Quantitative tightening: the next chapter – speech by Dave Ramsden

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Dave Ramsden describes the MPC's September 2026 decision on Quantitative Tightening, alongside the set of announcements by the Bank and HM Treasury which, together, mark the beginning of the next chapter in the approach to unwinding the assets built up through Quantitative Easing.

Speech

Thank you to the Money, Macro and Finance Society (MMF) for co-hosting this event today. It's a little over three years ago that I delivered my last speech on Quantitative Tightening (QT)[1], where again the MMF kindly co-hosted the event.

In my 2023 speech, I set out what the MPC and Bank had so far learnt after nearly a year of delivering the MPC's first annual QT decision. After another three years of QT progress and learnings, we are now ready to move to the next chapter.

The MPC's September decision, alongside the set of announcements from the Bank Executive and HM Treasury (HMT), marked a significant step in the approach to unwinding the assets built up through Quantitative Easing (QE) – a process dubbed QT. Alongside the MPC's decision that it would shift to a multi-year path for QT, the Bank Executive and HMT also released a set of announcements relating to how QT would be implemented in future and the Bank Executive set out its long-term strategy for backing current and future banknote issuance.

I will spend some time today walking through the details of those announcements, both from my perspective as an MPC member, and as the Deputy Governor at the Bank with executive responsibility for the Bank's balance sheet. I will not focus on the continuing transition to a demand driven, repo led balance sheet though – those aspects of the Bank's balance sheet have been well explained and detailed by my Bank Executive colleagues in recent speeches and publications.[2]

Much of what I'm covering today is the collective view of the MPC and set out in the September decision minutes, though I will share some personal views too on the monetary policy approach, and highlight when I do. I do also want to note that the MPC considered important institutional questions regarding the potential interaction between monetary and fiscal actions and the independence of MPC decision making over monetary policy, which led to a robust discussion.

As I am marking this as a closing of one chapter of QT, let me also take a step back and provide a longer term, historical perspective. Over my career I've been involved, in one way or another, with every QE and QT decision in the UK taken since 2009.

I'll start with a brief recounting of why we're undertaking QT, following the rounds of QE that saw a total of £895bn of asset purchases accumulated onto the Bank's balance sheet. I'll then look back on the last four years of QT and how the MPC and Bank Executive continued to build on the learnings of the first year of QT that I described in 2023, before then explaining the September announcements, and how QT will operate going forward. I will conclude with some comments on our active monetary policy tool – Bank Rate – and my views on the outlook.

Why is the MPC undertaking QT?

Before getting into the specifics, it's always helpful to remember why the MPC is undertaking QT in the first place. There are a few good reasons – to create headroom for future QE purchases, and to reduce interest rate risk on the Bank's balance sheet. But perhaps the most important is that QE was always intended to be a temporary monetary policy stimulus.

Back in 2009 I was Chief Economic Adviser to the Treasury. Amongst other things, that meant I was the HMT representative at MPC meetings and attended the March 2009 meeting when the MPC decided to undertake its first round of QE. The minutes[3] of that meeting are clear on why the Committee concluded that asset purchases were necessary to meet its 2% inflation target sustainably in the medium term.

There had been several letter exchanges between the Chancellor and the Governor in the early months of 2009, establishing the Asset Purchase Facility (APF) and authorising monetary policy asset purchases through the APF.[4] These letters[5] established the framework for QE, including: a clear division of responsibilities between the MPC and HMT; that the Bank would ensure regular reporting of its asset purchase programme to ensure transparency; and that the implementation of the MPC's decisions on asset purchases would be delegated to the Bank Executive.

A key tenet of QE, communicated consistently through the rounds of QE[6], is that the MPC would decide on the most appropriate way to unwind its asset purchases. QE is a monetary policy tool to provide temporary stimulus to the economy and deal with specific shocks, to achieve the MPC's inflation target. It is not intended to be a permanent change to the monetary framework or the Bank's balance sheet.

By unwinding earlier QE purchases, the MPC reinforces the credibility of QE as a monetary policy tool for the future. As I reiterated recently to the Treasury Committee[7], QE can support the economy through the most severe stresses, when Bank Rate has reached the lower bound. If the MPC cannot commit to and evidence a credible exit strategy, the viability of the tool in future is put at risk.

In terms of how the MPC has undertaken that unwind, I think it's helpful to distinguish between the principles that underpin the MPC's approach to QT, and then the strategy the MPC and the Bank Executive take to execute that unwind. The principles do not change, but the strategy can evolve as the MPC and Bank Executive learn from doing QT over time and respond to market developments.

