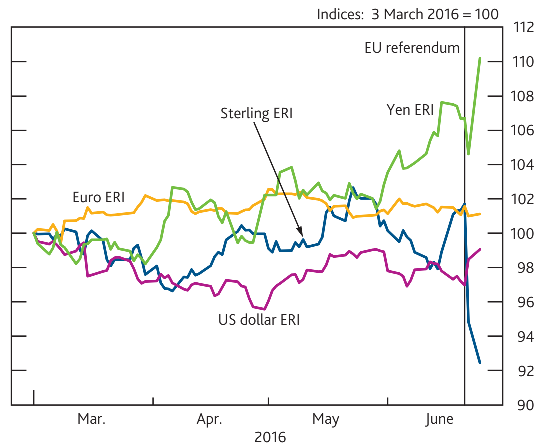


Source: Bloomberg.

increased perceived likelihood of a remain vote. Just prior to the referendum, the sterling ERI was slightly higher than the start of the review period (**Chart 7**).

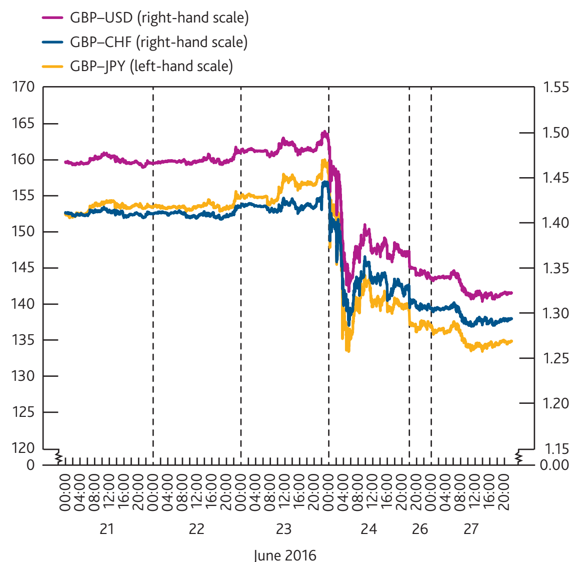
In the early hours of 24 June, sterling exchange rates began to depreciate sharply as early indications signalled a leave vote. Once the outcome was confirmed, sterling continued to fall through the day (**Chart 8**), and the sterling-dollar exchange rate reached its lowest level since September 1985 at US$1.3229. Sterling continued to fall over the following days, and the sterling-dollar exchange rate reached a new post-1985 low of US$1.3121 on Monday 27 June. Overall, the trade-weighted sterling exchange rate fell 9% between 23 and 27 June, leaving it down by 8% over the review period as a whole (**Chart 9**).

Chart 7 Selected exchange rate indices since the start of the review period



Sources: Bloomberg, ECB, Thomson Reuters Datastream and Bank calculations.

Chart 8 Intraday movements in selected foreign exchange rates

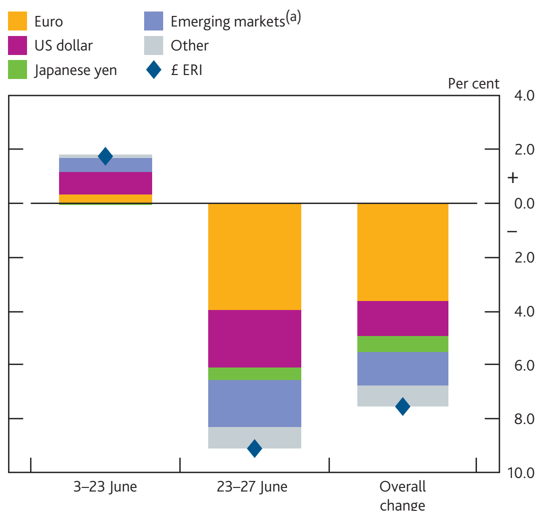


Sources: Bloomberg and Bank calculations.

Contacts reported that trading in FX markets was orderly throughout 24 June, with two-way flow from a variety of investor types. Bid-ask spreads rose during the day but gradually returned to normal levels over the following days. More broadly, market participants were thought to have been better prepared than in previous instances of extreme volatility.

