

Witness name: Andrew John Bailey

Statement No. 1

Exhibits: 88

Date: 10 October 2025

Ref: M9/R9R/AJB01

UK COVID-19 INQUIRY

DRAFT WITNESS STATEMENT OF ANDREW JOHN BAILEY

1. I, Andrew John Bailey, make this statement in response to a Rule 9 Request addressed to me dated 10 July 2025 from the UK Covid-19 Inquiry (the **Inquiry**).
2. The Inquiry has asked me to respond to a series of questions and provide documentation. Many of those questions concern factual matters already dealt with in the corporate witness statement provided by Rhys Phillips (Ref: M9/R9R/BOE1) to the Inquiry in response to an earlier Rule 9 request (**Rhys Phillips' statement**) and therefore I draw on the contents of that statement throughout this statement. The Inquiry has also asked for an account of my actions and my views on a number of matters.
3. This statement adopts the headings and sub-headings proposed by the Inquiry in the Rule 9 Request of 10 July 2025 in line with the Inquiry's instructions. This statement comprises the following sections:

Part A: Roles and Responsibilities	2
Part B: Organisation of the Bank	3
Part C: Early Signs of the Pandemic	6
Part D: The Initial Response to the Pandemic	7
Part E: Actions Taken Throughout the Pandemic	21
Part F: Quantitative Easing	44
Part G: Covid Corporate Financing Facility	55
Part H: Analysis and Reflections	60

Part A: Roles and Responsibilities

4. I am the Governor of the Bank of England (**Bank**). I was announced as Governor of the Bank on 20 December 2019 and began my term on 16 March 2020. Governors serve a single 8-year term as provided in the Bank of England Act 1998, so as such my term will end on 15 March 2028.
5. Before my term as Governor, I served as Chief Executive Officer of the Financial Conduct Authority (**FCA**) from 1 July 2016. As CEO of the FCA I was a member of the Bank's Prudential Regulation Committee (**PRC**) and Financial Policy Committee (**FPC**), and also a member of the FCA Board. Before joining the FCA, I held the role of Bank Deputy Governor, Prudential Regulation (**DGPR**) and CEO of the Prudential Regulation Authority (**PRA**) from 1 April 2013. While retaining my role as Executive Director of the Bank, I joined the Financial Services Authority (**FSA**) in April 2011 as Deputy Head of the Prudential Business Unit and Director of UK Banks and Building Societies. In July 2012, I became Managing Director of the Prudential Business Unit, with responsibility for the prudential supervision of banks, investment banks and insurance companies. I was appointed as a voting member of the interim Financial Policy Committee at its June 2012 meeting. Previously, I worked at the Bank in several areas, most recently as Executive Director for Banking Services and Chief Cashier, as well as Head of the Bank's Special Resolution Unit. My previous roles also include Governor's Private Secretary, and Head of the International Economic Analysis Division in Monetary Analysis.
6. My tenure as Governor started approximately two and a half months into the period between 1 January 2020 and 28 June 2022 (**Specified Period**). There are therefore some questions set out in the Rule 9 request which I am unable to answer. In the period shortly before my term commenced I worked very closely with my predecessor, Mark Carney. Governor Carney and I were in close contact on a range of issues, consistent with our statutory responsibilities and in order to ensure a smooth transition. This is discussed further below.
7. Between 1 January 2020 and 15 March 2020 I served as Chief Executive of the Financial Conduct Authority, and that was my primary focus. However, as noted above, my responsibilities as CEO of the FCA included membership of the FPC and PRC. I therefore attended meetings of these committees alongside Mark Carney. In addition, during that time I attended meetings of the MPC as an observer, something I had not done prior to being announced as the next Governor.

8. As Governor I am a member of the Bank's Court of Directors (**Court**), and chair of the Monetary Policy Committee (**MPC**), FPC, and PRC. My role in Court and the committees is performed in accordance with their statutory remits. Court has delegated to me the day-to-day management of the Bank, including the discharge of statutory functions, while reserving certain key decisions to itself.
9. My role as Governor during the pandemic did not differ from my role as Governor at other times – it was, and is, to lead the Bank in its mission of promoting the good of the people of the United Kingdom by maintaining monetary and financial stability. Covid caused significant disturbance to the monetary and financial system, but the Bank's role and mission remained the same.

Part B: Organisation of the Bank

10. As Rhys Phillips' statement explains the general structure of the Bank and the key committees, I largely repeat that content below as it applied at 31 December 2019 and during the Specified Period. An organogram from 12 September 2019 reflects the general structure of the Bank as it was as of 31 December 2019 [AB/1 – INQ000653300]. There were no important changes to the Bank's committee structures between 1 January 2020 and 28 June 2022, predominantly because the structure of the key committees is determined by statute and the Bank's internal organisation was predominantly unchanged other than as noted below.

Court

11. While specific policy responsibilities are reserved to the statutory policy committees, Court manages the affairs of the Bank as a corporation. Court's responsibilities include determining the Bank's objectives and strategy, ensuring the effective discharge of the Bank's functions, and ensuring the most efficient use of its resources. Court delegates to the Governor the day-to-day management of the Bank, including the discharge of statutory functions, while reserving certain key decisions to itself. Court, consulting His Majesty's Treasury (**HMT**), is required, at least every three years, to review and, if necessary, revise the Bank's strategy in relation to the Financial Stability Objective: to protect and enhance the financial stability of the United Kingdom. This function may be delegated, and Court has delegated this to the FPC. As Governor, I am a member of Court.

The MPC: price stability

12. Parliament granted the Bank operational independence for setting UK monetary policy in the Bank of England Act 1998. The MPC was established with the responsibility for

formulating monetary policy. The stated rationale was both to de-politicise, as well as de-personalise, the UK monetary policy framework (under which monetary policy had previously been determined by the Chancellor of the Exchequer (**Chancellor**), albeit on the Bank's advice), and to underline a commitment to delivering a low and stable rate of inflation in the UK.

13. Section 13 of the Bank of England Act 1998 provides that the MPC is made up of nine members – the Governor (chair), the three Deputy Governors for Monetary Policy, Financial Stability and Markets and Banking, the Bank's Chief Economist and four external members appointed directly by the Chancellor. The legislation establishing the MPC provides for the appointment of external members so the MPC benefits from thinking and expertise from outside of the Bank. A representative from HMT also sits with the MPC at its meetings. The HMT representative can contribute to the discussion of policy issues but does not vote as part of the committee and attends to make sure that the MPC is fully briefed on fiscal policy developments and other aspects of the Government's economic policies, and that the Chancellor is kept fully informed about monetary policy.

The FPC and PRC: financial stability and micro-prudential regulation

14. Following the global financial crisis of 2007-2008, Parliament gave the Bank a Financial Stability Objective for the first time in the Banking Act 2009. Since 2013, the FPC, a committee of the Bank, has been responsible for the financial stability of the UK financial system as a whole – known as macro-prudential regulation. This contrasts with the Prudential Regulation Authority (**PRA**) which, via the PRC, has responsibility for the safety and soundness of individual supervised financial services institutions – known as micro-prudential regulation (as discussed further below). As Governor I Chair both the FPC and PRC.

Governors and Chief Operating Officer

15. The Bank's Executive is led by the Governor, four Deputy Governors and a Chief Operating Officer (**COO**). The Governors are members of Court and the COO also attends meetings of Court. A brief summary of their roles during the period referred to above is set out below (and continues broadly to describe their current responsibilities).

The Governor

16. The Governor is responsible for the day-to-day running of the Bank and, as Chair of the MPC, the FPC, and the PRC, I played a central role in coordinating and setting monetary and macro and micro-prudential policy throughout the Specified Period. I was

responsible for setting the strategy of the Bank (subject to approval by Court) and, working closely with the Chancellor, the framework under which the Bank operates. I am also the Bank's principal spokesperson.

Deputy Governors

17. Deputy Governor, Monetary Policy (**DGMP**) reported to the Governor and served as a member of the MPC, PRC and FPC; they had responsibility for the Bank's research and analysis of the UK economy in support of MPC decisions. DGMP also had responsibility for the provision and distribution of bank notes that are secure against the threat of counterfeiting.
18. Deputy Governor, Financial Stability (**DGFS**) reported to the Governor and served as a member of the FPC, PRC and MPC; they had responsibility for oversight of the Bank's functions in relation to financial stability risk assessment and macroprudential policy. DGFS also had responsibility for supervision and oversight of FMI. DGFS was jointly accountable (with DGMP) for the Bank's international strategy and oversight of its implementation.
19. Deputy Governor, Markets and Banking (**DGM&B**) reported to the Governor and served as a member of the FPC, PRC and MPC. During the period in question they had responsibility for the Bank's Markets and Banking, and Payments and Innovation Directorates. DGM&B was responsible for the Bank's operations and balance sheet, including but not limited to the execution and eventual exit from QE, the provision of liquidity insurance to the banking system and the operation of the Real Time Gross Settlement (**RTGS**) system. Responsibility for Resolution moved from DGFS to DGM&B on 3 February 2020 but this did not change the structure beneath Deputy Governor level, nor the governance for the Bank's resolution responsibilities.
20. DGPR reported to the Governor and served as a member of the PRC and FPC. As CEO of the PRA, DGPR had responsibility for delivering the PRA's strategy and the day-to-day management of the PRA.

Chief Operating Officer

21. The COO reported to the Governor and had responsibility for the day-to-day management of the Bank including technology, information and physical security, human resources, property and procurement.

Part C: Early Signs of the Pandemic

Early preparations for the pandemic

22. My tenure as Governor commenced on 16 March 2020, meaning I did not hold the role in the early weeks of the Covid pandemic. However, as discussed above, I worked closely with Governor Carney in the lead-up to my appointment and was a member of the FPC and PRC in my capacity as CEO of the Financial Conduct Authority.
23. Governor Carney made a clear point of laying out the tools available to the Bank. One of the key strengths of his approach was the articulation of a broad and flexible toolkit, reflecting lessons learned from the global financial crisis and subsequent events. One of the criticisms of central banks in the pre-financial crisis period was that they were overly dependent on one tool, which was monetary policy. The global financial crisis emerged and demanded different responses. The subsequent decade saw significant work to expand and refine the Bank's policy tools, and I believe the Bank developed and deployed these tools effectively and rapidly during the period of the Covid-19 crisis.
24. Whilst the circumstances driving the economic impact were novel and the Bank was not reasonably able to predict them, the fact that the economic impact resulted from a global pandemic rather than any other form of civil emergency made little difference to the Bank's readiness and ability to respond to the impacts on its objectives. I do not consider that the pandemic exposed any obvious gaps in the Bank's framework in relation to its role and remit. While I cannot speak to Governor Carney's internal deliberations or personal assessments during January and February 2020, I can confirm that the Bank's institutional response was grounded in a robust framework and that the transition between governors was managed with close coordination and continuity.
25. As far as the period from when I took up the role of Governor is concerned, I think the Bank and my colleagues did a fantastic job. One of the things that I particularly reflect on is that Covid-19 was a very fast-moving risk with a number of phases each of which required a differently nuanced response. Like many other institutions the Bank had to respond rapidly to understand the changing dynamics and implications for the economy. I was and remain incredibly impressed by what the Bank managed to achieve.
26. I can confirm that in my assessment, the Bank was as well-prepared for the impact of the pandemic as is reasonable to expect. Indeed, some critics of the Bank's actions seem to suggest that it did too much rather than too little, arguments that I should say strike me as out of touch with the understanding at the time of the crisis that we faced. The Bank's state of preparedness was not a surprise to me; rather, it was a consequence of years of

planning for and dealing with actual crises, such that the necessary state of mind is well-embedded in the institution.

Special meeting of the MPC on 10 March 2020

27. Governor Carney convened a special (i.e. outside the normal cycle) meeting of the MPC on 10 March 2020, to consider the response of monetary policy to the economic shock from Covid-19. The measures decided at the meeting were to reduce the Bank Rate to 0.25% (from 0.75%) and to establish the Term Funding Scheme with additional Incentives for Small and Medium-sized Enterprises (TFSME) [AB/2 – INQ000616194]. In my view the actions taken by the MPC comprised an entirely timely and appropriate response to the situation as it stood at the time. It was right to take these steps to help UK businesses and households to bridge what was expected to be a difficult period and thereby to mitigate any longer-lasting effects of Covid-19 on jobs, growth and the UK economy.

Part D: The Initial Response to the Pandemic

The path of the virus and the likely impact on the economy in March 2020

28. I have been asked to provide my contemporaneous understanding between 1 March 2020 and 15 March 2020 of the path of the virus and its likely impact on the UK economy. I have also been asked to provide details of my interactions with the UK Government regarding the path of the virus and preparations for an economic response during this time. This period was before I took up the role of Governor. However, as described above, I participated in the Bank's policy meetings and therefore had some exposure to the Bank's early preparations. The Bank was briefed during the period on HMG's understanding of the path of Covid and the underlying science. Governor Carney kept me informed on that. This was, appropriately, a period of close engagement between the Bank and Government.
29. In March 2020, my understanding of the path of the virus was limited by the fact that there was little evidence available yet to assess the impact of Covid-19 on the UK economy (for example [AB/3 – INQ000650083]). From briefings the MPC received I knew that the Covid-19 virus had the potential to have a substantial negative effect on the global economy. Although the magnitude of the economic shock was highly uncertain, I expected that activity would likely weaken materially in the UK for a number of months.
30. By early March I was aware that a population-wide outbreak was inevitable in the UK and globally, and that the purpose of public health interventions was therefore to delay and smooth out the epidemic. I was aware it was likely or at least possible that Government

might announce extended school closures across the country as well as social distancing measures.

31. On 4 March 2020 Mark Carney attended a call with the International Monetary and Financial Committee of the International Monetary Fund (**IMF**) to discuss Covid-19 [AB/4 – INQ000653332]. Speakers included representatives from a number of countries who outlined the situations in their own economies. I cannot recall whether Mark Carney briefed me on the content of this call but I understand there was a general acknowledgement that Covid-19 was a global issue.

Engagement with health experts and scientific experts

32. Covid-19 had a direct impact (via health outcomes and social distancing) and indirect impact (via public policy responses) on economic developments. The Bank's ability to assess the trajectory of the pandemic was therefore an important factor in its assessment of the wider economic outlook. In supporting these assessments, Bank staff engaged extensively throughout the period with experts on epidemiological modelling and monitoring, health policy interventions, and vaccine development.
33. I have been asked to comment on a meeting between Governor Carney and Professor Baron Peter Piot of the London School of Hygiene and Tropical Medicine (**LSHTM**) on 2 March 2020 from 19:00 to 19:30. I understand that a telephone call was arranged at Governor Carney's instigation to obtain Professor Baron Piot's expert opinion on potential timeframes for the Contain and Delay elements of the UK response. Whilst I am aware that the call took place, I do not have any minutes of the call or any details of who attended or what was discussed.
34. Whilst it was before I took up the role of Governor, I subsequently joined another call with Governor Carney and Professor Baron Piot on from 17:15 to 17:45 on 12 March 2020. Dr Piot had kindly agreed to provide Governor Carney and I with a briefing on the prospects for a UK outbreak [AB/5 – INQ000653343].
35. These interactions with Professor Baron Piot were, though, not the only contact the Bank had with scientific experts. Indeed, the Bank had access to extensive scientific expertise which was needed to enable it to assess the trajectory of the pandemic, an important factor in its assessment of the wider economic outlook. As outlined in Rhys Phillips' statement, Bank staff engaged extensively with experts on epidemiological modelling and monitoring, health policy interventions and vaccine development. In addition to the meetings with Dr Piot referred to above, the Bank engaged with John Edmunds (of the LSHTM and the Scientific Advisory Group for Emergencies (**SAGE**)) who provided epidemiological briefings to Bank staff from early March 2020. Professor Neil Ferguson

(of Imperial College, London and SAGE) provided an analysis of a 'multiple lockdown' strategy for managing the pandemic and Professor Chris Whitty (the Chief Medical Officer) provided quarterly briefings to MPC and FPC members and Bank staff on epidemiological developments (an example of the briefings is exhibited as [AB/6 - INQ000616202]. As members of policy committees Governor Carney and I were also recipients of briefings provided by Bank staff reflecting their engagement with the relevant experts. As the impact of the emerging crisis became apparent, the Bank undertook a range of work to consider its impacts. Especially at the start of the pandemic the Bank relied on estimates and projections including ones based on the few similar pandemics. By way of example in discussing the potential Bank interventions in early March 2020 we considered the inflationary responses to what appeared to be comparable situations, namely the SARS response in 2003, Swine Flu in 2009-2010, the Japanese earthquake and Fukushima disaster in March 2011 and African Swine Fever in 2019 [AB/3 – INQ000650083].