As a reminder, the MPC's three key principles for undertaking QT are[8]:

- First, Bank Rate is the MPC's active policy tool when adjusting the stance of monetary policy.
- Second, sales should be conducted so as not to disrupt the functioning of financial markets, and only in appropriate conditions.
- Third, to help achieve that, sales should be conducted in a gradual and predictable manner over a period of time.

In terms of the QT strategy, I'd identify three phases, or chapters. Initially a short period from February 2022, where the MPC decided to stop reinvesting maturing gilts and corporate bonds, allowing the stock of assets held in the APF to begin declining naturally. In doing so, the Bank became one of the first major central banks to begin unwinding the extraordinary monetary stimulus put in place following the global financial crisis, the euro area crisis, the Brexit decision, and the pandemic.

By September 2022, the Committee was ready to shift to an annual approach to unwinding asset purchases, through a combination of maturities and sales, supported by the Bank Executive's work on the operational details of asset sales.[9]

We are now entering a new chapter, the multi-year strategy. We have been working on this for some time and in my view it is a coherent next step. Given my responsibilities at the Bank I'm very focused on the situation in bond markets. But within that context the QT package appears to have been generally well received by markets and market commentators. The different elements seem to have been individually and collectively understood.

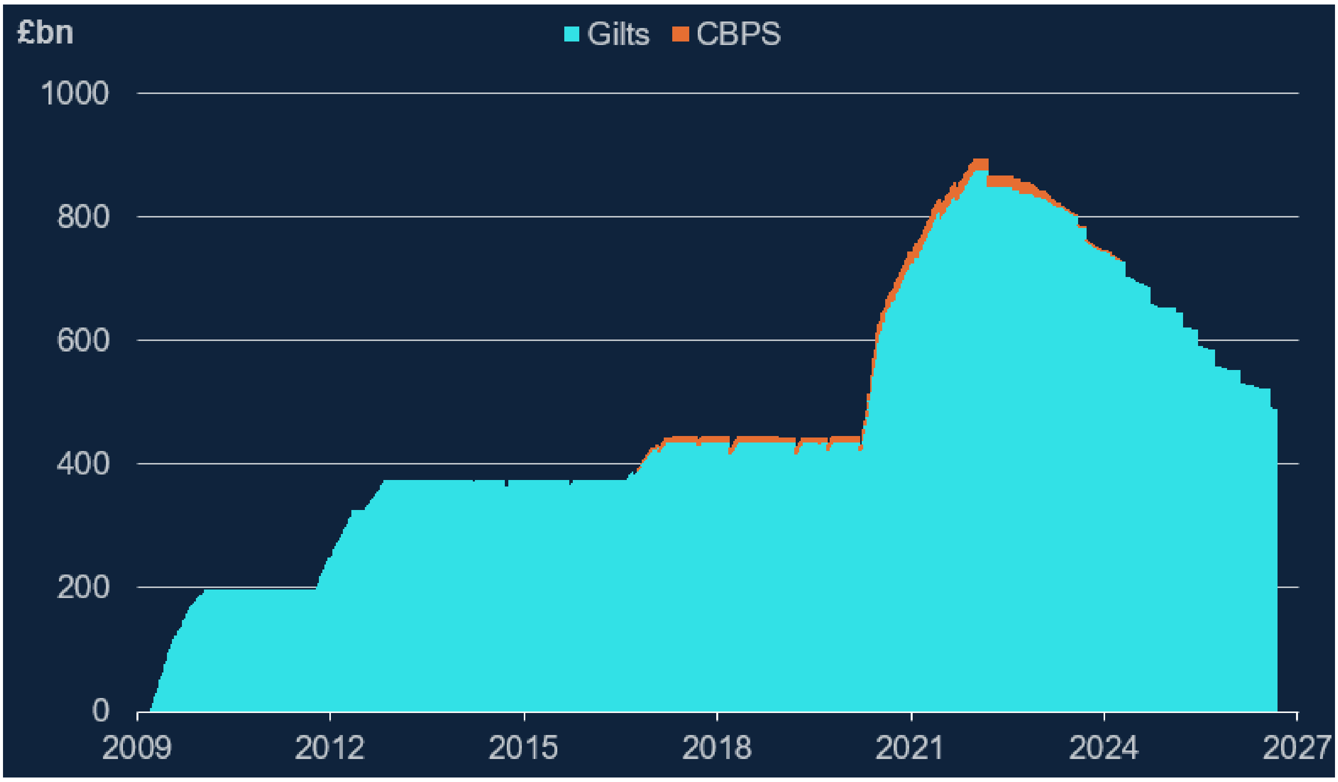
Indeed, one of the more common questions I've received since the announcement is why didn't we move to this new approach sooner? In a way, that's great to hear – clearly the multi-year strategy has been received well. But we shouldn't forget that the MPC and Bank Executive have learnt a lot over the first few years of QT. And the annual strategy was itself an effective strategy for delivering QT.