A number of currencies traditionally seen as safe havens, including the Japanese yen and the Swiss franc, appreciated following the vote to leave. The Swiss National Bank announced during the morning of 24 June that it had intervened in the FX market to stem further upward pressure on the Swiss franc (**Chart 8**). There were also spillovers to emerging market currencies. In particular, the Mexican peso depreciated sharply by 3.7% against the US dollar on 24 June.

Chart 9 Contributions to changes in the sterling ERI



Sources: Bloomberg, Thomson Reuters Datastream and Bank calculations.

(a) The emerging market currencies in the narrow sterling ERI are: Chinese renminbi, Czech koruna, Indian rupee, Polish zloty, Russian rouble, South African rand and Turkish lira.

There were also significant moves in the US dollar and Japanese yen over the review period (**Chart 7**). The US dollar depreciated early in the review period, then rose in early May and then fell in early June, due to factors discussed in the 'Monetary policy and interest rates' section above. A small appreciation following the leave vote left the US dollar slightly lower over the review period as a whole. The Japanese yen also appreciated over the review period. While specific drivers of the yen were hard to identify, contacts thought the moves in part reflected the yen's traditional role as a safe haven during periods of deteriorating risk sentiment.

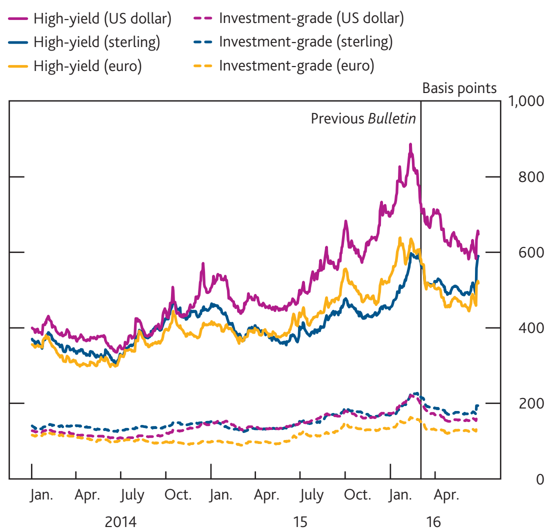
Corporate capital markets

On 10 March the ECB announced a corporate sector purchase programme (CSPP). Risky asset prices responded positively to the announcement, and euro-denominated investment-grade bond spreads fell by around 10–20 basis points (**Chart 9**). There were also spillover effects to dollar and sterling-denominated markets. Both high-yield and investment-grade spreads, which had risen to very wide levels in February, continued to fall throughout April. Issuance of eligible bonds (broadly euro-denominated, investment-grade, non-bank bonds) was also stimulated by the announcement.

ECB purchases of corporate bonds began on 8 June and contacts noted that the early pace of purchases was somewhat faster than the market had been expecting. There was little additional market reaction in response to this, which contacts attributed to the offsetting effect of referendum-related uncertainty and high net supply in the period following the CSPP announcement.

The review period has seen falls in both high-yield and investment-grade US (80 basis points and 35 basis points) and European (64 basis points and 11 basis points) spreads. UK high-yield spreads increased markedly (18 basis points), unlike their investment-grade counterparts that have fallen (20 basis points) (**Chart 10**). Sterling credit spreads rose sharply following the outcome of the referendum.

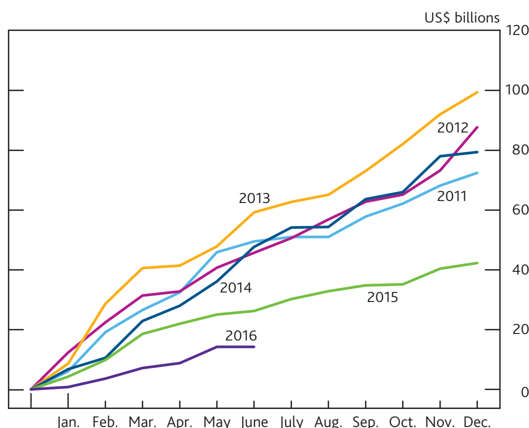
Chart 10 International corporate bond option-adjusted spreads



Source: BofA Merrill Lynch Global Research.