Interactions with HMT

36. With regard to meetings and interactions with ministers and civil servants between 1 March and 30 April 2020, my engagement with the Chancellor and HMT in my capacity as Governor, as opposed to my previous role at the FCA, started on 16 March 2020. In advance of starting my role as Governor, I met the Chancellor on 28 February to discuss the pandemic. Once I was in-role and at the height of the pandemic, the Chancellor and I were communicating daily.

Meetings convened and actions taken between 1 and 30 March 2020

37. I exhibit a chronology of meetings convened and actions taken by the Bank from 1 March 2020 to 30 March 2020 at [AB/7 – INQ000655656].

MPC, FPC and PRC meeting on 2 March 2020

38. As the impact of the emerging crisis became apparent, the Bank undertook a range of work to consider its impacts. The Bank's committees considered economic and financial conditions in accordance with their particular remits. On 2 March 2020, from 4.45pm to 5.15pm with dial-in details provided for those unable to attend in person, the FPC, MPC and PRC met jointly to review a range of macroeconomic and financial system scenarios and their implications.
39. The meeting was convened by Governor Carney's office with the purpose of ensuring all Committee members had been fully briefed on the latest developments, including the Bank's contingency planning, and that the committees had the opportunity to discuss the

modelling and related data ahead of Tuesday 3 March 2020, when Governor Carney and MPC colleagues were in front of the Treasury Select Committee.

40. The agenda covered the following topics: a business continuity update (i.e. in relation to the Bank's people and operations); a financial markets update; a supervisory update; an update on economic impacts; and a summary of policy actions. In line with the purpose of the session, no decisions were taken at the meeting.
41. In the context of the economic uncertainty, the committees were briefed on the range of tools that the Bank could deploy. Tools that could be announced and deployed immediately included monetary policy tools (Bank Rate cut, additional QE including additional corporate bond purchases¹), market liquidity tools and other financial stability tools (e.g. a cut in the countercyclical capital buffer (**CCyB**²)); and supervisory actions such as enhanced stress tests.³ Tools that could be announced immediately but needed a gap before deployment included a Term Funding Scheme, which could be enacted if deemed necessary (it was thought at the time that the Term Funding Scheme could operate four to six weeks after announcement). Finally, tools that needed time to develop included a commercial paper facility, working capital scheme, and a funding scheme targeted at multiple sectors with bespoke terms for each.
42. The following day, 3 March 2020, the Governor made a statement to the Treasury Select Committee on behalf of the FPC, MPC and PRC, referring to the joint meeting on 2 March 2020 when the committees reviewed a range of macroeconomic and financial system scenarios and their implications and stating they would continue to meet as needed and act as appropriate [AB/8 – INQ000615967].

¹ Governments or large companies can raise money by issuing bonds. These are essentially a loan, but in a form that can be bought and sold in the financial markets. A non-financial corporate bond is simply a bond issued by a company that is not a financial corporation (e.g. a bank). Central bank purchases of assets in the form of government and corporate bonds are intended to lower the effective interest rates or 'yields' on those assets. This in turn pushes down on the interest rates offered on loans to households and businesses, because rates on government bonds tend to influence other interest rates in the economy.

² The CCyB was introduced following the global financial crisis as a tool to address systemic risks posed by financial cycles (in effect so that we could ensure banks build up more capital in good times with a view to it being used to absorb losses when a shock hits). The UK CCyB rate is set each quarter by the FPC and enables the capital requirements of the UK banking system to be adjusted to the FPC's judgement as to changing scale of risk of losses on UK exposures over the course of the financial cycle

³ Stress testing is a tool used by the Bank to check that the financial system, including banks and building societies, insurance companies and central counterparties, is strong enough to withstand various states of the world, for instance a financial crisis. We assess firms against scenarios that we calibrate to be severe but plausible, and we use the results to make sure the sector is prepared for the worst.

Briefing for committee members in advance of the special MPC meeting on 10 March 2020

43. Governor Carney convened a special meeting of the MPC on 10 March 2020 to consider the monetary policy response to the economic shocks emerging from the pandemic. In advance of the meeting an exceptional briefing session took place on 9 March 2020 for MPC and FPC members and representatives from HMT. I had not commenced my role as Governor at that time but I attended the briefings as an observer.
44. I exhibit the briefing slides at [AB/3 - INQ000650083]. The briefing by Bank staff covered recent developments including: monetary and financial conditions; the international economy; and current economic conditions. In preparation, Bank staff had been briefed extensively by health experts who had been advising the Government. The briefing provided the committees with a detailed analysis of the Covid-19 central scenario which drew on the epidemiological assessment and advice regarding likely public health interventions and their impact on labour supply and consumption, with the key challenge for economic policy being to provide support to the economy until the virus had passed later in the year. The briefing was roughly divided along three themes: (1) the spread of the virus, health responses and the effects of supply; (2) behavioural and demand responses; and (3) macroeconomic policy responses.

10 March 2020 special MPC meeting

45. The day after the briefing, on 10 March 2020, Governor Carney convened a special meeting of the MPC. The committee met on 9 March 2020 to agree its indicative policy decision and on 10 March 2020 to confirm its final policy decision. The meeting was convened to consider the response of monetary policy to the economic shock from Covid-19. The minutes of the meeting reflect that, in addition to me, the following MPC members were present: Governor Carney as Chair, Ben Broadbent, Jon Cunliffe, Andrew Haldane, Jonathan Haskel, Dave Ramsden, Michael Saunders, Silvana Tenreyro and Gertjan Vlieghe. Others in attendance included Clare Lombardelli (as the HMT representative) and Bradley Fried (as an observer for the purpose of exercising oversight functions in his role as a member of Court). A number of members of staff were also present including: James Bell (Director, Monetary Analysis), Alan Castle (MPC Secretariat), Bob Hills (MPC Secretariat), Bonnie Howard (MPC Secretariat), Chris Young (MPC Secretariat) and Becky Maule (Editor of the Monetary Policy Report (MPR)).
46. The timing of the announcements following the meeting was intentional and carefully thought out. The MPC considered that, in the extraordinary circumstances, it would be most beneficial for the Bank's actions to be announced at the same time as those of

HMT in order to ensure they would collectively have the maximum impact. Such an approach remained consistent with the MPC's independent responsibilities, and in particular its secondary objective to support the government's economic policy.

47. Ahead of the Budget on 11 March 2020, and in line with usual practice, HMT representatives had briefed the MPC on the measures to be announced. It was therefore known that the Budget would include a package targeted directly at addressing the challenges likely to be associated with the spread of Covid-19 within the United Kingdom. This would include: extra spending on the NHS; changes to Statutory Sick Pay rules; changes to the timing of welfare payments; and measures for businesses including Time to Pay and relief on business rates.
48. As set out in the minutes of the MPC meeting on 10 March 2020 [AB/9 - INQ000616213], since the MPC's meeting ending on 29 January 2020 the spread of Covid-19, and the measures that were likely to be needed to contain the virus, had evolved rapidly with significant impacts now expected on economic activity. A range of sharp asset price movements were consistent with a marked deterioration in risk appetite and the outlook for global and UK growth. For example, major equity indices had fallen sharply over the period since the MPC's January meeting and some of the daily moves had been very large by historical standards. The S&P 500 equity index (USA) was down by 12%, the Eurostoxx (EU) by 21%, the FTSE All Share (UK) by 20% and the MSCI emerging market equities index by 12%.⁴
49. The MPC considered a range of information including emerging epidemiological evidence on the potential spread of Covid-19; the evidence available so far on its economic impact; and channels through which the disease was likely to affect the UK economy. The committee was then able to consider the appropriate monetary policy response, taking into regard the actions of other Bank policy committees and the response of the UK Government.
50. Whilst official activity data and surveys released since the MPC's previous meeting had generally been in line with, or marginally stronger than, the January MPR projections, these data related to the period before the escalation of concerns about the impact of the pandemic. At this time there was little evidence available of the actual impact of the pandemic on the UK economy. However, some respondents to February business surveys had highlighted extended supplier delivery times and the reduction in export

⁴ These are indices that track the aggregate performance of a selected group of stocks.

demand for their products; and intelligence from the Bank's Agents⁵ suggested that demand in some sectors was beginning to be affected.

51. Although the magnitude of the shock from the pandemic was highly uncertain, the MPC judged it likely that activity would weaken materially over the coming months due to shocks affecting both supply and demand in the economy.
52. Even with significant policy measures pursued by the UK Government and the Bank, the MPC judged that there was likely to be a material near-term weakening of activity which, if left unaddressed, could lead to longer lasting impacts on the economy. It was judged that any temporary weakness in activity would probably reflect a greater fall in demand than in supply, opening up a wider margin of spare capacity⁶ in the economy for a period. Based on this assessment, the MPC agreed that in these extraordinary circumstances, and alongside other policy responses, there was a role for monetary policy to help UK businesses and households bridge what, at the time, was expected to be a sharp but temporary reduction in activity. Monetary policy stimulus could help to keep firms in business and people in jobs and help to prevent a temporary disruption from causing longer-lasting economic harm.
53. The MPC discussed the extent to which Bank Rate should be reduced. Given the likely scale of the economic shock all MPC members agreed that a 50 basis point reduction in Bank Rate from 0.75% to 0.25% was warranted. In the minutes of its special meeting on 10 March 2020, the committee said it expected to learn more about the scale and propagation of shocks, and their impact on the economy, over coming weeks and months.
54. As well as setting Bank Rate at 0.25%, the MPC considered the monetary policy transmission mechanism – i.e. the way in which a cut in Bank Rate flowed through to the economy. Notwithstanding the Bank Rate cut, the MPC concluded it was likely to be difficult for some banks and building societies to reduce the interest rates paid on deposits sufficiently to pass on that policy stance, as deposit rates would already be at, or close to, zero. This in turn could limit banks' ability to cut the interest rates charged on

⁵ The Bank's agents are a network of 12 'agencies' made up of colleagues who gather and analyse economic intelligence from the nations and regions across the UK by speaking to businesses and communities in order to find out what economic conditions are like in their area. The Agents then report this information back to the Bank in order to inform policy decisions, for example via regular briefings to the MPC.

⁶ The difference between actual GDP and an estimate of potential supply (i.e. the most an economy can produce at a given time) is known as the degree of spare capacity. This matters for monetary policy because it affects inflationary pressure. Spare capacity can be within the labour market, if people are out of work, or within companies. If GDP exceeds potential supply, there is likely excess demand in the economy that will put upward pressure on inflation relative to the 2% target. If GDP is below potential supply, there is excess supply and the pace of price rises may slow down.

lending. In order to safeguard monetary policy transmission, and to help ensure that policy had its desired effect, the MPC agreed that the Bank should establish a scheme to provide funding to banks and building societies at, or very close to, Bank Rate. Such a scheme would enable firms to pass on more of the cut in Bank Rate, strengthening transmission. It could also provide banks and building societies with a cost-effective source of funding to support lending to the real economy and provide protection against adverse conditions in bank funding markets. This scheme was the TFSME.

55. The committee voted unanimously in favour of the propositions that:
- a. Bank Rate should be reduced by 50 basis points to 0.25%;
 - b. The Bank should introduce a Term Funding scheme with additional incentives for Small and Medium-sized Enterprises, financed by the issuance of central bank reserves, that would: help reinforce the transmission of the reduction in Bank Rate; provide participants with a cost-effective funding backstop; and incentivise banks to provide credit to bridge economic disruption, particularly to SMEs by providing an additional five pounds of funding for every pound of positive net lending to them;
 - c. The Bank should maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion;
 - d. The Bank should maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.
56. I can confirm that in my view these were appropriate actions to take. In particular, in the circumstances at that point in time, the TFSME was an appropriate response to any increase in the demand by the financial system for liquidity. In my view, the argument that more action should have been taken at that time is overly influenced by the wisdom of hindsight.

Letters from the Chancellor on 11 March 2020

57. I have been asked for my views on why the remit letters issued on 11 March 2020 to the FPC and MPC made no mention of the pandemic. I am not aware of the Chancellor's considerations as to the content of the letters. However, I would note that the statutory framework for the remit letters is focused on economic policy and financial stability. Therefore, to the extent that the Bank or its committees were expected to play a role in maintaining stability as a result of the pandemic, this would have been implied and would not have needed to be pre-specified in a remit letter.

58. The FPC welcomed the remit and recommendations letter sent by the Chancellor on 11 March 2020. The country was experiencing unprecedented economic disruption related to Covid-19 and, consistent with its remit, the FPC had taken action to respond to the financial stability risks associated with the economic disruption resulting from Covid [AB/10 – INQ000653301].

Announcement in relation to US dollar liquidity on 15 March 2020

59. I have been asked to comment on the coordinated central bank action taken on 15 March 2020 to enhance the provision of US dollar liquidity globally.
60. On 15 March 2020, the Bank of Canada, the Bank, the Bank of Japan, the European Central Bank (**ECB**), the United States Federal Reserve, and the Swiss National Bank announced a coordinated action to enhance the provision of liquidity via the standing US dollar liquidity swap line arrangements [AB/11 - INQ000616254]. The standing arrangements allowed these central banks to swap their own currencies for US dollars. The Bank used these swap lines to offer short-term US dollar repo (sale and repurchase) transactions with participating firms. This allowed participants to borrow US dollars.
61. The objectives were set out in a statement from Governor Mark Carney and myself (as incoming Governor) on 15 March 2020 [AB/12 - INQ000616255]. The aims were to improve global liquidity by lowering the price and extending the maximum term of US dollar lending operations in order to help ease strains in global funding markets, thereby supporting the supply of credit to households and businesses.
62. This facility made use of the reciprocal swap line network that was put in place in 2011, as described in a News Release dated 30 November 2011 – coordinated central bank action to address pressures in global money markets [AB/13 - INQ000616256]. The new measures reduced the pricing of the US dollar swap line by 25 basis points (bps) to overnight index swap⁷ (OIS) + 25bps and began offering an 84-day maturity operation on top of the existing 7-day operation.
63. The decision was informed by relevant market indicators of US dollar funding stress, market intelligence, and supervisory knowledge of banks' foreign currency funding pressures. It was communicated publicly via a press release published on 15 March 2020 [AB/12 - INQ000616255] and a Market Notice on 16 March 2020 [AB/14 - INQ000616257].

⁷ An OIS is a contract that involves the exchange at maturity of a payment linked to a predefined interest rate for one linked to the compounded overnight interest rate that has prevailed over the life of the contract. The relevant overnight rate for sterling contracts is the sterling overnight index average (SONIA), which is calculated by the Bank of England.

