



Treasury Committee

House of Commons, Committee Office, London SW1A 0AA

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Andrew Bailey
Governor
Bank of England
via email

4 December 2023

Dear Andrew,

The cashflows arising from quantitative easing and tightening

Thank you for your recent evidence to the Treasury Committee, which included a discussion on the cashflows and associated fiscal costs arising from quantitative easing and tightening. I would appreciate your response to the following additional questions:

- What is the current market value and the hold-to-maturity value of the Asset Purchase Facility's gilt holdings?
- In addition to the scenarios provided in the Q3 2023 Asset Purchase Facility quarterly report, can you provide projections for the cumulative cashflow under scenarios in which:
 - quantitative tightening is carried out through maturing gilts only;
 - the stock of gilts in the Asset Purchase Facility is maintained at its current level; and
 - quantitative tightening takes place at the fastest pace you judge would be operationally feasible.
- How does the requirement to protect value-for-money introduced in the exchange of letters between the Chancellor and Governor in April 2023 considerations guide the conduct of sales of APF gilts?¹
- An August 2022 market notice explained that quantitative tightening is likely to be ceased when commercial banks' aggregate holdings of reserves are "somewhat below half the [then] current stock of £950bn," and that the Bank will "need to reflect on the appropriate long-term mix of assets on its own balance sheet".² What further thinking has the Bank undertaken about the future steady-state level of reserves, what assets will back those reserves, and how the operations associated with ending quantitative tightening and reaching a steady-state level of reserves will affect the annual and cumulative losses arising from the Asset Purchase Facility?

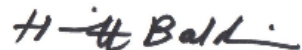
¹ [Letter from the Chancellor of the Exchequer to the Governor of the Bank of England](#) regarding 'Asset Purchase Facility', 28 April 2023.

² [Explanatory Note: Managing the operational implications of APF unwind for asset sales, control of short-term market interest rates and the Bank of England's balance sheet, 4 August 2022](#)

I have also written on this subject to the Permanent Secretary to the Treasury.

I would be grateful for answers to these questions by 19 December. In line with our usual practice, this letter, and your reply, will be published by the Committee.

With best wishes,

A handwritten signature in black ink, appearing to read "H-Baldwin". The signature is written in a cursive, slightly stylized font.

Harriett Baldwin MP
Chair of the Treasury Committee