US dollar-denominated corporate bond issuance has been strong, driven in part by continued strong mergers and acquisitions activity. Euro-denominated issuance remained similarly robust, buoyed in part by the CSPP. Sterling-denominated corporate issuance has been particularly weak this year (**Chart 11**). According to contacts, this reflected longer-term structural issues, including weaker secondary market liquidity and the fact that demand is typically dominated by a few investors, as well as referendum-related uncertainty.

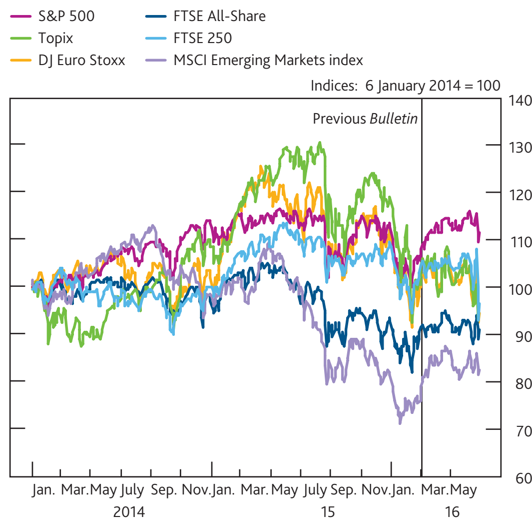
Chart 11 Cumulative high-yield and investment-grade bond issuance in GBP by UK, EU private non-financial corporations



Sources: Dealogic and Bank calculations.

Equity market performance over the review period was mixed, with a strong recovery from the February lows offset somewhat by a range of idiosyncratic factors. Of the major developed market indices, only the S&P 500 (+0.4%) finished up on the period, whereas the FTSE All-Share, the Euro Stoxx and the Topix fell by 3.9%, 9.6% and 10.5% respectively (**Chart 12**).

Chart 12 International equity indices[(a)(b)]



Sources: Bloomberg and Bank calculations.

(a) Indices are quoted in domestic currency terms, except for the MSCI Emerging Markets index, which is quoted in US dollar terms.
(b) The MSCI Emerging Markets index is a free-float weighted index that monitors the performance of stocks in global emerging markets.

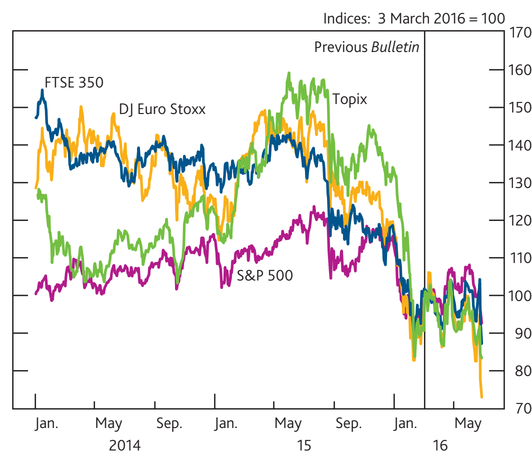
Early in the review period, major equity indices rose as risk sentiment recovered after a volatile first quarter. But from mid-April, equity indices outside the United States began to retrace these gains. Contacts reported that these falls reflected idiosyncratic factors including disappointing Q1 European bank earnings and European political risk, including forthcoming elections in Spain and ongoing negotiations regarding the terms of Greece's Economic Adjustment Programme, as well as the United Kingdom's referendum on membership of the EU.

Referendum-related uncertainty fed through to volatile price moves across global equities in June. The vote to leave was followed by large falls in all major global indices ranging from 4% in the S&P 500 to 8% in the Euro Stoxx. The FTSE 100 fell by 6% in the period 23–27 June, leaving it down 2% on the review period. While the FTSE recovered quite rapidly in the days following the vote, there was evidence that equity prices of firms that are more focused on UK domestic markets were more negatively affected. For example, the FTSE 250, which contains a greater share of domestically focused firms, fell by 14% in the period 23–27 June.

Bank funding markets

Bank equities in developed markets were relatively stable until the referendum. There was modest underperformance in European and Japanese bank equities (**Chart 13**). In Europe, weaker-than-expected Q1 bank earnings results as well as concern regarding Italian non-performing loans and recent poorly received IPOs are likely to have weighed on bank equities. The announcement of the Atlante investment fund by Italian authorities, which is funded by large banks and was expected to participate in IPOs of several small banks and buy non-performing loans, led to some recovery in European bank equities in April.