64. Implementation of the measure was kept under review. The Bank continued to review market data and market intelligence for signs of funding market stress, which is the same approach taken when not at a time of crisis.
65. In April 2021, it was announced that the 84-day US dollar repo operation would cease from 1 July 2021. This decision was taken based on market conditions, and was made jointly by the Bank of Canada, the Bank, the Bank of Japan, the European Central Bank, the Federal Reserve, and the Swiss National Bank. The 7-day operation remains in place to the current time.
66. Dollar liquidity measures were an important tool in preserving global financial stability. Even when take-up of the facility was limited, it provided an important backstop to US dollar funding markets, boosting market participants' confidence to continue the supply of credit. The change was straightforward to implement as it made use of existing, regularly tested, processes.
67. I was closely involved with Governor Carney in this decision, since it coincided with the point at which I started my term as Governor. I was pleased that it visibly reinforced the strong collaboration between central banks, and provided essential confidence in our underpinning of financial system liquidity.

Transition from Governor Carney on 16 March 2020

68. I have been asked to explain what arrangements were put in place for Governor Carney to leave his role, whether I faced any challenges in managing the economic response to the pandemic due to my coming into post on 16 March 2020, and the measures put in place to ensure an effective transition. My summary view is that the handover was well-executed. The Governor of the Bank is appointed by the Crown. Since 1 April 2013, the appointment is for a period of eight years. When Governor Carney was appointed, the Chancellor and he agreed that he would serve a 5 year term with the option of a further 3. His appointment was extended to the end of January 2020 to ensure continuity of Bank leadership during the Brexit process. This extension was agreed through an exchange of letters between the Chancellor and Governor, exhibited at [AB/15 – INQ000653306] and [AB/16 – INQ000653307].
69. My appointment as Governor was announced on 20 December 2019 with a planned commencement on 16 March 2020 and appropriate preparations were put in place for the handover [AB/17 – INQ000653308]. I attended introductory meetings at the Bank during January to March 2020. I was already invited to FPC and PRC meetings by virtue of my role as FCA CEO, and I attended other key meetings (e.g MPC) as an observer, as described above.

Special meeting of the MPC on 19 March 2020

70. I convened a special MPC meeting on 19 March 2020 under the provisions of paragraph 10(2) of Schedule 3 to the Bank of England Act 1998. I convened the meeting so that the MPC could consider the monetary policy response to the developing economic shock being caused by the pandemic.
71. As set out in the minutes of that meeting published on 26 March 2020 [AB/18 – INQ000616218], the following members of the Committee were present: myself (chair), Ben Broadbent, Jon Cunliffe, Andrew Haldane, Jonathan Haskel, Dave Ramsden, Michael Saunders, Silvana Tenreyro, Gertjan Vlieghe. Clare Lombardelli was present as the HMT representative. The following members of staff were also present: James Bell (Director, Monetary Analysis), Alan Castle (MPC Secretariat), Bob Hills (MPC Secretariat), Bonnie Howard (MPC Secretariat), Tim Taylor (MPC Secretariat), Chris Young (MPC Secretariat), Becky Maule (Editor of the Monetary Policy Report), Rhys Phillips (Head of Sterling Markets Division, Markets).
72. This second special meeting was called around a week after the first, given the developments that occurred in the progress of Covid-19 and the unfolding impact on financial markets and the wider economy. In the period between the MPC's previous special meeting ending on 10 March and the special MPC meeting on 19 March, the spread of Covid-19 and the measures that were likely to be needed to contain the virus had evolved significantly. There had also been a significant further tightening in financial conditions and a deterioration in market functioning, both globally and in the United Kingdom. Risky asset prices had continued to fall sharply. Earlier in March, this had been accompanied by declines in government bond yields. During the period leading up to 19 March, however, those yields had risen sharply, even as prices of risky assets had continued to decline.
73. At its meeting on 19 March, the Committee focused on: recent dislocations in financial markets; the consequent tightening in financial conditions; and the scope of any additional monetary policy response, having regard for the actions of the Bank and UK Government since the MPC's previous special meeting.
74. As set out in the minutes from the special meeting on 19 March 2020 and the MPC meeting ending on 25 March 2020 [AB/18 – INQ000616218] and [AB/19 – INQ000616119], UK survey data had now begun to reflect the impact of the spread of

Covid-19. For instance, the IHS Markit Purchasing Managers' Index™ (PMI)⁸ flash composite output and expectation indices – which are commonly-used indicators of global economic health based on surveys of business executives – had fallen very sharply to all-time lows. Given information on the spread of Covid-19 - including that gained via briefings from scientific experts as outlined above – which in due course led to the more restrictive measures introduced by Government on 23 March 2020, it was judged likely that economic activity would contract significantly further in April and in 2020 Q2 as a whole.

75. The latest indicators at that time also pointed to a marked deterioration in labour market conditions. The IHS Markit flash composite employment index fell to a level that was consistent with a fall in employment. Around 90% of recruiters responding to a Recruitment and Employment Confederation (REC) survey conducted on 13 March thought that Covid-19 would have an adverse impact on hiring activities in the short-term. In the March IHS Markit Household Finance Index™ survey (intended to accurately anticipate changing consumer behaviour), the job security perceptions index had fallen to its lowest level for over eight years. The Department for Work and Pensions had reported a marked rise in claims for Universal Credit, and internet searches for terms relating to unemployment and redundancy had picked up sharply.
76. Given lags in official data, Bank staff had been monitoring closely other more timely indicators of activity. These had suggested sharp falls in consumer spending. For instance, the Bank's Agents reported that the fall in output had become much more widespread since the MPC's special meeting ending on 10 March 2020. Activity was seen to be falling rapidly in many sectors due to a combination of economic uncertainty, supply-chain disruption, travel restrictions and social distancing.
77. In those circumstances, monetary policy needed to guard against an unwarranted tightening in financial conditions and, more broadly, to support businesses and households through the crisis thereby limiting any lasting damage to the economy. At the meeting on 19 March 2020, the MPC voted to reduce Bank Rate by an additional 15 basis points from 0.25% to 0.1%, alongside a further package of measures (including additional asset purchases) that are described later in this statement.
78. The MPC agreed to announce its policy decision immediately following the end of the special meeting. Reflecting the fast-moving nature of events, including in financial

⁸ Purchasing Managers' Index™ (PMI®) data are indicators of global economic health based on monthly surveys of business executives covering 45 economies and 30 sectors. The PMI is published by S&P Global but during the Specified Period it was produced by IHS Markit.

markets, the Committee did not have the usual schedule of policy meetings leading up to its final decision.

79. It is important to state that monetary and fiscal interventions operate together and as part of the financial response to the covid-19 pandemic it was very important that the two operated in a consistent and complementary way. What can be done through monetary policy is provide the underlying support to aggregate demand, both through the cost of borrowing, and, in a QE world, through buying fewer liquid assets⁹ and substituting them with more liquid assets in the economy. What the pandemic called for was very close and sensible co-ordination of the monetary and fiscal interventions to get the benefits of both.
80. The Bank continued to be briefed by HMG on the path and nature of the virus at this time. In terms of assessing economic impacts, the Bank used its extensive real economy and financial market contacts and supplemented these with an array of high frequency measures of activity.

Other significant meetings in March and April 2020

81. I have been asked what other significant meetings I attended during the period of 1 March to 30 April 2020.
82. In relation to the Bank's economic response to the pandemic, the significant meetings I attended were those of the Bank's statutory committees at which decisions were made to shape the Bank's response and I exhibit at [AB/7 - INQ000655656] a chronology of the statutory meetings I attended.
83. As set out in the document exhibited at [AB/7 - INQ000655656], throughout this time I was in close contact with the Chancellor. I was also in contact with the Prime Minister, albeit less frequently than my interactions with the Chancellor. On 30 March 2020 I attended with others from the Bank the first of a series of weekly meetings with HMT. These were not decision-making meetings but rather were an opportunity for the Bank and HMT to keep each other apprised of developments relating to the pandemic.
84. In addition, throughout this time I had frequent meetings with numerous other external parties, such as other central banks, international organisations and industry participants. These were not decision-making meetings but rather were an opportunity for the Bank and its stakeholders to keep each other apprised of developments relating to the pandemic.

⁹ Liquid assets, such as central bank reserves or high-quality government debt, can be easily used to repay obligations as they fall due. They are available to meet unexpected changes in cash flows.

Activation of the Contingent Term Repo Facility

85. I have been asked to provide a high-level explanation of the decision to activate the Contingent Term Repo Facility (**CTRF**).
86. The CTRF is a flexible market-wide facility that, when activated, allows participants to borrow central bank reserves (cash) in exchange for other less liquid assets (collateral¹⁰). The CTRF is one of the Bank's lending facilities that can support financial stability by reducing the likelihood or cost of disruption to critical financial services. Under the CTRF, the Bank is able to provide liquidity secured against the full range of eligible collateral at any time, term and price the Bank chooses, and the CTRF can be activated in stressed situations to allow the Bank to offer different terms than those offered in the other Sterling Monetary Framework (**SMF**)¹¹ facilities.
87. The CTRF was activated on 24 March 2020 in a Market Notice [AB/20 - INQ000616249] and was originally run as a weekly auction with a 3-month term (in addition to the weekly ILTR auction with a 6-month term). On the 30 March 2020 the Bank announced it would offer a third weekly auction with a 1-month term [AB/21 – INQ000615975]. The CTRF was designed to help alleviate frictions observed in money markets in recent weeks, both globally and domestically, as a result of the economic shock caused by the outbreak of Covid-19. More details can be found in the document exhibited at [AB/22 - INQ000616250]. The decision to activate the CTRF was taken per the Bank's existing governance arrangements which falls to the Governor (but may be delegated to his deputy).
88. This measure complemented other efforts by both the Bank and HMT by increasing liquidity to the UK banking sector – reducing the potential need for banks and building societies to sell assets to meet liabilities as they fell due. The CTRF was broadly effective in achieving its aims – it lent out over £11bn of reserves during the period in which it was stood up.
89. However, the CTRF (like all SMF facilities) was only available to SMF participants (banks and building societies). An increase in the net demand for liquidity from non-bank

¹⁰ The Bank lends through its market operations, but it does so against collateral delivered by firms to reduce risks. This collateral has to be good enough so we can sell or keep it if a counterparty fails to repay us.

¹¹ The Sterling Monetary Framework is the Bank's framework for its operations in the sterling money markets. These include unsecured deposits and funding instruments, repo (repurchase) operations, and securities lending. The Bank provides sterling lending facilities on a regular basis, on demand, and at its discretion. Some of the Bank's facilities are bilateral (i.e. between the Bank and one firm at a time) and others are market-wide (i.e. between the Bank and a number of firms at a time).

financial institutions (**NBFIs**)¹² during March 2020, as described in the Financial Stability Paper No. 47 published on 25 June 2021 [AB/23 - INQ000616211], combined with banks' inability or unwillingness to increase intermediation and on-lend to NBFIs, added to the stress. As part of the lessons learnt from the pandemic, the Bank has therefore subsequently developed the Contingent Non-Bank Financial Institution Repo facility to address severe dysfunction in the gilt market that threatens UK financial stability arising from shocks that temporarily increase NBFIs' demand for liquidity – by lending to eligible insurance companies, pension funds and Liability Driven Investment funds. A description of the Contingent Non-Bank Financial Institution Repo facility is published on the Bank's website [AB/24 - INQ000616251]

90. The final CTRF operation was on 26 June 2020. Market conditions had significantly improved by this point. The facility had seen little usage since it was first launched with no usage for over 2 months by the time the facility was stood down.

Part E: Actions Taken Throughout the Pandemic

91. I have been asked to provide a high level explanation of key measures taken by the Bank during the Specified Period in response to the pandemic, aside from QE which I discuss at length later in this statement.

Changes in Bank Rate

92. Bank Rate is the interest rate the Bank pays on deposits placed with it overnight by eligible firms such as commercial banks, which influences other interest rates in the UK economy.
93. The chronology exhibited at [AB/7 - INQ000655656] sets out the changes to Bank Rate during the Specified Period. As noted there were special emergency MPC meetings held on 10 March 2020 and 19 March 2020, the minutes of which I exhibit at [AB/9 - INQ000616213] and [AB/18 - INQ000616218].
94. During the period in which Bank Rate was being lowered, the objective was to support economic activity by reducing the borrowing costs facing UK companies and households. The MPC balanced this against ensuring that annual CPI inflation remained in line with its remit to achieve 2% on a sustainable basis in the medium-term (in the context of setting monetary policy, the medium-term generally refers to the next 18-24 months).

¹² NBFIs – comprising investment funds, insurance companies, pension funds and other financial intermediaries – play an increasingly important role in financing the real economy and in managing the savings of households and corporates.

95. The Committee has a preference to use Bank Rate as its active policy tool when adjusting the stance of monetary policy in most circumstances. A particular strength of this approach is that the MPC has greater certainty around how changes in Bank Rate affect the economy compared with its other policy tools. Changes in Bank Rate can also be operationally easier and quicker to implement.
96. But there is a limit to how much Bank Rate can be lowered before further cuts become ineffective in providing stimulus to the economy. This limit is referred to as the Effective Lower Bound (**ELB**). The MPC lowered Bank Rate from 0.75% to 0.1% via two reductions in March 2020, which was considered at the time to be the ELB. To help address this limitation, the MPC voted to introduce the TFSME (below) and to begin a programme of asset purchases (**QE**) as described elsewhere.

TFSME

97. To maintain the monetary transmission mechanism as Bank Rate approached the ELB the Bank launched the TFSME, which was designed to help reinforce the transmission of the reduction in Bank Rate to the real economy by providing participants with a cost-effective source of funding.
98. A particular strength of the design was that the TFSME provided funding at an extended term intended to match typical lending profiles, including further extensions to support Bounce Back Loan Scheme (**BBLs**) loans that were being made by banks under the Government's scheme. The design of the TFSME also incentivised banks to provide credit to customers to bridge temporary economic disruption, by offering additional funding to UK banks and building societies that increased lending, especially to SMEs (a group expected to be highly vulnerable to the Covid shock).
99. There was significant uptake of the TFSME by banks and building societies peaking at around £193bn. Credit generally continued to flow to the real economy, and to SMEs in particular, despite significant economic uncertainty. Indeed, there was an increase in the rate of growth of bank lending to corporates, including SMEs, during this period. As outlined in the February 2021 MPR [AB/25 - INQ000616244], over 2020 as a whole, bank lending growth was particularly high for SMEs with annual growth reaching over 25% in December, the highest since the series began in 2012. However, it is very difficult to disentangle the relative contribution of the TFSME towards this annual growth versus other interventions (including those of the Government).
100. A potential weakness of such an approach is that term funding schemes can have direct implications for the allocation of credit, potentially leading to distortions compared to a market-based allocation. To mitigate this the design included a clear exit strategy, with a

limited window for drawdowns and fixed maturity drawings, to ensure it would not become a permanent fixture. The TFMSE has since begun to wind down, with most drawings maturing in 2025. Another limitation is that, on their own, term funding schemes may only provide stimulus to targeted sectors of the economy, which is why the Bank introduced the TFSME in combination with broader-based tools such as QE.

Expansion of Asset Purchase Facility (APF) gilt lending facility

101. The Bank routinely makes a proportion of the gilts purchased via the APF¹³ available to the DMO for on-lending to the market, as outlined in a joint statement by the Bank and the DMO dated 6 August 2009 [AB/26 - INQ000616252].
102. In April 2020, the Bank more than doubled the total percentage of the APF's gilt holdings made available for lending to the DMO each day. This action was publicly confirmed on 22 April 2020 [AB/27 – INQ000616253]. The purpose of this action was to mitigate operational frictions and ensure that gilt collateral absorbed by the APF through new purchases continued to be available to support other market operations by firms and the DMO.
103. The extension of this long-standing practice was able to be implemented quickly and in response to evolving market conditions. Extending the limit brought no increased financial risk to the APF or Bank, as gilt lending with the DMO is fully collateralised. The extension of the facility allowed DMO borrowing from the APF to increase in line with the DMO's demand. That in turn allowed the DMO to continue to undertake its market activities and supported broader gilt market functioning.
104. On its own this measure was relatively limited in scope, but formed an important element of the overall package.