To evidence that, and help to answer the question of why we're moving to the next chapter of QT now, let me provide an overview of the last four years of QT.

Looking back – the annual strategy

Since February 2022, the size of the APF has fallen by over £400bn from a peak of £895bn to around £488bn today, through the MPC's unwinding of both holdings of gilts and corporate bonds.

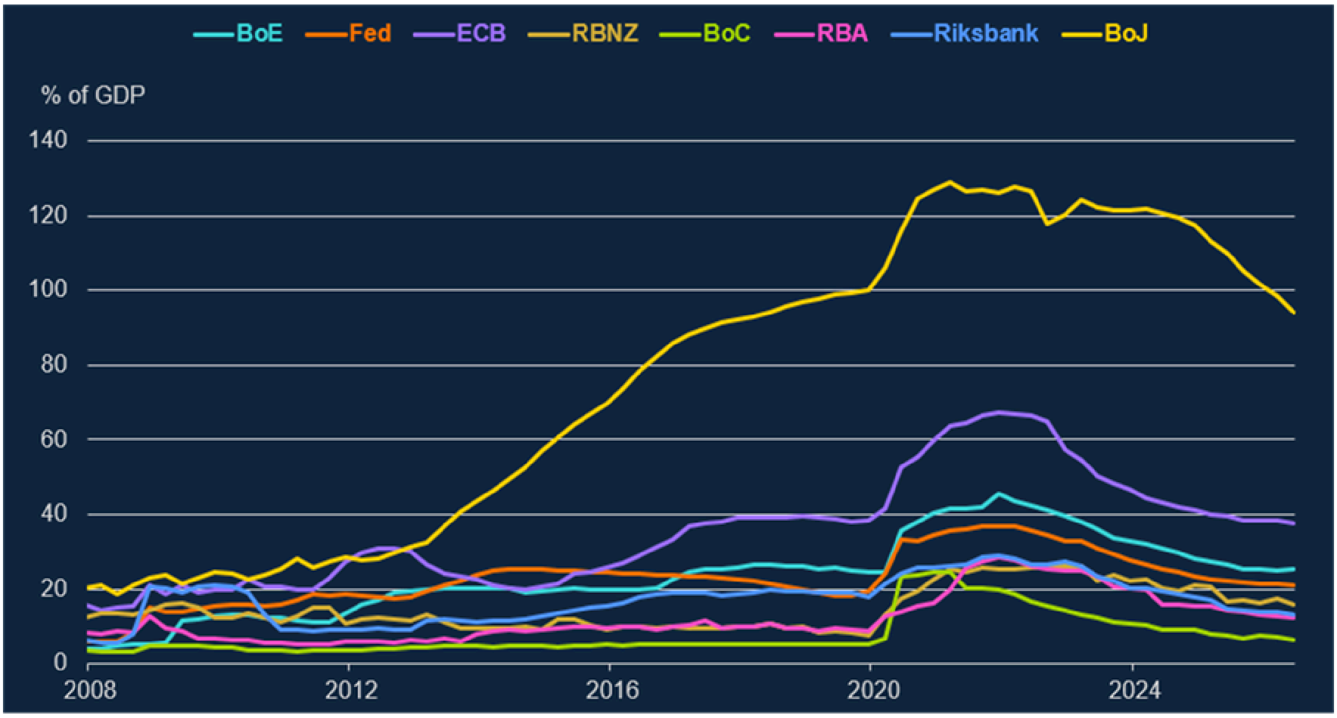
Chart 1: APF holdings over time



Source: Bank of England

Comparisons are not straightforward, but that overall pace of balance sheet reduction has been broadly comparable with that of international counterparts. When comparing the size of the central bank's balance sheet as a percentage of nominal GDP, the UK's profile has been about the middle of the pack, as shown in light blue in Chart 2. The Bank's balance sheet (not just the APF but also including other assets) peaking at 46% of nominal GDP in the aftermath of the Covid pandemic, and gradually falling to 25% as of June 2026.