Chart 13 Selected bank equity sub-indices[(a)]



Sources: Bloomberg and Bank calculations.

(a) Indices are quoted in domestic currency terms.

In the first half of the review period, bank bond, credit default swap and additional Tier 1 spreads were relatively stable, consistent with the improvement in market sentiment following the February market turbulence. UK bank spreads tended to underperform relative to their European counterparts, which market contacts attributed to risks associated with the referendum.

Following the vote to leave, bank sub-indices fell sharply during the first two trading days, particularly those of the FTSE (16%) and the Euro Stoxx (23%), but also those of the S&P (10%) and the Topix (9%). Several UK banks saw very large falls in their share prices over this period (eg RBS -30%, Lloyds -29%, Barclays -32%). Market contacts attributed these falls to concerns about a possible increase in the cost of offering banking services across the EU (ie the use of regulatory 'passports') following the UK vote to leave, the impact on bank profitability should the MPC cut Bank Rate and the potential for worsening loan performance should economic conditions deteriorate. Spreads on UK banks' debt also widened following the vote, although the moves were less pronounced than for equities and overall wholesale bank funding costs were largely unchanged due to the large falls in risk-free rates. There were also large falls in European bank equities, whereas the falls were relatively more modest for US banks.

UK banks' bond issuance in euros and US dollars was relatively strong over the review period, with particularly strong US dollar issuance in May. In contrast, sterling issuance was subdued relative to previous years. Market contacts attributed this to referendum-related uncertainty. Issuance by UK banks ceased two weeks before the referendum until the end of the review period.

Operations

Operations within the Sterling Monetary Framework and other market operations

This section provides an update of the Bank's operations within the Sterling Monetary Framework (SMF) over the review period, as well as its other market operations. Collectively, these operations help implement the Bank's monetary policy stance and provide liquidity insurance to institutions when deemed necessary.

The aggregate level of central bank reserves is closely monitored by the Bank, as it affects monetary conditions in the UK economy. The level of central bank reserves is affected by (i) the stock of assets purchased via the Asset Purchase Facility (APF); (ii) the level of reserves supplied by operations under the SMF; and (iii) the net impact of other sterling flows across the Bank's balance sheet. Over the review period, aggregate reserves increased to around £315 billion driven by drawings in the additional Indexed Long-Term Repo (ILTR) operations held around the EU referendum (discussed below).

Operational Standing Facilities

Since 5 March 2009, the rate paid on the Operational Standing Deposit Facility has been zero, while all reserves account balances have been remunerated at Bank Rate. As a consequence, there is little incentive for reserves account holders to use the deposit facility. Reflecting this, the average use of the deposit facility was £0 million in the three months to 14 April 2016.[1]

The rate charged on the Operational Standing Lending Facility remained at 25 basis points above Bank Rate. However, given the large aggregate supply of reserves, there was no demand from market participants to use the lending facility. The average use of the lending facility was also £0 million over the quarter to 14 April 2016.

Indexed Long-Term Repo operations

The Bank conducts regular ILTR operations as part of its provision of liquidity insurance to banks, building societies and broker-dealers. During the review period, the Bank offered a minimum of £5 billion via six-month repos in each of its regular ILTR operations on 8 March, 5 April, 10 May and 7 June 2016. The Bank also ran additional ILTR operations on 14 and 21 June 2016 (**Table A**) as a precautionary measure ahead of the referendum.[2] Just after the end of the review period, the Bank ran an additional ILTR operation on 28 June and, on 30 June, announced that it would continue to run weekly ILTR operations until the end of September 2016.[3]

Table A Indexed Long-Term Repo operations[a]