Ways & Means (W&M) facility

105. The W&M facility functions as the Government's effective overdraft at the Bank. Historically, the W&M facility account played a daily role in the Government's cash management when it was executed by the Bank. When the DMO took on responsibility for the Government's cash management in 2000 the W&M facility fell out of regular usage. However, the facility remains available and has been used on a small number of occasions since 2000. The facility was most significantly used during the global financial crisis, with a balance reaching up to £19.9bn in 2008.

¹³ The assets (gilts and eligible corporate bonds) that the Bank purchased as part of quantitative easing, are technically owned by the APF in a separate wholly-owned Bank of England subsidiary company – The Bank of England Asset Purchase Facility Fund Limited (BEAPFF).

106. As part of the response to the pandemic, HMT and the Bank announced their agreement to temporarily extend the use of the W&M facility on 9 April 2020 [AB/28 - INQ000616090]. This temporary extension of the facility offered a short-term source of additional liquidity to the Government, if needed, to smooth cash flows and support the orderly functioning of markets, through the period of Covid-19 disruption. Any drawings were to be repaid as soon as possible before the end of 2020.
107. Ultimately, the temporary W&M facility extension was not used, but played an important role in reassuring markets over the Government's ability to meet its financing requirements without exceeding short-term market capacity. As an extension to an existing arrangement this could be implemented rapidly and sized as appropriate to the circumstances.
108. If not managed and communicated carefully, an arrangement of this type could have weakened the separation between monetary and fiscal policy. As described in [AB/29 – INQ000653639], this potential weakness was mitigated through a clear and well-understood approach, with a clear repayment path for any W&M balance and a strong emphasis on the short-term nature of the measure in public communication. This would have been reinforced by timely transparency through existing weekly publication of the balance on the facility.

Supervisory and prudential policy measures taken by the PRA

109. The PRA, in its capacity as the prudential regulator of individual institutions such as banks, building societies and insurance companies (in this section 'firms'), took a range of measures in response to the economic circumstances presented by the pandemic.
110. The key measures included measures that were targeted at aiding firms (for example banks, building societies and insurers) in applying existing rules in a proportionate way given the exceptional circumstances of the pandemic. These included, for example:
- a. Guidance on the application of accounting standards and capital requirements¹⁴ during the pandemic, highlighting the flexibility within the frameworks. The guidance supported a well-balanced approach to considering the risks inherent in firms' lending activities, particularly where breaches of loan covenants were directly due to the pandemic rather than the solvency or liquidity of the borrower; and

¹⁴ Capital is another name for the financial resources a bank has to hold as a cushion or shock-absorber against unexpected losses. For example, if someone fails to repay their loan capital is there to ensure the bank can still pay back depositors whose money it has lent to other customers.

- b. Guidance that insurance firms could use the flexibility within the Solvency II regulatory regime to increase the size of existing transitional relief measures to reflect reductions in interest rates during the pandemic period.
111. Other measures taken by the PRA amended rules to avoid unintended consequences in the context of the economic impact of the pandemic, for example:
- a. Adjustments to capital requirements for firms' activities in traded markets, such as market-making in equities or bonds, to limit increases in requirements during to the extreme volatility in the early stages of the pandemic. The PRA also accelerated the introduction of a rule change planned for 1 January 2023 that provided a less conservative treatment for market-making activity in the leverage ratio¹⁵ framework, helping to support market functioning; and
 - b. Adjustments to firms' Pillar 2A¹⁶ capital requirements, which are set periodically by the PRA and add capital requirements for risks that firms are exposed to which are not covered under Pillar 1, to set them as a fixed nominal amount, removing the risk of them increasing during the stress period.
112. Both types of measures helped to support firms' safety and soundness and their ability to continue to provide finance to support the real economy. The PRA also extended the Financial Services Compensation Scheme (**FSCS**) Temporary High Balance coverage to address a concern that some depositors with temporary high balances may not be aware of the need to split large balances over different institutions in order to maintain FSCS coverage. The PRA were also concerned about the ability of depositors in vulnerable

¹⁵ The leverage ratio is a simple indicator of a firm's solvency that relates its capital resources to a measure of its exposures (referred to in PRA rules as the 'total exposure measure').

¹⁶ Article 92 of the Capital Requirements Regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012) sets out minimum endpoint requirements for institutions' own funds. These are as follows: (i) a CET1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% and (iii) a total capital ratio of 8%. The CET1 capital ratio is the CET1 capital of the institution as a percentage of its total risk-weighted assets. In accordance with Article 92 of the Capital Requirements Regulation, the CET1 capital ratio is the CET1 capital of the institution as a percentage of its total risk-weighted assets. CET1 capital includes paid-up capital and its associated share premium accounts, retained earnings, accumulated other comprehensive income, other reserves, and funds for general banking risk. CET1 capital must be available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur. The Tier 1 capital ratio is the Tier 1 capital of the institution as a percentage of its total risk-weighted assets. The total capital ratio is the total capital (own funds) of the institution as a percentage of its total risk-weighted assets. These requirements are referred to as Pillar 1 requirements. In addition, the UK's capital framework also includes both Pillar 2 capital requirements that apply to individual banks (Pillar 2A) and system-wide buffers of equity to absorb stress (Pillar 2B). The PRA sets Pillar 2A requirements for credit risk, market risk, operational risk, counterparty credit risk, credit concentration risk, interest rate risk in the non-trading book, pension obligation risk and group risk, including Ring Fenced Bank group risk.

situations to open accounts at a time when access to local branches may be unavailable to them.

113. In addition to the above measures, the PRA engaged with insurers and the six large UK banks on their dividend and share buy-back plans for 2020, and issued public statements welcoming subsequent decisions by boards to suspend dividend payments and buy-backs to preserve capital to help them to continue to support the economy.
114. All of the above measures were broadly targeted at aiding firms in applying existing rules in a proportionate way given the exceptional circumstances of the pandemic, or at amending rules to avoid unintended consequences in the context of the economic impact of the pandemic. In both cases, the objective of the measures was to support institutions' safety and soundness and their ability to continue to provide finance to support the real economy.

Policy measures taken by the Bank as Resolution Authority

115. The Bank as Resolution Authority worked closely with the PRA throughout the pandemic to ensure delivery of a co-ordinated response. Resolution is how the Bank manages the failure of a bank, building society or central counterparty. It is used to minimise the impact of a firm failing on its depositors or customers, but also on the financial system and public finances (by avoiding the need for a 'bailout' as was seen during the global financial crisis). The Bank announced its resolution policy measures to alleviate operational burdens on PRA-regulated firms in response to the Covid-19 outbreak, in a co-ordinated press release with the PRA on 7 May 2020 [AB/30 - INQ000616196].

FMI (Financial Market Infrastructure) supervision and policy measures

116. The Bank also took two key measures in relation to FMIs:
 - a. Alongside the PRA, in March 2020 the Bank announced a package of measures to alleviate the operational burden of the pandemic on FMIs to help them continue providing critical functions to the UK economy [AB/31 - INQ000616195]. This included, among other things, extending the deadline for responding to the Bank's consultations on operational resilience and the holding of the first meeting of the Financial Services Regulatory Initiatives Forum in April 2020 to help co-ordinate the operational demands of regulatory initiatives on firms and FMIs [AB/32 - INQ000616132].
 - b. The Bank wrote to UK FMIs in June 2020 to stress its expectation that FMIs' boards should pay close attention to the risks and potential financial demands arising from the pandemic when considering distributions to shareholders or

making decisions on variable remuneration, and should discuss any proposed distributions to shareholders with the Bank in advance [AB/33 - INQ000616133]. This decision was made to ensure that FMI maintained sufficient financial resources to maintain the services provided to the wider UK financial system and to absorb potential losses.

FPC - The release of the UK countercyclical capital buffer in March 2020

117. The CCyB was introduced following the global financial crisis as a tool to address systemic risks posed by financial cycles. The UK CCyB rate is set each quarter by the FPC and enables the capital requirements of the UK banking system to be adjusted according to the FPC's judgement as to the risk of losses on UK exposures over the course of the financial cycle.
118. By increasing the CCyB when vulnerabilities are judged to be building up, the FPC ensures banks have an additional cushion of capital with which to absorb potential losses, enhancing their resilience and helping to ensure the stable provision of financial services. The FPC can release this buffer in a stress, meaning that banks can keep lending to UK households and businesses. This means that banks absorb rather than amplify shocks, and banks can be part of the solution to any stress, rather than contributing to the problem.
119. When the FPC met on 9 March 2020 it considered the appropriate setting of the UK CCyB rate. I exhibit the minutes of the meeting at [AB/34 - INQ000616248]. The FPC considered that although the situation was developing rapidly, there was enough information to warrant a timely response to reduce any pressure on banks' ability to support the provision of financial services, including the supply of credit to UK households and businesses. On this basis, the FPC reduced the UK CCyB rate to 0% with immediate effect. The rate had been 1% and had been due to reach 2% by December 2020.
120. The FPC noted that the cut would increase further the ability of banks to supply the credit needed to bridge a potentially challenging period. Cutting the CCyB rate to 0% rather than continuing with the increase to 2% was anticipated to release £23bn of capital. This was estimated to be able to support up to £190bn of business lending capacity, or thirteen times banks' net lending to the UK business sector in 2019.
121. The FPC continued to review the appropriate setting of the UK CCyB in the quarters that followed. In December 2020, the FPC decided to update its guidance, noting it expected to maintain a UK CCyB rate of 0% until at least December 2021.

122. In December 2021, the FPC judged that vulnerabilities that could amplify economic shocks had reverted to a standard level, as was the case just before the pandemic. This would be consistent with the UK CCyB rate returning to its neutral level in the region of 2%. However, there continued to be uncertainty about the evolution of the pandemic and the economic outlook, that could have meant the economy required more support from the financial system. The FPC determined that there were therefore benefits to increasing the UK CCyB rate by a smaller step initially – 1% – in 2021 Q4, with a view to moving to 2% in 2022 Q2, absent a material change in the outlook.
123. On that basis, the FPC increased the UK CCyB rate from 0% to 1%. The FPC noted that if the UK economic recovery proceeded broadly in line with the MPC's central projections in the November 2021 MPR [AB/35 - INQ000616224], and absent a material change in the outlook for UK financial stability, the FPC would expect to increase the rate further to 2% in 2022 Q2. This increase to 2% was subsequently agreed at the FPC's meeting on 16 June 2022, the minutes of which I exhibit at [AB/36 - INQ000616135].
124. There is some evidence that releasing the CCyB during the pandemic led to increased lending by banks. A cross-country study undertaken by the Bank for International Settlements (**BIS**) indicates a positive effect on loan growth for banks that were subject to a CCyB release [AB/37 – INQ000653329]. In staff working paper number 1011, 'Creditable capital: macroprudential regulation and bank lending in stress', Mathur et al (2022) find that UK banks receiving greater capital relief from the cut to the UK CCyB during the pandemic maintained more stable capital ratios, lending provision and risk taking capacity [AB/38 – INQ000653330]. It should be noted that, in case of Covid, isolating the impact of CCyB release is difficult as typically it was part of the package of multiple measures aimed to mitigate the impact of the pandemic on the financial system and wider economy.

Covid Corporate Financing Facility

125. The CCFF provided a significant level of support to the UK economy during the Covid-19 crisis: over 230 companies were approved to borrow up to £90bn via the CCFF, and those companies accounted for an estimated 2.5 million UK jobs. Overall, the CCFF lent over £37bn to 107 different companies between March 2020 and March 2021, with a peak stock of lending in the scheme of over £20bn in May 2020.
126. The CCFF was set up to provide funding to businesses making a material contribution to the UK economy that could demonstrate they were in sound financial health prior to the shock. It sought to help businesses across a range of sectors to pay wages and suppliers, even while experiencing severe disruption to cashflows. It did this by

purchasing commercial paper of up to one year maturity – i.e. final repayment is due after one year.

127. The scheme was announced on 17 March 2020 and opened to applications on 23 March 2020, with the first commercial paper – an unsecured, short-term debt instrument issued by a company – purchased on 25 March 2020. As acknowledged by John Glen MP on behalf of the Chancellor in his letter dated 24 March 2022, part of what made the CCFF a success was the speed at which it was set up, meaning companies could receive the liquidity support that they needed at pace [AB/39 - INQ000616136]. This was only possible thanks to extraordinary efforts by Bank and HMT staff, and extensive co-operation from commercial paper dealer banks.
128. The Bank ran the CCFF on behalf of HMT who were the ultimate risk owners. Discussions between the Bank and HMT about the design of the scheme began on 15 March 2020. The Bank agreed to operate the CCFF given the need to help UK businesses bridge the economic disruption likely to be associated with Covid-19 and since the Bank had experience operating commercial paper schemes in the past.
129. The CCFF helped to alleviate pressures on companies' cash flows created by the economic disruption caused by the pandemic. By lending to large companies directly, the CCFF protected the space for commercial banks to lend to a wider population of companies, complementing other Bank and UK Government schemes launched at the onset of the Covid-19 crisis. The CCFF provided a significant level of support to the UK economy during the Covid-19 crisis: almost £90bn of approved borrowing limits to over 230 companies, which accounted for an estimated 2.5 million UK jobs [AB/40 - INQ000616140].
130. Overall, the Bank viewed CCFF as a success, achieving its objective to rapidly provide liquidity support to eligible firms, and providing businesses across a range of sectors active in the UK with certainty that they had a credible backstop liquidity line in place to continue meeting their regular payments, even while experiencing severe disruption to cashflows.
131. The CCFF was undoubtedly challenging to design and implement in such a short timeframe, but this was required due to the unprecedented nature of the shock.

Overall package

132. The package of policy measures taken by the Bank was a comprehensive approach encompassing all of its statutory functions. Each alone had its limitations, but collectively these steps supported the UK economy.

133. The Bank has undertaken several exercises to learn lessons from its experience in the pandemic. The exercises, and the significant conclusions from each are set out below:
- a. an Independent Evaluation Office (IEO) evaluation of QE commissioned in 2019, which concluded the Bank implemented QE effectively, along with a number of recommendations. Management accepted the IEO's findings and agreed to implement the recommendations [AB/40A – INQ000616240], [AB/64 – INQ000616174];
 - b. a review by Dr Ben Bernanke into the Bank's forecasting during times of significant uncertainty, announced in July 2023. This was a forward-looking review and was not therefore limited to considering forecasting during the pandemic. The review made a number of recommendations around improving forecasting and public communication. In response, the Bank is undertaking a phased, multi-year programme to upgrade its forecasting capabilities [AB/40B – **INQ000657514**], [AB/59 – INQ000653350];
 - c. an FPC lessons learned exercise, which identified (among other things) enhancements to stress testing, the Bank's crisis toolkit and the ability of the UK banking sector to support businesses and households in stress [AB/63 – INQ000616176], [AB/40D – INQ000616177];
 - d. in the July 2021 Financial Stability Report, following its assessment of the 'dash for cash', the FPC set out international policy work required to address vulnerabilities in market-based finance. In October 2023 the FPC published a report setting out its approach to assessing risks in market-based finance and how it intends to develop this approach [AB/40E – INQ000616225], [AB/40F – INQ000616178];
 - e. In November 2024, the Bank published the conclusions of its system-wide exploratory scenario. The exercise, which was the first of its kind, improved the FPC's understanding of the behaviours of banks and non-bank financial institutions during stressed financial market conditions, and how those behaviours might interact to amplify shocks in UK financial markets that are core to UK financial stability [AB/40G – INQ000616179];
 - f. in March 2024, the FPC published a report on its macroprudential approach to operational resilience. The report flagged that the entire financial sector was impacted operationally by the pandemic, although financial firms and FMIs were able to adapt quickly. The report emphasises that, while the resilience of individual firms and FMIs remains essential, system-wide operational resilience is

becoming increasingly important due to digitalisation and growing interconnectedness [AB/40H – INQ000616180];

- g. lessons learned from the use of the Authorities' Response Framework (**ARF**) (explained in more detail below), which identified opportunities to improve the operationalisation of the ARF, including seniority of engagement and escalation processes [AB/44 - INQ000616494, AB/40I – INQ000649889].

