

Bank of England announces gilt market operation

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News release

As the Governor said in his statement on Monday, the Bank is monitoring developments in financial markets very closely in light of the significant repricing of UK and global financial assets.

This repricing has become more significant in the past day – and it is particularly affecting long-dated UK government debt. Were dysfunction in this market to continue or worsen, there would be a material risk to UK financial stability. This would lead to an unwarranted tightening of financing conditions and a reduction of the flow of credit to the real economy.

In line with its financial stability objective, the Bank of England stands ready to restore market functioning and reduce any risks from contagion to credit conditions for UK households and businesses.

To achieve this, the Bank will carry out temporary purchases of long-dated UK government bonds from 28 September. The purpose of these purchases will be to restore orderly market conditions. The purchases will be carried out on whatever scale is necessary to effect this outcome. The operation will be fully indemnified by HM Treasury.

On 28 September, the Bank of England's Financial Policy Committee noted the risks to UK financial stability from dysfunction in the gilt market. It recommended that action be taken, and welcomed the Bank's plans for temporary and targeted purchases in the gilt market on financial stability grounds at an urgent pace.

These purchases will be strictly time limited. They are intended to tackle a specific problem in the long-dated government bond market. Auctions will take place from today until 14 October. The purchases will be unwound in a smooth and orderly fashion once risks to market functioning are judged to have subsided.

The Monetary Policy Committee has been informed of these temporary and targeted financial stability operations. This is in line with the Concordat governing the MPC's engagement with the Bank's Executive regarding balance sheet operations. As set out in the Governor's statement on Monday, the MPC will make a full assessment of recent macroeconomic developments at its next scheduled meeting and act accordingly. The MPC will not hesitate to change interest rates by as much as needed to return inflation to the 2% target sustainably in the medium term, in line with its remit.

The MPC's annual target of an £80bn stock reduction is unaffected and unchanged. In light of current market conditions, the Bank's Executive has postponed the beginning of gilt sale operations that were due to commence next week. The first gilt sale operations will take place on

31 October and proceed thereafter.

The Bank will shortly publish a market notice outlining operational details.

Notes to editors

1. [Governor's statement from Monday 26 September 2022](#)