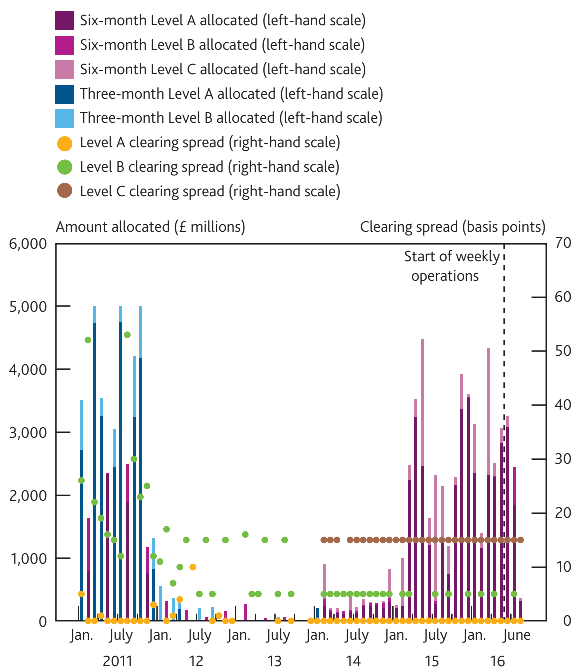
	Total	Collateral set summary		
		Level A	Level B	Level C
8 March 2016 (six-month maturity)				
Minimum on offer (£ millions)	5,000			
Total bids received (£ millions)	4,616	2,330	0	2,286
Amount allocated (£ millions)	4,329	2,330	0	2,000
Clearing spread (basis points)		0	n.a.	15
5 April 2016 (six-month maturity)				
Minimum on offer (£ millions)	5,000			
Total bids received (£ millions)	2,502	2,292	5	205
Amount allocated (£ millions)	2,502	2,292	5	205
Clearing spread (basis points)		0	5	15
10 May 2016 (six-month maturity)				
Minimum on offer (£ millions)	5,000			
Total bids received (£ millions)	3,066	2,831	0	235
Amount allocated (£ millions)	3,066	2,831	0	235
Clearing spread (basis points)		0	n.a.	15
7 June 2016 (six-month maturity)				
Minimum on offer (£ millions)	5,000			
Total bids received (£ millions)	3,255	3,080	0	175
Amount allocated (£ millions)	3,255	3,080	0	175
Clearing spread (basis points)		0	n.a.	15
14 June 2016 (six-month maturity)				
Minimum on offer (£ millions)	5,000			
Total bids received (£ millions)	2,455	1,840	605	10
Amount allocated (£ millions)	2,455	1,840	605	10
Clearing spread (basis points)		0	5	15
21 June 2016 (six-month maturity)				
Minimum on offer (£ millions)	5,000			
Total bids received (£ millions)	370	325	0	45
Amount allocated (£ millions)	370	325	0	45
Clearing spread (basis points)		0	n.a.	15

(a) The minimum amount on offer is the size of the operation that the Bank is willing to allocate, in aggregate, across all collateral sets at the minimum clearing spreads.

Participation in, and usage of, ILTR operations has been higher than during the same period last year. Nonetheless, the total amount allocated in each operation in the review period remained below the minimum £5 billion on offer (**Chart 14**). Usage of the ILTR continued to provide a source of term repo liquidity for some participants, while some also used the additional ILTRs for precautionary measures ahead of the EU referendum. Over the review period, a total of £11 billion of ILTRs matured and £16 billion of new ILTRs were allocated, resulting in a net increase of central bank reserves of around £5 billion.

(1) Operational Standing Facility usage data are released with a lag.
(2) For more details, see www.bankofengland.co.uk/markets/Documents/marketnotice070316.pdf.
(3) For more details, see www.bankofengland.co.uk/markets/Documents/marketnotice160630.pdf.

Chart 14 ILTR reserves allocation and clearing spreads(a)



(a) Where there has not been any allocation to a collateral set, no clearing spread is marked.

Contingent Term Repo Facility

The Contingent Term Repo Facility (CTRF) is a contingent liquidity facility that the Bank can activate in response to actual or prospective market-wide stress of an exceptional nature. The Bank reserves the right to activate the facility as it deems appropriate. In light of market conditions throughout the review period, the Bank judged that CTRF auctions were not required.

Discount Window Facility

The Discount Window Facility (DWF) is a bilateral on-demand facility provided to institutions experiencing a firm-specific or market-wide liquidity shock. It allows participants to borrow highly liquid assets in return for less liquid collateral in potentially large size and for a variable term. The Bank publishes quarterly data of DWF usage with a lag. The average daily amount outstanding in the DWF in the three months to 31 March 2015 was £0 million.