134. These have produced useful recommendations to strengthen our capacity to respond to future stress events, many of which have already been implemented. As Rhys Phillips' statement sets out more detail on the various lessons learned exercises mentioned above, I shall not repeat it here.

Engagement with HMT

135. Given the nature of the relationship between the Bank and HMT, officials speak regularly on a range of topics both at working level and at more senior levels. The Bank's engagement with HMT during the pandemic was no different. This was particularly the case in relation to the CCFF where HMT was the ultimate risk owner and, accordingly, took key policy decisions (see the exchange of letters exhibited at [AB/41 – INQ000616138] and [AB/42 – INQ000616139]).
136. I had regular meetings with the Chancellor and, as might be expected, the Chancellor and I were communicating daily at the height of the pandemic to share information and to ensure that actions taken by various parts of the UK institutional framework were consistent and complementary.
137. In a similar vein, the PRA maintained regular engagement and dialogue with HMT through existing channels of communication and escalation on a bilateral basis and via the ARF. That was – and remains – a formal way for the Bank (including the PRA), the FCA and HMT to work together to respond to an incident whilst ensuring all three authorities consider any impacts to their own statutory objectives. The ARF is used when there is an incident or threat that could cause a major disruption to financial services [AB/43 - INQ000616151]. It was invoked in February 2020 to coordinate the authorities' response to the pandemic and closed in February 2021 [AB/44 - INQ000649887].
138. Additionally, both the MPC and the FPC benefitted from the presence of a non-voting HMT representative during their meetings, which helped to ensure that the MPC and FPC were briefed on fiscal policy developments and other aspects of the Government's economic policies, and that the Chancellor was duly informed about monetary policy and financial stability. This also helped ensure actions were consistent and complementary.

139. I deliberately use the terms “consistent” and “complementary” to describe the Bank and HMT’s actions during this time. The Bank and its policy committees took decisions independently and with regard to our objectives, as is proper. Looking back, we could only have achieved what we did, in terms of the pace, scale and aggression of the Bank’s action, if we were credibly independent. However, it was important that decisions we took in pursuit of our objectives were made with knowledge of what others were doing, and that our actions were reinforced by – and in turn helped to reinforce – decisions taken by others during a period of profound and unprecedented national crisis.
140. During this period the Bank and HMT worked together very effectively. It is entirely natural that during a crisis such as this the working relationship becomes closer, and I reject as spurious the views of anyone who regards this as a compromise of central bank independence.

Communications with financial institutions and the general public during the pandemic

141. The Bank communicated effectively and appropriately with financial institutions and the general public regarding actions it took in response to the pandemic.
142. The Bank utilised its established channels of communication, including website publications, news releases, and accompanying social media posts (for example, [AB/45 - INQ000616008], [AB/2 – NQ000616194], [AB/30 – INQ000616196] and [AB/46 – INQ000653339]). Press conferences – conducted virtually from March 2020 to November 2021 – alongside media interviews and regular engagements with journalists ensured the consistent and timely dissemination of information to the widest possible audience. A prime example here was the publication of MPC decisions and publications during that period, where the Bank was able to communicate effectively with the media, and thereby the public, with minimal disruption owing to the swift adoption of virtual working practices. Speeches continued to be delivered virtually and were disseminated to media in the usual manner, with publication on the Bank’s website. This framework proved resilient and effective throughout the period, maintaining transparency and accessibility despite the operational challenges to staff. During the pandemic period we also continued with our public outreach programme, which pivoted from face-to-face to online delivery. During the period from March 2020 to March 2021 we held 14 of our Citizens’ Forum events, which included a Q&A session hosted by me, open to any member of the public to attend [AB/47 – INQ000653340].
143. In respect of its market operations, the Bank employed its established approach of communicating material changes via formal market notices, for example [AB/48 – INQ000615969]. These are published on the Bank’s website and announced to market

participants simultaneously via the wire services, in the same manner used to announce MPC decisions. This approach ensures that information is communicated rapidly and to all market participants at the same time. The wire services are also used to make day to day operational announcements, for the same reasons. The Bank also operates a relationship management framework for its direct counterparties and undertakes broader market intelligence activity, which provide routes for feedback or questions of clarification. This approach is highly effective at reaching the specialist audience for whom these communications are intended and remained so during the pandemic, despite a large increase in the volume of activity required.

144. The Bank continued its usual regular liaison with FMIs and PRA regulated firms and also published its usual Annual Reports to provide a general public message on the state of the regulated sectors – this was an efficient means of providing a general update to interested stakeholders. The Bank also used targeted communication with supervised firms – for example the dividend letter mentioned above went direct to the firms alongside regulatory engagement to ensure they understood the change and its drivers, for example [AB/49 – INQ000616123]. As with the rest of the Bank, PRA speeches during this period also gave information to a wider audience (see examples in the chronology exhibited at [AB/7 – INQ000655656]).
145. Throughout the pandemic, but particularly in the early period, I had a large number of calls with financial institutions, industry bodies and other stakeholders to explain the Bank's activities and receive insight into the challenges people were facing. The Bank's Agents also continued their detailed engagement with local businesses around the country [AB/50 - INQ000653957].
146. One example of a challenge was during the second quarter of 2020 when activity in the economy was falling by 20%. In the May 2020 Monetary Policy Report [AB/51 – INQ000616237] we did not include a forecast for the economy for the first time ever and instead used a simulation because we had so little certainty about the economic outlook.

The Bank's consultation with outside experts

147. I consider that the Bank consulted effectively with outside experts during the pandemic. As set out previously that included experts on epidemiological modelling/monitoring, public health policy interventions, and vaccine development/roll out. Covid had a direct (via health outcomes and social distancing) and indirect (via public policy responses) bearing on economic developments and so our ability to assess the trajectory of the pandemic was an important factor contributing to our assessment of the wider economic outlook [AB/52 – INQ000653958]. An example of our early approach to obtaining

expertise for modelling can be seen in the document exhibited at [AB/53 – INQ000653345].

148. Bank staff drew on external expertise to provide information to policy committees. For example, in early March 2020, FPC, MPC and the PRC were briefed by Bank staff on recent developments, including current monetary and financial conditions, as well as the global and domestic economic conditions. In preparation, Bank staff had been briefed extensively by health experts who had been advising the Government. John Edmunds (LSHTM) and the Scientific Advisory Group for Emergencies (**SAGE**) provided epidemiological projections and briefings for Bank staff starting on Wednesday 4 March 2020; Neil Ferguson (Imperial College, London & SAGE) shared analysis of a 'multiple lockdown' strategy for managing the pandemic; and Chief Medical Officer Professor Chris Whitty provided a quarterly briefing to MPC and FPC members and Bank staff on epidemiological developments [AB/3 – INQ000650083]. The Bank received insights from Professor Whitty throughout the pandemic, for example [AB/6 – INQ00061620].
149. At the same time Bank staff also increased their engagement efforts with counterparts in other central banks and international organisations [AB/54 – INQ000653959]. This included conversations with counterparts from the Federal Reserve, European Central Bank, Organisation for Economic Cooperation and Development, BIS, and IMF to share information on the progression of Covid-19 and public health, fiscal and monetary policy measures in the UK and rest of the world, as well as comparing approaches to modelling and monitoring the economic effects. These conversations ensured efficient information sharing across institutions and allowed for quality assurance of analysis via peer comparisons.
150. Bank staff also engaged with external academics and researchers throughout the pandemic. Key insights from new research were summarised and used to inform views on the outlook and policy decisions. For example, a 'Covid-19 Research Deep-Dive' series was produced by colleagues in the Bank's Research Hub to disseminate key insights from external research to Bank staff and policymakers.

Data used by the Bank in formulating an effective economic response to the pandemic

151. I have been asked whether the Bank had access to an adequate amount and type of data to enable it to formulate an effective economic response to the pandemic.

Data sources informing the Bank's markets operations

152. The Bank uses multiple financial market data sources to track the evolution of market prices and trading conditions. The Bank uses private sector data providers and has a

number of dashboards that draw together a variety of relevant indicators across markets including government debt, derivatives, FX and money markets [AB/55 - INQ000616097]. These dashboards give the Bank a useful snapshot of, for example, whether UK metrics have moved sharply in a historical context; whether these moves are large relative to other markets; how each market is functioning; and what level of “noise” the Bank is seeing in the data.

Data sources informing the Bank’s financial stability work

153. Bank staff had access to a considerable amount of established data sources to help our assessment of financial stability risks in the real economy; UK banking sector; and the system of market-based finance during this period. The Bank’s use of the data described in this regard can be seen in the analysis and charts published in the FPC’s Financial Stability Reports during this period, for example the Financial Stability Report published on 11 December 2020 [AB/56 - INQ000616210].
154. The FPC routinely considered the data and forecasts published by the MPC in their quarterly MPRs to help it assess economic conditions facing UK households and businesses and the UK financial sector (for example, in relation to the outlook for unemployment or economic activity).
155. To assess the resilience of UK households, the FPC used data on the share of households with high mortgage and consumer credit debt-servicing ratios (**DSRs**) – how much of a household’s income is used to pay back mortgage and consumer credit debts – at the onset of the pandemic (as measured using data from the Understanding Society and NMG Consulting surveys and the Office for National Statistics’ (**ONS**) Wealth and Assets Survey), and considered projections created by Bank staff for those DSRs based on economic forecasts and scenarios presented in MPRs. The FPC had access to data on mortgage and consumer credit arrears, defaults and insolvencies and it considered measures of housing market activity and prices, and the proportion of households taking out payment holidays.
156. To assess the resilience of UK corporates, the FPC considered various measures of distress including interest coverage ratios (calculated by dividing corporates’ earnings before interest and tax by their interest expense), corporate insolvencies, corporate bond credit spreads – the difference in yield between a corporate bond and a government bond (‘gilt’) of equivalent maturities – and the number of downgrades to corporate credit ratings¹⁷ (all from regular data sources that the FPC used prior to the pandemic). To

¹⁷ Credit ratings provide an indication of the likelihood of repayment, providing an indication of the financial health of a company. Investment grade credit ratings indicate a relatively low risk of default.

assess the potential impact of the pandemic and measures taken to contain it on cash-flows of UK corporates, Bank staff used accounting information collected from Companies House and listed company filings for the latest available financial year. It also considered the extent to which corporates might be able to meet those deficits by reviewing data on UK banks' net lending to corporates, and corporate bond and equity issuance by UK corporates. As the pandemic progressed, Bank staff also gained access to Credit Ratings Agency SME current account data. This allowed Bank staff to broaden its analysis of corporate financial health.

157. The Bank supplemented desk-based analysis of data with direct insights from industry through the Bank's Residential and Commercial Property Forums. People working in the sector lead these discussions and make up the majority of attendees, with meetings hosted virtually by the Financial Stability Strategy and Risk Executive Director during the pandemic, and in-person in normal times. The forums monitor developments and assess underlying structural risks in the residential and commercial property sectors respectively, seeking to identify market risks that could evolve into broader financial stability risks and obstacles to economic growth in the UK. Both forums inform the work the FPC does to maintain UK financial stability.
158. The FPC assessed conditions in the non-bank financial sector during this period through a range of data including: risky asset prices (as measured using equity indices and corporate bond spreads¹⁸); prices of (or yields on) advanced-economy government bonds; measures of market volatility (the Cboe Volatility Index® (VIX) and Merrill Lynch Option Volatility Estimate (MOVE) index¹⁹); and measures of market liquidity (bid/offer spreads²⁰ on UK gilts; and gilt repo rates²¹ collected by the Bank). It also monitored selling pressures from non-bank financial institutions using data on margin calls²² faced by pension funds, insurers and investment funds on their derivatives positions (as reported by UK CCPs in their supervisory returns); and redemptions from money market

¹⁸ The difference in return an investor would receive between a corporate bond and a Government bond of similar maturity.

¹⁹ The VIX index is a measure of the market's expectation of stock market volatility based on the S&P 500 index. The MOVE index is a market-implied measure of US bond market volatility.

²⁰ A bid/offer spread is the difference between the buying and selling price of a gilt offered by a dealer in a market.

²¹ Gilt sale and repurchase ('gilt repo') transactions involve the temporary exchange of cash and gilts between two parties; they are a means of short-term borrowing using gilts as collateral – effectively allowing one participant to swap a gilt (or other bond or asset) for cash in return for paying slightly more cash back later. The lender of funds holds gilts as collateral, so is protected in the event of default by the borrower.

²² Margin is collateral collected to protect against future or current risk exposures resulting from market price changes or in the event of a counterparty default. A margin call is a requirement from a central counterparty for more margin to be provided by a market participant because their exposure has increased due to shifts in financial markets.

funds and open-ended funds (using data collected by commercial data providers, the FCA and through data-sharing agreements with regulators in the EU).

159. In terms of improvements, I note that businesses report their accounts to Companies House with a lag, and smaller firms typically file abridged accounts. More timely reporting and more detailed information on smaller firms would have enabled better modelling, and access to data from the ONS Interdepartmental Business Register (**IDBR**) – a comprehensive list of UK businesses used by government for statistical purposes – would have enabled a more granular analysis of the likely impact of the pandemic on employment and investment. This was not possible as it would have required amendments to legislation. In the absence of IDBR data from ONS, Business Population Estimates on turnover and employment were used.
160. A Financial Stability paper on the role of non-bank financial intermediaries in the ‘dash for cash’ in sterling markets (published in June 2021) provides further information on the data sources used by Bank staff to analyse the role of NBFIs during the Covid-19 shock (see Annex: Data sources used in this paper in the document exhibited at [AB/23 - INQ000616211]). The paper also discussed where the analysis could have been improved by bridging gaps in the collection of relevant data on NBFIs (for example, through collecting more granular data on NBFI asset holdings and transactions). The Bank, with other authorities, is working to fill data gaps to build a better understanding of the system of market-based finance.

Data sources informing the Bank's and PRA's regulatory and supervisory work

161. The Bank had access to a significant amount of regulatory and supervisory data to help the FPC and the PRA assess the resilience of UK banks during this period. For example, they reviewed quarterly data on UK banks' capital ratios; stock of liquid asset buffers; profitability and various measures of asset quality. The insights from these datasets were supplemented by various forms of stress testing of UK banks during this period. The PRA also collated daily (and later, weekly) credit, liquidity and counterparty credit risk²³, as well as more general updates from the largest banks. The PRA also engaged with firms extensively on the operational impacts of the pandemic – for instance, firms were asked about their return to office plans and positions. For smaller banks, data was reviewed and analysed on a weekly basis.

²³ The risk that a borrower will default on a loan or other obligation.

