Bank of England confirms bond-buying programme will end on Friday

The Bank of England has confirmed its emergency bond-buying programme will end on Friday as planned after reports suggested it might extend the support for pension funds.

On Wednesday morning, it said all temporary and targeted purchases of UK government bonds, known as gilts, will end.

This has been the position throughout and has been "made absolutely clear in contact with the banks at senior levels", the statement said.

The Bank's emergency, 13 day, bond buying programme was started to avoid "dysfunction" in the pension market spreading UK households and businesses.

The action is aimed at tackling the consequences of rising interest rates on government bonds, which increased the cost of holding the bonds and resulted in pension funds facing a liquidity crunch.

There had been earlier suggestions the Bank of England could backtrack, however, and extend the bond buying beyond the 13 day cut off on Friday.

The Financial Times had reported the Bank has been privately telling those working in pension funds that it could extend its bond-buying programme beyond Friday.

This came despite the governor, Andrew Bailey, firmly stating pension funds had "three days left… to get this done" at an event in Washington on Tuesday evening.

In its statement on Wednesday, the Bank reaffirmed it would continue to support the pension markets in other ways beyond Friday.

This would be done via the Bank's temporary yet open-ended measure to help lenders facing liquidity issues who work with the corner of the pensions market that had experienced difficulties. The measure was **announced on Monday**.

The Financial Times report said those involved in derivatives, the corner of the **market that required the Bank of England intervention**, needed more time to avoid the forced selling that led to the Bank's 28 September intervention.

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The thinking behind the emergency bond buying has been questioned by the Treasury Committee.

The chair of the Treasury Committee, Mel Stride, wrote to the deputy governor at the Bank on Wednesday and asked for an update on the **emergency interventions**, querying what further action will be required by the Bank to prevent risks to financial stability.

Mr Stride also asked how the Bank decided to **expand its emergency intervention on Monday**, to launch new liquidity support to lenders and start buying index linked gilts (with interest rates in line with inflation). He questioned why these interventions were not part of the **original intervention** announced on 28 September.

What is the Bank of England's bond buying programme?

The has Bank signalled it is ready to increase interest rates again in November as it fights to bring inflation down to 2%.

Most recent figures show inflation was at 9.9%.

Once again the Bank’s chief economist, **Huw Pill**, said interest rates likely need to rise.

“At present, I am still inclined to believe that a significant monetary policy response will be required to the significant macro and market news of the past few weeks.”

Mr Bailey’s remarks on Tuesday in Washington prompted a sharp fall in the pound in overnight trading, dipping below $1.10.

The performance of the pound is an indicator of whether investors have faith in the UK economy. A drop in the pound signals a drop in confidence in the economy.

Sterling made some gains against the dollar on Wednesday morning, but was still worth less than $1.10, lower than the $1.117 that could be bought before Mr Bailey’s announcement.