Other operations

Funding for Lending Scheme

The Funding for Lending Scheme (FLS) was launched by the Bank and HM Treasury on 13 July 2012. The initial drawdown period for the FLS ran from 1 August 2012 until 31 January 2014. The drawdown period for the FLS extension opened on 3 February 2014 and will run until 31 January 2018, following the extension beyond January 2016 announced on 30 November 2015. The quantity current participants can borrow in the FLS is linked to their lending to the UK real economy from 2013 Q2 to 2015 Q4, with the incentives currently skewed towards supporting lending to small and medium-sized businesses. From 1 August 2016, participants' drawing allowance will reduce by 25% and by the same amount every six months thereafter, phasing the scheme out gradually by 31 January 2018.

US dollar repo operations

On 23 April 2014, in co-ordination with other central banks and in view of the improvement in US dollar funding conditions, the Bank ceased the monthly 84-day US dollar liquidity-providing operations. The seven-day US dollar operations will continue until further notice. The network of bilateral central bank liquidity swap arrangements provides a framework for the reintroduction of further US liquidity operations if warranted by market conditions. There was no use of the Bank's US dollar facilities throughout the review period.

Bank of England balance sheet: capital portfolio

The Bank holds an investment portfolio that is approximately the same size as its capital and reserves (net of equity holdings, for example in the Bank for International Settlements, and the Bank's physical assets) and aggregate cash ratio deposits. The portfolio consists of sterling-denominated securities. Securities purchased by the Bank for this portfolio are normally held to maturity, though sales may be made from time to time, reflecting, for example, risk or liquidity management needs or changes in investment policy. In nominal terms, the portfolio currently includes around £5.7 billion of gilts and £0.1 billion of other debt securities.

Asset purchases

In the publication of the *Inflation Report* on 5 November 2015, the Monetary Policy Committee announced that it expects to maintain the stock of purchased assets at £375 billion, including reinvesting the cash flows associated with all maturing gilts held in the APF, at least until Bank Rate has reached a level from which it can be cut materially.

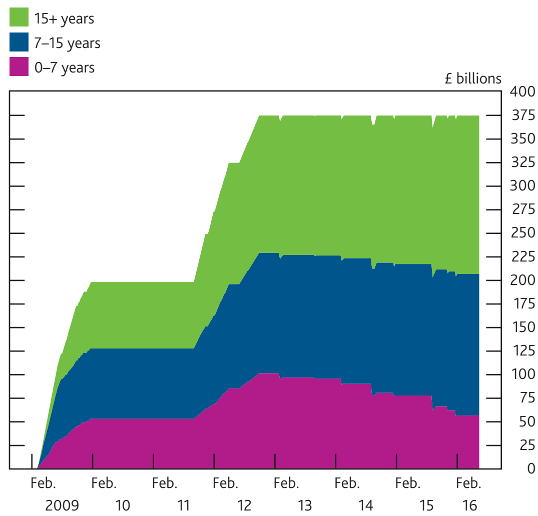
There were no gilts held in the APF that had matured during the review period, and as a result there were no reinvestment operations.

The total stock of gilts outstanding in the APF, measured as proceeds paid to sellers, remains at £375 billion. The stock of gilts comprised of £56.8 billion of purchases in the 3–7 years residual maturity range, £150.0 billion in the 7–15 years residual maturity range and £168.1 billion with a residual maturity of greater than 15 years (**Chart 15**).

Gilt lending facility

The Bank continued to offer to lend gilts held in the APF via the Debt Management Office in return for other UK government collateral. In the three months to 31 March 2016, the daily average value of gilts lent, as part of the gilt lending facility, was £202 million. The average daily lending in the previous quarter was higher at £320 million.

Chart 15 Cumulative gilt purchases by maturity(a)(b)



(a) Proceeds paid to counterparties on a settled basis.
(b) Residual maturity as at the date of purchase.

Corporate bonds

There were no purchases of corporate bonds during the review period. Future purchase or sale operations through the scheme will be dependent on market demand, which the Bank will keep under review in consultation with its counterparties. Reflecting the recent lack of activity, the scheme currently holds no bonds.

Secured commercial paper facility

The Bank continued to offer to purchase secured commercial paper backed by underlying assets that are short term and provide credit to companies or consumers that support economic activity in the United Kingdom. No purchases were made during the review period.