Data sources used for monetary policy analysis

162. The MPC's work during the period benefitted from a wide range of data sources – some long-standing and others more novel. Access and availability of data improved as the pandemic evolved. For example, given the nature of the shock, new data on the progression of the pandemic in the UK, the public policy responses under consideration, and the associated epidemiological projections were made available initially to only a restricted group of Bank staff.
163. Epidemiological data were increasingly made available publicly, and Bank staff made use of Public Health England/Health Protection Agency data on Covid-19 transmission and progress on vaccination throughout the later stages of the pandemic. Our ability to assess the trajectory of the pandemic was an important factor in our assessment of the wider economic outlook, and therefore the appropriate economic response [AB/52 – INQ000653958]. Timely and accurate epidemiological data would therefore remain important in responding effectively to any future pandemic.
164. The Bank's near-term economic assessment also benefitted from new data sources given that the speed and magnitude of changes in the economy could not be monitored effectively using traditional sources alone. That included the development of a new set of faster indicators supplemented with information from the Bank's Agency network, the Decision Maker Panel survey²⁴, the Office for National Statistics' (**ONS**) Business Impact of Covid Survey, and HMRC data on the Coronavirus Job Retention Scheme.
165. Beyond the near-term economic assessment, the MPC was interested in understanding how different groups might be affected and implications for how the economy might evolve in the future. Alongside established surveys, the Bank commissioned Ipsos Mori to conduct a survey of households, collecting their views on the impact of the pandemic on employment, furloughing²⁵, income, spending, saving and financial distress. This survey ran from March 2020 to March 2021; after that, more established surveys had been expanded to cover questions on the impact of the pandemic on households. Bespoke surveys of firms and households can be particularly helpful in understanding, and responding to, unprecedented shocks provided they can be operationalised quickly.

²⁴ The Decision Maker Panel is a survey of Chief Financial Officers from small, medium and large UK businesses. The Bank uses it to monitor developments in the economy and to track businesses' views.

²⁵ Furlough is a temporary leave of absence from work. In April 2020, the UK Government instigated the Coronavirus Job Retention Scheme. The scheme initially offered employers the opportunity to apply for a grant to fund the wages of their employees who were on furlough, equivalent to 80% of usual wages up to £2,500 per month.

166. However, faster indicators are by no means sufficient to replace timely, accurate official statistics. Official statistics suffered during the pandemic given the use of in-person surveys and a longer lag to publication. This was a particular issue for the Labour Force Survey which increased the uncertainty in information relating to the labour market – a key risk in assessing how the economy would evolve at the end of the Job Retention Scheme. Better quality and more timely information on the labour market would be useful in the event of future pandemic, but also more generally. The Bank is in close contact with the ONS regarding ongoing work on the Transformed Labour Force Survey, while continuing to make extensive use of alternative labour market indicators. The Bank has welcomed recent progress made by the ONS in restoring the quality of the Labour Force Survey, which has returned sample sizes closer to pre-pandemic levels. However, there is work to be done before the Bank can be fully confident in Labour Force Survey data. For example, response rates remain significantly lower than pre-Covid-19 averages and the ONS has advised caution when interpreting short-term changes in Labour Force Survey estimates (e.g. employment growth) and in analysing more detailed estimates below headline projections, given these are subject to greater uncertainty. In the medium-term, the solution to remaining issues with the Labour Force Survey is to transition to an online survey (the Transformed Labour Force Survey) and the Bank remains supportive of the latest ONS plans to achieve this. The Bank welcomes and supports the recent report by Sir Robert Devereux, and the ONS response.

Epi-macro modelling

167. Modelling is always an important element in formulating the Bank's assessment of the economic outlook and appropriate monetary policy response. Given the unprecedented nature of the pandemic, a specific epi-macro model was not part of the Bank's modelling toolkit as of 1 January 2020. But the Bank had a number of highly technically skilled economists who were able to engage with epi-macro modelling quickly.
168. In March 2020, Bank staff had calibrated a simple epidemiological model using Italian data to help quantify the likely evolution of the epidemic over the coming weeks [AB/57 – INQ000650086]. By May 2020 staff had developed a Heterogeneous Agent SIR-Macro model²⁶ to study the evolution of a pandemic while taking into account its economic

²⁶ The SIR model, first developed by Kermack and McKendrick (1927), remains the canonical epidemiological model. The SIR model divides the population into three categories (or 'compartments' in epidemiology jargon): Susceptible, Infected and Recovered. It models individuals transitions between those states using a set of exogenously given transition rates which are related to the relative sizes of each group. And it assumes that the transition can only ever occur in 'one direction' (eg susceptible people may become infected, infected people may recover, but no other moves between groups are possible). Covid-19 briefing: extensions to the SIR model – Bank Underground (accessed 26/08/2025).

consequences, calibrated to UK data [AB/58 – INQ000650087]. Alongside those produced in the Bank, Bank staff engaged with external academics and researchers to draw key insights from new models developed externally during the pandemic. For example, a 'Covid-19 Research Deep-Dive' series was produced by colleagues in the Bank's Research Hub to disseminate key insights from external research to Bank staff and policymakers.

169. At the start of the pandemic, however, economic outcomes were governed by lockdowns, limiting the usefulness of such models. It was only when lockdowns were lifted that so-called 'voluntary social distancing' and the interaction between health and spending behaviour became more relevant. In addition, the very specific nature of restrictions in place at different stages of the pandemic were difficult to capture in a model, and therefore staff judgements at a disaggregated level were required alongside model insights to prepare the May 2020 scenario and subsequent forecasts over 2020 and 2021.
170. There were also specific challenges in developing and utilising epi-macro models in practice. A key uncertainty facing economic modellers was the role of behavioural aspects of households' and firms' responses to a pandemic on an unprecedented scale in modern times. Past data on which to calibrate such models was extremely limited and the behavioural responses were also unstable, as households and firms adapted to the pandemic over time. Epi-macro models could therefore tell you something about the mechanisms at play but less so about the likely size of effects and dynamics over time.
171. The lessons learned on modelling approaches during the pandemic, and data gathered from the Covid-19 experience, mean the Bank is in a better position in the event of a future pandemic. But many of the challenges will remain, even if epi-macro modelling capability is improved and the literature well-established. The response to a future pandemic would therefore continue to require bespoke approaches.
172. More broadly, the Bank is undertaking a transformation programme of economic forecasting following the Bernanke review [AB/59 – INQ000653350]. This includes investment in the Bank's modelling capacity to ensure the modelling toolkit is robust to the future economy.

Long Covid

173. The long-term impact of Covid-19 on the economy – referred to as 'economic scarring' – was an important consideration and source of uncertainty throughout the period in question, and beyond. Bank staff regularly reviewed the outlook for these so-called 'scarring channels' [AB/60 – INQ000653960].

174. As the evidence on long-term health consequences of Covid-19 built over time, this too became a key element of that uncertainty over the degree of economic scarring. For example, the risk that the fall in labour participation rates for working-age adults might prove more persistent was discussed by the MPC in the August 2021 MPR round [AB/61 - INQ000616246] and at subsequent annual 'supply stocktakes' and corresponding Monetary Policy Reports (an example is exhibited at [AB/62 – INQ000653353].
175. Public understanding of Long Covid developed over time as evidence accumulated. Chief Medical Officer, Professor Chris Whitty, provided expert advice to Bank staff and policymakers on the nature and potential consequences of Long Covid, which informed staff assessments on the long-term consequences for labour participation, summarised in the document exhibited at [AB/52 – INQ000653958]. Policymakers took into consideration the risk that Long Covid might weigh on labour participation for a more prolonged period (for example, Dave Ramsden, DGM&B's, speech on 14 July 2021 **AB/63A** INQ000616172)).
176. Uncertainties over the quality of the Labour Force Survey data (as noted in paragraph 16665) remain a constraint on Bank staff's ability to monitor and understand the potential impact of Long Covid on labour participation.

Equalities

177. I have been asked to explain how the potential for unequal impact brought about by actions taken by the Bank during the pandemic considered when making decisions to take those actions.

Public Sector Equality Duty (PSED)

178. The Bank is subject to the PSED in respect of its public functions. The PSED is contained in Section 149 of the Equality Act 2010 (**EA 2010**). The PSED requires the Bank to have "due regard" to the following objectives when discharging its public functions:
- a. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA 2010;
 - b. the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - c. the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

179. Court, MPC, FPC and the PRC are briefed on the PSED where relevant to the matters being considered by them.
180. Examples of how the Bank takes into consideration its PSED obligations are set out below.

FPC

181. By striving to manage and mitigate risks to UK financial stability and to strive to ensure financial crises are both rarer and less severe, the FPC's actions are intended to reduce the probability, and impact, of financial crises in the UK. The costs of such crises can fall disproportionately on lower income and vulnerable households, in which individuals sharing particular protected characteristics, including those of race and sex, can be disproportionately represented. Further, while focused on improving the resilience of the UK financial system, the FPC's policies are explicitly designed to limit any significant adverse effects on growth of the UK economy. In so doing, the FPC supports the provision of sustainable access to finance for households, including lower income and vulnerable households.

MPC

182. The MPC is tasked with setting monetary policy and meeting the Government's target of keeping inflation at 2%. The distributional impact of monetary policy is difficult to measure with precision but analysis by staff suggests that the overall effect of monetary policy, including QE, on standard measures of income and wealth inequality (which may reflect the position of individuals sharing particular protected characteristics under the EA 2010) has been small.
183. A wealth of analysis, speeches and testimonies have been provided on the topic of the equality impacts of monetary policy tools both preceding and following the pandemic. Prominent examples include staff analysis on 'The distributional impact of monetary policy easing in the UK between 2008 and 2014' [AB/64 - INQ000616170], in which Bank staff analysis had found the impact of monetary policy on wealth and income inequality to have been limited. The Bank's response to the House of Lords Economic Affairs Committee's (**EAC's**) report on QE also concludes that broad indicators of income equality have been broadly stable since 2009 and that there has been a limited impact from monetary policy measures on income equality, including from QE [AB/65 - INQ000616171].

PRC and FMI Board

184. The usual governance process for matters coming to the PRC and the Financial Market Infrastructure Board (now FMI Committee) for decision ensures members are briefed on any relevant, requisite considerations of the PSED.

Inflation indicators and statistics

185. I have been asked to provide an overview of the indicators or statistics related to inflation on which the Bank relies to make monetary policy decisions. Rhys Phillips' statement contains considerable detail on the data sources the Bank uses, which I will not repeat here, but I provide some further commentary in the following paragraphs.
186. The minutes of MPC meetings over 2021 and 2022 document the extent to which there was a perceived risk of high inflation over this period, and the actions taken by the Bank in response. Prior to increasing Bank Rate at its December 2021 meeting, the MPC had policy guidance in place specifying that it did not intend to tighten monetary policy at least until there was clear evidence that significant progress was being made in eliminating spare capacity and achieving the 2% inflation target sustainably. The Committee was monitoring closely the evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack and underlying wage pressures. Between April and December 2021, the majority of the Committee judged that the conditions had not yet been met fully, although considerable progress was made throughout this period.
187. At its December 2021 meeting the Committee judged that the conditions for increasing Bank Rate had been met [AB/66 – INQ000616084]. The labour market was tight and had continued to tighten, and there were some signs of greater persistence in domestic cost and price pressures. The economic impact of the new Omicron variant was judged, in some scenarios, to potentially increase these inflationary pressures further. The Committee voted to increase in Bank Rate by 0.15 percentage points at its December meeting, and by a further 0.25 percentage points, to 0.5%, at its February 2022 meeting. In this meeting, the Committee also voted unanimously for the Bank to begin to reduce the stock of UK government bond purchases by ceasing to reinvest maturing assets, and to begin to reduce the stock of sterling non-financial investment-grade corporate bond purchases [AB/67 – INQ000616247].
188. Ahead of the MPC's March 2022 meeting, the invasion of Ukraine by Russia led to further large increases in energy and other commodity prices including food prices. Global inflationary pressures were expected to strengthen considerably further over coming months, while growth in economies that were net energy importers, including the

United Kingdom, was likely to slow. Given the tightness of the labour market, continuing signs of robust domestic cost and price pressures, and the risk that those pressures would persist, the Committee judged that further 0.25 percentage point increases in Bank Rate were warranted at its March, May and June 2022 meetings.

189. The MPC's remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework also recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. During the period in question, the economy was subject to a succession of very large shocks, including the global pandemic and Russia's invasion of Ukraine. Given the lag between changes in monetary policy and their effects on inflation, the Committee, in judging the appropriate policy stance, focuses on the medium-term prospects for inflation, including medium-term inflation expectations, rather than factors that are likely to be transient. For example, monetary policy is unable to prevent the effects of sharp rises in prices of global and tradeable goods of which the UK is a net importer. The role of monetary policy is to ensure that, as this real economic adjustment occurs, it does so in a manner consistent with achieving the 2% inflation target sustainably in the medium term, while minimising undesirable volatility in output.
190. Risk management considerations were also important in judging the appropriate stance of monetary policy over this period and ensuring that the recovery was not undermined by a premature tightening in monetary conditions. Given the high level of uncertainty around the outlook, it was judged that policy should lean strongly against downside risks.

Part F: Quantitative Easing

QE and how it relates to other monetary policy tools

191. Alongside changes to Bank Rate, QE is a tool the Bank can use to lower interest rates. QE involves a central bank engaging in large scale asset purchases – in the UK's case, buying mostly 'gilts' in return for newly created central bank reserves. These purchases lower longer term government bond yields. In turn this reduces interest rates in the economy, where the rate at which banks lend to households and firms is typically related to gilt yields. This dynamic encourages greater spending and investment, thereby supporting aggregate demand in the economy and helping to prevent inflation from persistently undershooting the 2% target. While Bank Rate may work primarily through shorter-term interest rates, QE operates on longer-term interest rates.
192. QE works through several transmission channels. The mix of channels, and the total impact of QE, may vary across time according to circumstances, implying that different QE programmes may have different effects on asset prices and the real economy.

Through the signalling and uncertainty channels, QE can be an effective tool when Bank Rate is very low and there is limited scope to lower it further. For instance when a central bank engages in QE, markets may infer that it is credibly committing to a period of protracted low policy rates, lowering longer-term interest rates and reducing uncertainty around the path for the policy rate.

193. Further, the portfolio balance channel works by reducing the “free-float” of bonds available to market participants. It can thus lower the yields on these bonds and their close substitutes.
194. QE can also be effective in periods of market dysfunction and exceptionally stressed circumstances through the ‘market functioning’ channel – in other words acting to address potential undue tightening in financial conditions due to volatile gilt yields. This channel may have been particularly important during the first round of Covid QE.

The use of QE between 1 January 2020 and 28 June 2022

195. There were three rounds of QE announced during the course of the pandemic. First, additional QE asset purchases of gilts and corporate bonds amounting to £200bn were introduced at a special meeting on 19 March 2020. Second, on 18 June 2020, the Bank announced the MPC’s decision to increase the target stock of purchased UK Government bonds, financed by the issuance of central bank reserves, by an additional £100 billion. Third, on 5 November 2020, the Bank announced the MPC’s decision to increase the target stock of purchased UK Government bonds again by an additional £150 billion, to take the total stock of asset purchases to £895 billion.

Decision to use QE during the pandemic

196. The objective of QE was to enable the MPC to meet its remit: guarding against an unwarranted tightening in financial conditions and, more broadly, supporting businesses and households through the crisis to help limit any lasting damage to the economy. QE was also aimed at improving market functioning at the start of the pandemic, responding to the ‘dash for cash’ triggered by the sharp deterioration in the economic outlook and increase in economic uncertainty.
197. In deploying QE to counteract the Covid-19 economic shock, the MPC considered a range of factors: the most recent developments on the spread of Covid-19; its impact on financial markets, overall financial conditions, and on the global and the UK economies; the channels through which the disease was likely to affect the UK economy; and the appropriate stance of monetary policy, having regard for the fiscal response of the UK Government [AB/68 – INQ000616130].

198. To inform the MPC's judgment, staff considered the potential macroeconomic stimulus from QE, the range of alternative potential tools, and the available "headroom" for purchases of gilts (i.e. how many gilts could be purchased within the Bank's parameters).
199. As set out in the minutes of the 10 March meeting, the Bank aligned its actions with those of HMT in order to ensure that initiatives would, collectively, have maximum impact while being consistent with our independent responsibilities [AB/9 – INQ000616213].

