

Bank of England promises to end gilt purchases on Friday

The [Bank](#) of England has said its scheme to protect the market from the chaos in the wake of the Chancellor's mini-budget will come to a close on Friday.

[Pension funds](#) will have to have found tens of billions of pounds before the end of the week to ensure they have enough cash on hand to withstand market volatility.

Officials stepped in two weeks ago after Chancellor Kwasi Kwarteng's mini-budget sent markets into chaos.

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"The Governor confirmed this position yesterday, and it has been made absolutely clear in contact with the banks at senior

level.”

The announcement came after a report in the [Financial Times](#) on Wednesday claimed officials were telling lenders behind the scenes that the scheme might be extended past Friday.

The Bank had been forced to step in two weeks ago after the yield on gilts soared following Mr Kwarteng’s statement.

Funds that many pensions invest in started needing cash as a result, so had to start selling their gilts. But that fire sale caused prices to fall, which in turn forced them to sell even more.

“This led to a vicious spiral of collateral calls and forced gilt sales that risked leading to further market dysfunction, creating a material risk to UK financial stability,” the Bank’s Financial Policy Committee said on Wednesday.

The statement came a day after Bank governor [Andrew Bailey](#) spooked markets by saying the Bank would end its support of the gilt market on Friday, as scheduled.

The Bank wants to ensure that pension funds have a deadline for when they have to raise the tens of billions of pounds required to ensure they are resilient to market movements after Friday.

So far it has spent nowhere near the £65 billion that it had set aside to potentially prop up markets.

But purchases are expected to speed up later this week as the deadline approaches.

Amid speculation that the Bank might continue its asset purchases past the end of this week, traders were seemingly spooked by Mr Bailey’s comments.

They “have three days left”, he told an event in Washington DC

on Tuesday evening UK time.

Gilt yields soared and the value of the pound against the dollar plunged after the comments from the UK's top banker.