Assessment of the economic crisis in March 2020

200. Although the magnitude of the shock from Covid-19 was highly uncertain in March 2020, the MPC judged it likely that activity would weaken materially over the coming months, and that this shock would affect both supply and demand in the economy. This was borne out over subsequent months.
201. In the near-term, the supply capacity of the economy was judged likely to be reduced temporarily through a number of channels. Some people would be unable to work for a period of time and many were likely to need to adjust their working arrangements. Disruptions to supply chains could also constrain production.
202. There were also judged to be significant demand effects. People who were isolated at home would probably spend less. Others might cut back on forms of consumption that could be delayed or that involved social activities. There could be substantial broader uncertainty effects, including on major purchases and for corporate investment plans. Demand for UK exports would reduce as global GDP growth and trade was affected. In addition, substantial falls in risky asset prices would dampen spending. The resulting weaker activity, alongside the temporary, but significant, disruptions to supply chains could challenge cash flows and increase demand for short-term credit from households and for working capital from companies.
203. The extent of the differential between the shock to demand and to supply was conditional on the measures and support expected to be in place. In early March 2020 health policy interventions were assumed to be much smaller than those that came into place over the course of the month [AB/3 – INQ000650083]. As the MPC learned more about the government's response to the pandemic over March 2020, there was a re-evaluation of the scale and shape of the economic impact [AB/69 – INQ000650084]. Containment measures and support schemes such as the Job Retention Scheme increased the extent to which this was a shock to supply as well as demand.
204. In the illustrative scenario published in the May 2020 MPR [AB/51 – INQ000616237], the large shock to demand was expected to be somewhat greater than the shock to supply.

Given that potential supply is unobservable it is difficult to judge the degree to which this assessment was accurate. Our latest assessment of the initial shock to supply is broadly unchanged from the May 2020 scenario. But the initial shock to GDP is now somewhat smaller than expected following upward revisions to the data over time which would be consistent with a smaller differential between the shock to demand and the shock to supply than in the initial illustrative scenario. But that should be set within the context of unprecedented large shocks.

205. Beyond the near-term, in the MPC's illustrative scenario the negative effects of the pandemic on supply were longer-lasting than the effects on demand. As set out in detail in the "In Focus" section of the May 2020 MPR, there were a number of channels through which Covid-19 could have affected the economy beyond the near-term, such that that the temporary disruption could cause longer-term harm to the productive capacity of the economy through scarring effects. Notably, the sharp near-term fall in investment and Research & Development would permanently reduce the capital stock and productive capacity of the economy if it is not recovered after the pandemic ends. The sharp fall in activity caused by Covid-19 could also reduce the number of new firms formed and weigh on productivity growth. Scarring effects could also arise if firms lay off and then find it difficult to replace specialise workers of capital equipment, lowering productivity when normal activity resumes. There was also the possibility of scarring effects in the labour market, known as hysteresis, where workers that are laid off could lose skills and become detached from the labour market, lowering labour supply. Policies aimed at protecting economic capacity could help minimise the risk of some of those effects.
206. The Bank's latest assessment is that the effects of the pandemic on potential supply beyond the initial shock, may have been smaller and less persistent than initially feared. As set out in detail in the "In Focus" section of the February 2024 MPR [AB/70 – INQ000653361], the Covid-related drag on participation may have unwound faster than anticipated and the lasting effects of the pandemic on productivity may also be smaller than previously assumed. The February 2025 MPR [AB/71 – INQ000653362] notes that the supply-side effects of the pandemic on the market sector have now dissipated.
207. The type of economic crisis facing the UK was, of course, conditional on the evolution of the pandemic and measures taken to protect public health – both of which were hard to judge with precision at the start of the period. As our understanding of the likely containment measures and support schemes evolved, so too did our assessment of the nature of the economic shock. The evolving nature of this assessment was unavoidable given the unprecedented nature of the shock, and unpredictable progression of the virus and timeline to a vaccine.

208. That said, availability of, and access to, high quality data is always important in making an accurate assessment of any shock. And while models are not a panacea, having a sufficiently broad and flexible modelling toolkit can complement other approaches in forming an assessment of the likely mechanisms through which economic shocks might transmit, as well as the likely shape and magnitude of impact. The Bank is undertaking a transformation programme of economic forecasting following the Bernanke review [AB/59 – INQ000653350]. Investment in data and models is at the heart of this to ensure that the Bank's monetary policy making process is robust to the future economy.

Decisions about QE rounds

209. Consistent with its remit, monetary policy was aimed at supporting businesses and households through the crisis and limiting any lasting damage to the economy so as to ensure a sustainable return of inflation to the target. In deploying QE to counteract the Covid-19 economic shock, the MPC considered: the most recent developments on the spread of Covid-19, and its impact on financial markets, overall financial conditions, and on the global and the UK economies; the channels through which the disease was likely to affect the UK economy; and the appropriate stance of monetary policy, having regard for the fiscal response of the UK Government. To inform the MPC's judgment of specific figures, staff considered a range of factors, including the potential macroeconomic stimulus from QE, the range of alternative potential tools, and the headroom for purchases.
210. As noted in MPC minutes over the period, the outlook for the economy was unusually and extremely uncertain. It depended on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It also depended on the responses of households, businesses and financial markets to these developments. As our understanding evolved over the course of 2020, there was a re-evaluation of the scale and shape of the economic impact, and therefore the appropriate monetary policy response. The MPC also weighed a range of risks in coming to each decision, as set out in the minutes of each meeting.
211. In early March 2020, the first round of QE was aimed at improving market functioning and mitigating an unwarranted tightening in financial conditions in response to the 'dash for cash'. Gilt yields retraced a significant portion of their surge after the MPC's announcement, and gilt liquidity improved after the Bank's purchases began.
212. Our assessment of the size of the economic shock increased materially between this first round of QE and the second in June 2020, given more widespread progression of the

virus and larger and more persistent containment measures in place. Leading up to the June 2020 MPC meeting, UK financial conditions remained tighter than prior to the Covid-19 shock and the unprecedented situation meant that the outlook for the UK and global economies was unusually uncertain. As set out in the minutes of the June meeting [AB/72 – INQ000616206], more positive data on the initial recovery were weighed against greater risks around the potential for longer lasting damage to the economy from the pandemic. A persistent margin of spare capacity, in large part reflecting slack in the labour market, would weigh on inflation. In an environment of heightened uncertainty, some members also envisaged a role for monetary policy in seeking to mitigate the potential impact of more adverse economic scenarios, including those in which there were higher rates of Covid-19 infection going forward. A majority of MPC members judged that a further easing of monetary policy was warranted to support the economy and thereby to meet the inflation target in the medium term. As such, the Committee voted to increase the target stock of purchased UK Government bonds by an additional £100 billion.

213. Between the June meeting and the third round of QE in November 2020 there was a rapid rise in rates of Covid infection as restrictions were eased over the summer, and the government responded by increasing the severity of Covid restrictions. Our understanding of how households and firms were likely to respond to heightened health concerns and uncertainty even in the absence of restrictions also evolved over this period, with a greater degree of ‘voluntary social distancing’. In the November MPR [AB/73 – INQ000616238], the MPC’s projections embodied a further fall in near-term activity and a slower recovery beyond that, with risks to the outlook for activity judged to be skewed to the downside, and inflation risks balanced. The vaccination programme had not yet started, and the UK was going into another lockdown. Risk management considerations implied that policy should lean strongly against downside risks to the outlook. Announcing further asset purchases was therefore a way to support the economy and help to ensure that the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target. As such, the Committee voted to increase the target stock of purchased UK Government bonds by an additional £150 billion, to take the total stock of asset purchases to £895 billion [AB/74 – INQ000616236].
214. The MPC’s decisions on monetary policy are taken independently and solely to meet the MPC’s policy objectives in line with its statutory mandate to achieve the 2% inflation target. In line with these key principles, the MPC considered every round of QE

appropriate and necessary to meet its mandate and the remit given to it by the government.

215. In my view, each decision was appropriate in the context of the time at which it was taken.
216. It is difficult to judge whether – in hindsight – different decisions would have led to different or better outcomes. While identifying the impact of asset purchases is inherently challenging, as discussed in more detail in Rhys Phillips’ statement, the evidence on balance suggests that QE pushed down longer-term borrowing costs for households and corporates, which stimulated demand. The path of the economic recovery is therefore likely to have been conditional on the stance of monetary policy, and it is difficult to establish the right counterfactual through which to assess the impact of different policy decisions. That said, some members of the Committee did vote to end asset purchases earlier in the face of building inflationary pressures through 2021. It is likely that this would have exerted some downward pressure on inflation relative to the counterfactual, but I judge that this would be very small in the context of the large external cost shocks pushing up inflation (as set out above, due to factors such as Russia’s invasion of Ukraine) On the other hand, it is possible that a smaller amount of, or premature end to, QE would have risked stalling the economic recovery.
217. The Covid crisis demonstrated that QE and forward guidance around it can be effective in a particular situation, where the use of asset purchases had the desired impact in reducing interest rates and stabilising critical markets against the backdrop of an unprecedented shock. The Bank is committed to ensuring it uses QE and its other policy tools as effectively as possible, and will continue to draw on the lessons from the research literature and best practice among central banks.
218. It is not obvious that other tools would have been able to have this effect so directly or rapidly. Our experience emphasises that we remain in a world where the choice of tool is important, but so is speed with which tools can be deployed. For example, during the Covid crisis we were able to launch large QE purchases very quickly using the existing framework that was developed during the Global Financial Crisis, as well as private sector asset purchases through the pre-existing corporate bond purchase programme, longer-term liquidity provision to banks with targeted lending incentives (via the TFSME), and direct purchasing of newly issued commercial paper (via the CCFF).
219. Following the Covid crisis we have of course continued work on our toolkit, including via the development of a repo tool for non-banks that was launched in 2025. These tools

stand us in good stead to respond to a range of future shocks in a way that is agile and effective.

QE and inflation

220. The objective of QE was to enable the MPC to meet its remit and, in doing so, guard against an unwarranted tightening in financial conditions and, more broadly, support businesses and households through the crisis to help limit any lasting damage to the economy. The Bank would expect QE to provide some upward pressure to inflation but also to reduce the degree of economic scarring that might have otherwise occurred. While identifying the impact of asset purchases is inherently challenging, as discussed in more detail in Rhys Phillips' statement, the evidence on balance suggests that QE pushed down longer-term borrowing costs for households and corporates, which stimulated demand and helped to support the economic recovery from the pandemic.
221. Since the last tranche of QE in November 2020 the UK experienced a period of inflation well above target. This inflation was driven by a series of very large, external, negative shocks to the economy, including supply-chain disruptions and global goods demand associated with the pandemic and the Russian invasion of Ukraine. These cost-push shocks are uncorrelated with the past stance of UK monetary policy and the MPC decisions around the stock of purchased assets during the pandemic. While it is difficult to establish an accurate counterfactual, it is worth noting that the MPC had been using QE for 10 years prior to the pandemic and inflation was 2% on average over this period. Similarly, QE was being used in the US and the euro area during this time, with below-target inflation throughout the period. This period was also characterised by relatively weak – rather than strong – money growth. While the rounds of QE during the pandemic are expected to have had some impact on inflation, and hence were deployed by the MPC to help achieve its remit of 2% inflation, this is likely to have been small in the context of the much larger external cost shocks. Overall, it is more likely that QE helped to reduce broader economic scarring than increase it.
222. The language of the Bank of England remit states that “the inflation target holds at all times”, which is essential. But it also states that “the actual inflation rate will on occasion depart from its target as a result of shocks and disturbances”. It further adds that “attempts to keep inflation at the inflation target in these circumstances may cause undesirable volatility in output”. In 2013 the remit was amended by adding that where shocks are particularly large or the effects of shocks may persist over an extended period (or both) then “the Committee is likely to be faced with more significant trade-offs

between the speed with which it aims to bring inflation back to target and the consideration that should be placed on the variability of output”.

223. This “trade-off” language applies when the economy is hit by temporary cost or supply shocks. In these circumstances we have to judge the appropriate balance of inflation and output volatility, when judging how quickly to bring inflation back to target. Moreover, such judgement must ensure that, again using the language of our remit, “inflation expectations are firmly anchored in the medium term”.
224. Applying this framework over the Covid and Ukraine period has not been easy, and required us to balance the need to decide whether to look through a transitory shock or respond because it could have quasi-permanent features. A further complication present in the events of 2020-2022 was that the configuration of shocks – i.e. with no gaps between them - effectively meant that judgements had to be reached on the shocks as a collective more than individually.

Distributional effects of QE

225. The distributional effects of QE, and the evidence base around them, have been an area of contention in the public debate. A number of commentators have suggested that QE pushes up on absolute measures of inequality as evidence for negative distributional effects. In the Bank’s view, it is important to consider a broader range of indicators when making an assessment of the impact of QE on inequality. A number of studies, including Bank staff analysis, suggest that the marginal impact of monetary policy, including QE, on standard measures of relative income and wealth inequality has been small. In addition, non-financial measures, such as household well-being, suggest a net welfare gain from monetary policy actions. Box C of ‘QE at the Bank of England: a perspective on its functioning and effectiveness’ [AB/68 – INQ000616130] discussed some of this evidence.
226. More broadly, it is important that in any discussion of the distributional effects of QE, the asset price effects are weighed up against the effects of monetary policy on employment outcomes and wages in the economy. The public commentary on the distributional effects of QE has tended to focus more on the potential asset price effects, without considering the extent to which the policy may have improved incomes and employment outcomes.
227. The Bank recognises that it is inherently difficult to measure these impacts with certainty, and to disentangle the impact of monetary policy from longer-run structural trends affecting the real economy.

QE and the Bank's independence

228. Decisions on undertaking additional rounds of QE were and are for the MPC and the MPC alone. The Bank and HMT have a well-established governance framework for executing QE which is underpinned by appropriate oversight and public accountability. This has enabled the necessary operational independence required by the Bank to deliver QE effectively, which includes an indemnification of the Bank by HM Treasury that exists in order to allow the MPC to meet its mandate without being constrained by the Bank's own limited capital resources. Any commentary that the objective of the Bank's asset purchases was or is to facilitate monetary financing is not correct. The Bank has firmly remained within its statutory mandate for monetary policy and its actions have been undertaken to fulfil the MPC's remit for price stability.

Unwinding QE

229. Prior to the pandemic, the MPC had set out guidance for the unwind of the stock of asset purchases in the November 2015 MPR and reviewed this as set out in the minutes of the June 2018 MPC meeting. This stated that the stock of purchased assets would be expected to be maintained until Bank Rate reached a level from which it could be cut materially, determined to be around 1.5%.
230. In the August 2021 MPR [AB/61 – INQ000616246] the MPC noted that at some point, monetary policy may need to tighten to meet its remit and that in principle such a tightening could be achieved by increases in Bank Rate, by a reduction in the stock of purchased assets, or some combination of the two. Drawing on work done by staff, the committee set out a strategy for the mix of its monetary policy tools and its intended approach to using the instruments in its toolkit to deliver any tightening in the overall stance of policy, should that be required. It noted that the sequence of monetary policy tools to deliver tighter policy would be guided by a set of key principles. First, the committee intended to use Bank Rate as its active policy tool when adjusting the stance of monetary policy. Second, any asset sales would be conducted so as not to risk any disruption to the functioning of financial markets. Third, to help achieve that, sales would be conducted in a gradual and predictable manner over a period of time. This was communicated via Box A in the MPR, and the MPC Meeting minutes published on the same day.
231. As we have made clear over a number of years, once Bank Rate was away from the lower bound, and could move in both directions, the intention was to unwind the stock of QE gradually and predictably, and in a way that was not bound to underlying economic conditions. Instead, monetary conditions are now steered by Bank Rate, the primary

instrument of policy. Should monetary conditions prove too loose to meet the inflation target, given the economic news, it is Bank Rate that responds. And whatever the source of any disturbance to monetary conditions, the MPC is free to offset those disturbances by means of its primary instrument, Bank Rate.

Quantitative tightening

232. QT was not a policy tool used in response to the pandemic, but rather part of the normalisation of the Bank's balance sheet. This represents the unwind of the asset purchases conducted by the Bank under its policy of QE.
233. In line with previous guidance on the unwind of the stock of assets (as explained above), the Committee did not consider beginning QT until Bank Rate reached a level from which it could be cut materially. This guidance was updated in the August 2021 MPR [AB/61 – INQ000616246], which noted that the MPC would first begin QT by ceasing to reinvest maturing assets and will consider beginning the process of actively selling UK government bonds only once Bank Rate has risen to at least 1%.
234. At its meeting on 3 February 2022, the committee voted to increase Bank Rate by 0.25 percentage points to 0.5% [AB/67 – INQ000616247]. Alongside this, and consistent with previous guidance on QT, the committee voted unanimously for the Bank to begin to reduce the stock of UK Government bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets. The committee also voted unanimously for the Bank to begin to reduce the stock of sterling non-financial investment grade corporate bond purchases, financed by the issuance of central bank reserves, by ceasing to reinvest maturing assets and by a programme of corporate bond sales to be completed no earlier than towards the end of 2023 that should unwind fully the stock of corporate bond purchases.
235. At its meeting ending on 4 May 2022, the MPC voted to increase Bank Rate by 0.25 percentage points, to 1% [AB/76 – INQ000614499]. Consistent with the MPC's previous guidance, the Committee communicated it would consider beginning the process of selling UK government bonds held in the APF. The Committee reaffirmed that the decision to commence sales will depend on economic circumstances including market conditions at the time, and that sales would be expected to be conducted in a gradual and predictable manner so as not to disrupt the functioning of financial markets. The Committee recognised the benefits of providing market participants with clarity on the framework for any potential sales programme and therefore asked Bank staff to work on a strategy for UK government bond sales. An update on this strategy was provided in the minutes of the August 2022 meeting.

236. The MPC's decision on how and when to begin QT was underpinned by the key principles previously set out. Beginning QT materially sooner or to a greater extent would not have been consistent with these principles. QT is also judged to have small effects when undertaken in a manner consistent with the guiding principles. Beginning QT sooner or to a greater extent, while remaining consistent with the key principles, would be expected to have only very small economic effects. Moreover, QT is not the active tool of monetary policy, with decisions on Bank Rate determining the overall monetary policy stance.

Part G: Covid Corporate Financing Facility

Design and implementation of CCFF

237. As I have explained above, the CCFF was designed by HMT and the Bank to support liquidity among larger firms, helping them to bridge Covid-related disruption to their cash flows through the purchase of short-term debt in the form of commercial paper. It was operated by the Bank on behalf of HMT. The Bank acted as agent for all commercial paper purchases, following eligibility guidelines as agreed with HMT. HMT, as the ultimate risk-owner, had the final decision on whether an issuer was eligible to use the facility and, if so, in what size. Detailed information on the CCFF was provided through Market Notices and other communications made available on the Bank's website.
238. As outlined in the letter I sent to the Chancellor dated 17 March 2020 [AB/42 – INQ000616139], the Bank and HMT had been in discussions about how to work together to help UK businesses and households manage through the Covid economic shock. That letter outlined how the Bank and HMT agreed to implement the CCFF on behalf of HMT. As HMT were the ultimate risk owners of the scheme, they took the final decisions on design and on which firms were eligible to use the facility.
239. I was sighted on, and involved in, the design of the scheme and the plan for implementation. I received regular updates from staff on the running of the scheme, was sighted and provided advice on changes to the design of the scheme and discussed progress of the scheme with the Chancellor.

Terms of the facility

240. I have been asked to describe the terms (including relating to the payment of interest) on which funding was to be made available to businesses under CCFF. The CCFF offered financing on terms comparable to those prevailing in markets in the period before the Covid-19 economic shock.

241. The CCFF purchased commercial paper, with a maturity of one week to 12 months, at a spread above a reference rate, based on the current sterling overnight index swap (**OIS**) rate²⁷, an interest rate derived from financial market prices which in turn reflect future expectations for the path of Bank Rate as well as other factors. The CCFF only purchased commercial paper subject to individual issuer limits. These limits, which were a cap on how much commercial paper the CCFF could purchase from each firm, reflected a range of factors, including – but not limited to or solely – an issuer’s credit rating. An indicative guide to the maximum limit pre-approved by HMT for issuers at different ratings is set out in the table below, although in some cases limits were adjusted down at the Bank or HMT’s discretion (for example where they exceeded 50% of the applicants’ average revenues over recent years).

Rating (or equivalence to rating)	Spread to OIS	Issuer limit
A1/P1/F1/R1	20 bps	Up to £1bn
A2/P2/F2/R2	40 bps	Up to £600mn
A3/P3/F3/R3	60 bps	Up to £300mn

242. Firms were able to apply for their individual limits to be increased through a limit extension request. For a limit extension request to be considered by HMT, the company needed to demonstrate that the increased limit would be used to support it specifically through the Covid-19 crisis. Due to the nature of the increased risk to the taxpayer, for such an increase to be considered there was detailed engagement between the company and HMT and UK Government Investments (**UKGI**) to understand, for example, if the company had sought alternative sources of financing, and to discuss repayment strategies. UKGI, the UK Government’s centre of excellence in corporate finance and corporate governance, established the Covid Intervention Resolution Group (**CIRG**) to support the Chancellor in lending decisions as part of the CCFF access review process introduced in October 2020, and to monitor the CCFF portfolio until maturity.
243. As per the 9 October 2020 announcement, any issuer whose long-term credit rating fell to, or below, BBB-/Baa3/BBB (low) (or equivalent) had their aggregate drawing limit

²⁷ An OIS is a contract that involves the exchange at maturity of a payment linked to a predefined interest rate for one linked to the compounded overnight interest rate that has prevailed over the life of the contract. The relevant overnight rate for sterling contracts is the sterling overnight index average (SONIA), which is calculated by the Bank of England.

capped at a maximum of £300 million. This did not affect outstanding drawings if they were already in excess of £300 million.

244. The rate that firms paid for having commercial paper purchased via the CCFF was proposed by the Bank to HMT on the basis of pre-pandemic average prices of commercial paper, but also taking into account factors including risk and minimum pricing requirements proposed by the EU Commission for state aid. HMT, as the ultimate risk owner of the scheme, took the decision on the final pricing and limits of the scheme.
245. Decisions as to the terms of the scheme were for HMT as ultimate owners of the scheme. With hindsight, the Bank views the terms to have been appropriate and effective. As outlined in my letter to the Chancellor on 24 March 2022 [AB/40 – INQ000616140], the CCFF provided a significant level of support to the UK economy during the Covid-19 crisis, and its success was the result of a timely response to the crisis by officials at both HMT and the Bank. Over its lifetime, the CCFF purchased over £37bn of commercial paper from 107 different companies. This, plus the facility making available over £85bn of borrowing limits to over 230 companies, represented significant support for firms that represent over 2.5 million jobs. Furthermore, by lending to large companies directly, the CCFF protected the space for commercial banks to lend to a wider population of companies, complementing other Bank and UK Government schemes launched at the onset of the Covid-19 crisis.

Public announcement on 19 May 2020

246. I have been asked to explain the public announcement about the CCFF made on 19 May 2020. Given the speed at which the CCFF was initially designed and launched, the design and operation of the scheme was reviewed on an ongoing basis and resulted in refinements being introduced at later stages of the scheme. This was preferable to delaying the launch in order to resolve all questions prior to the scheme going live.
247. Ahead of 19 May, HMT asked for the Bank's advice on how to proceed with a potential package of refinements for the CCFF [AB/77 - INQ000653965]. These refinements helped to re-frame the facility for the next phase of the crisis response, after a successful initial launch phase.
248. The package of updates announced in May 2020 [AB/78 - INQ000616144] included:
- a. **Conditionality:** HMT asked the Bank for its views on the possibility of applying restrictions on firms' pay and dividends as a condition for CCFF access – e.g. limiting pay increases for senior staff or requiring firms to pause paying out dividends while CCFF drawings were outstanding. There were considered to be

legal challenges applying this condition retrospectively to drawings already outstanding, so it was applied to new drawings after the date of the announcement. This condition was consistent with other restrictions applied to Government lending schemes (such as the Coronavirus Large Business Interruption Loan Scheme).

- b. **Early repayment:** This provided firms with additional flexibility to repay their CCFF borrowing early, where market conditions meant they no longer needed to rely on public support. Allowing early repayment both reduced overall risk to the taxpayer and provided firms with additional flexibility.
- c. **Disclosure:** When the CCFF was initially established, its terms and conditions adopted the same approach to disclosure as the Bank's facilities under the SMF – that firms could not disclose their use of the facility unless legally obliged to do so. When launching a new facility, it is important to ensure that its use is not stigmatised – in other words that qualifying applicants are not discouraged from applying from the fact that their use of the facility may be publicly disclosed. Conversely, if it is made public that some firms have used a facility, then there is a risk other firms (who have not partaken) may be stigmatised if questions are asked about their eligibility. Adopting initially the same approach to disclosure as the under the Bank's SMF facilities - that use of the facilities could not be disclosed unless there was a legal obligation for disclosure – successfully mitigated that risk. However, with a subset of firms of the view that they were legally obliged to disclose their use of the CCFF, and other firms wishing to do so, this original approach to disclosure was contrary to the preferred approach of many, although not all, CCFF participants. An alternative approach was adopted from 26 May 2020, providing for more disclosure of CCFF use, to give more transparency about how public money was being used.

249. In terms of my role, as previously mentioned I received regular updates from Bank staff on the running of the scheme. I was sighted on and provided advice to Bank staff on the potential package of refinements [AB/79 – INQ000650101]. However, the decisions on these changes were for HMT as the ultimate owners of the scheme.

Assessment of CCFF

250. I have had the opportunity to look back at the Bank's interventions during the pandemic. In my view the CCFF successfully helped to alleviate pressures on companies' cash flows created by the economic disruption caused by the pandemic. By lending to large companies directly, the CCFF complemented other Bank and UK Government schemes.

All in all the CCFF provided a significant level of support to the UK economy during the Covid-19 crisis: almost £90bn of borrowing limits were granted to over 230 companies, which accounted for an estimated 2.5 million UK jobs [AB/40 - INQ000616140].

251. The Bank held a number of calls with issuers and dealer banks to get feedback on the CCFF. Many issuers said the scheme offered valuable support amidst high levels of uncertainty about markets' operating conditions and available funding, and many were impressed with the speed at which the scheme was set up. Issuers and dealers regarded the interaction with the Bank to have been positive, said that the scheme was well structured, organised and easy to access, and noted that the Bank's CCFF team managed expectations related to applications well. Transparency about the terms and conditions of the scheme was appreciated – allowing dealer banks to provide guidance to firms about how much they could issue and how much it would likely cost.
252. There was a small number of firms (fewer than 15 out of the total 426 companies that applied) who were dissatisfied with the outcome of their application and escalated issues within the Bank or at HMT. Some issuers noted that the changes made by HMT to the terms of the scheme during its lifetime were a challenge, particularly the conditionality restrictions which were difficult for some firms to agree to. Disclosure of usage was not universally welcomed, with some firms repaying early to avoid disclosure. Some firms complained about the time their application or other processes (e.g. credit reviews) took. However, the majority of feedback was positive about the speed and functioning of the facility.
253. The Bank undertook a lessons learned exercise in 2021 following the closure of the scheme to new issuance. Reflections included the benefit of the innovative approach to the ratings-related eligibility criteria, the need to consider disclosure of usage at the design stage of such a bespoke facility and the value of pricing as a tool. In more detailed terms:
 - a. **Ratings:** The CCFF was innovative as the scheme allowed firms without public investment grade ratings from credit rating agencies to evidence their investment grade status via bank or private agency ratings. Internal bank ratings were predominantly obtained via a data provider called Credit Benchmark and a framework was developed to compare public ratings to bank ratings and to ensure that the eligibility criteria was appropriate when relying only on bank ratings. 51% of the 238 firms that fully signed up to the CCFF did not have public ratings; 32% of the 238 were made eligible on the basis of bank ratings. It will be

possible to leverage work done for the CCFF to increase the scope of firms that can benefit if similar schemes were to be needed in the future.

- b. **Disclosure of usage:** For any similar future scheme, consideration should be given to adopting public disclosure of usage from the beginning. In order to mitigate the risk of firms being put off applying to use the CCFF if use was publicly disclosed (i.e. the use of CCFF being stigmatised), firms' use of the CCFF was initially not disclosed by the Bank and could not be disclosed by issuers unless there was a regulatory or legal reason. However, early experience of CCFF applications and usage indicated that CCFF users did not regard the facility as stigmatised. Some firms disclosed their usage unilaterally, and others disclosed that they had been approved to use the scheme. This created an inconsistent public record of CCFF usage. The disclosure changes in May 2020 increased the consistency of public communications around CCFF usage.
- c. **Pricing:** The spreads per rating remained unchanged throughout the scheme, but the Bank (and HMT) retained the right to review the spreads. Given the improvement in access to market sources of funding observed over the period of the scheme, it may have been possible to increase the spreads to mitigate any over-reliance on public funds. This would of course have been a finely balanced decision given the need to exhibit demonstrable effectiveness of the scheme in supporting market sentiment.

254. A copy of the lessons learnt document is exhibited at [AB/80 - INQ000653966].

Part H: Analysis and Reflections

Adequacy of the Bank's economic response to the pandemic

- 255. I have been asked for an overall assessment of the adequacy of the economic response of the Bank to the pandemic in the period 1 January 2020 to 28 June 2022. I consider that the Bank adequately responded to the pandemic.
- 256. As I have set out in this statement, over the Specified Period the Bank used monetary policy decisively to respond to an unprecedented crisis which was acutely disinflationary. We were able to act in this way because the framework of monetary policy and the record of its use are robust, as are the Bank's independence and credibility. This credibility gave us the scope to act in a crisis and leaves us well-placed to respond to future shocks.

Adequacy of UK Government's economic response to the pandemic

257. I have been asked for an overall assessment of the adequacy of the economic response of the UK Government to the pandemic in the period 1 January 2020 to 28 June 2022.
258. I worked very closely with the Chancellor and senior HMT staff throughout the period. In my view there was an intense focus on the economic conditions of the time. Moreover, there was a suitably pragmatic approach to key decisions. A good example of this is the 100% guarantee offered by Government, via the British Business Bank, as part of the BBLs scheme. There was, based on my contacts, a good understanding of the challenging trade-offs between speed of unblocking credit channels and the risk of misuse or fraud. Ultimately, speed of action was critical and hindsight wisdom misses the point about how bad outcomes could have been absent prompt action.

Messaging platforms

259. I have been asked to confirm what "messaging platforms" I used to communicate about the economic response to the pandemic during the period of 1 January 2020 and 28 June 2022. I interpret the reference to "messaging platforms" as software systems through which textual messages can be sent and received. During that period, the Bank initially used Avaya Equinox and subsequently used Microsoft Teams for internal communications. It is Bank of England policy not to use messaging platforms as the medium to either take or communicate decisions. We did, from necessity, shift to far more virtual communications during the period of the pandemic, but all decisions were taken and communicated by means which are recorded appropriately.

Statement of truth

I declare that the contents of this statement are true and accurate to the best of my knowledge

and be

Signed:

Personal Data

Date: 10 OCTOBER 2025.