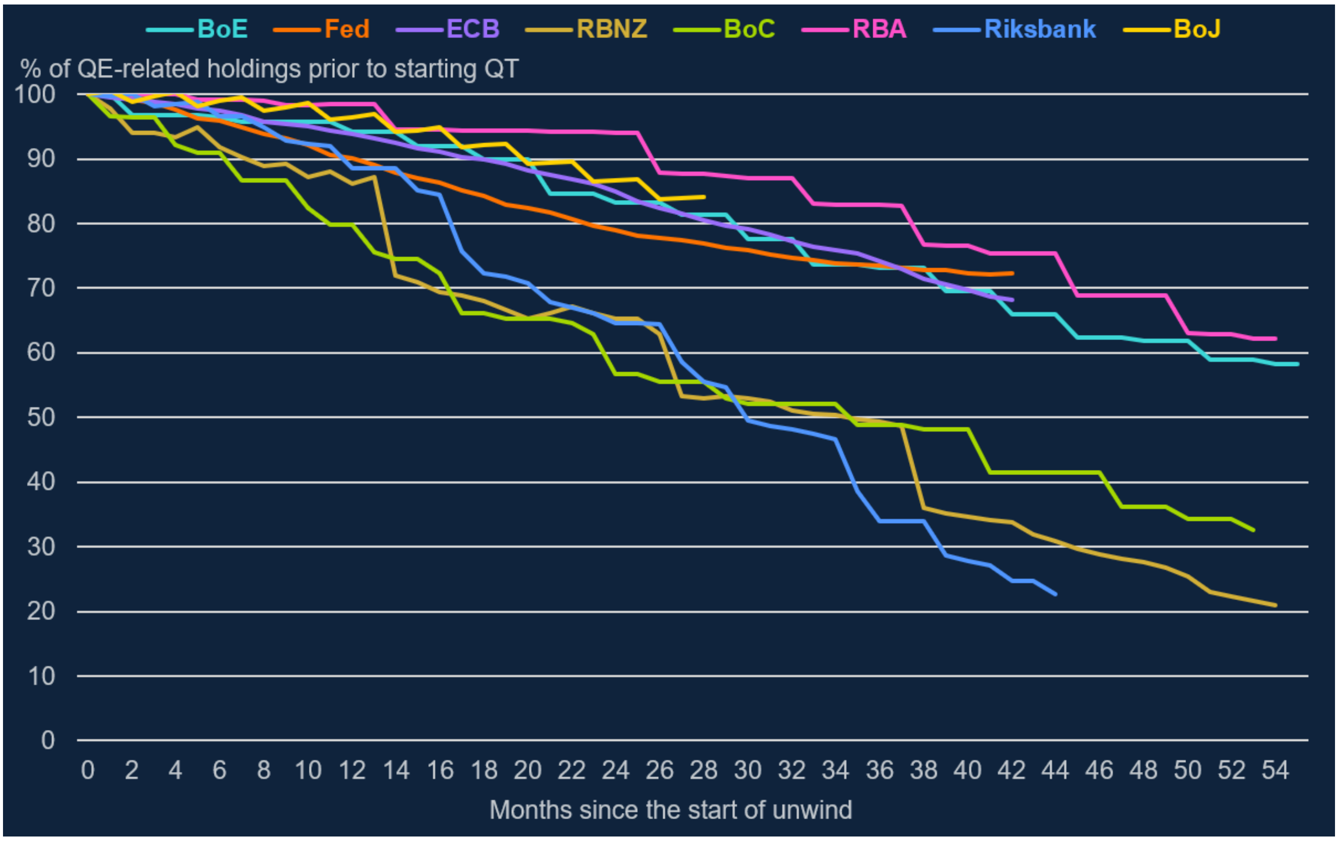
Chart 2: Selected central bank balance sheets as a percentage of nominal GDP



Sources: Australia Bureau of Statistics, Bank of Canada, Bank of England, Bank of Japan, Bloomberg Finance L.P., Federal Reserve, Cabinet Office of Japan, European Central Bank, OECD, Office for National Statistics, Reserve Bank of Australia, Reserve Bank of New Zealand, Statistics Canada, Stats NZ, Sveriges Riksbank, US Bureau of Economic Analysis and Bank calculations.(a) The chart shows each central bank's quarter-end balance sheet as a percentage of nominal GDP. GDP is calculated as a rolling four-quarter sum, except for Canada, Japan and the United States, where a rolling four-quarter average is used.

Similarly, when looking at how quickly QE purchases were unwound relative to their size prior to commencing QT, the Bank is again about the middle of the pack, as shown in light blue in Chart 3. Through this lens, the QT pace profile has been similar to the ECB, Federal Reserve and Bank of Japan, and somewhat slower than the RBNZ, Bank of Canada and Riksbank.

Chart 3: Pace of QT across selected jurisdictions



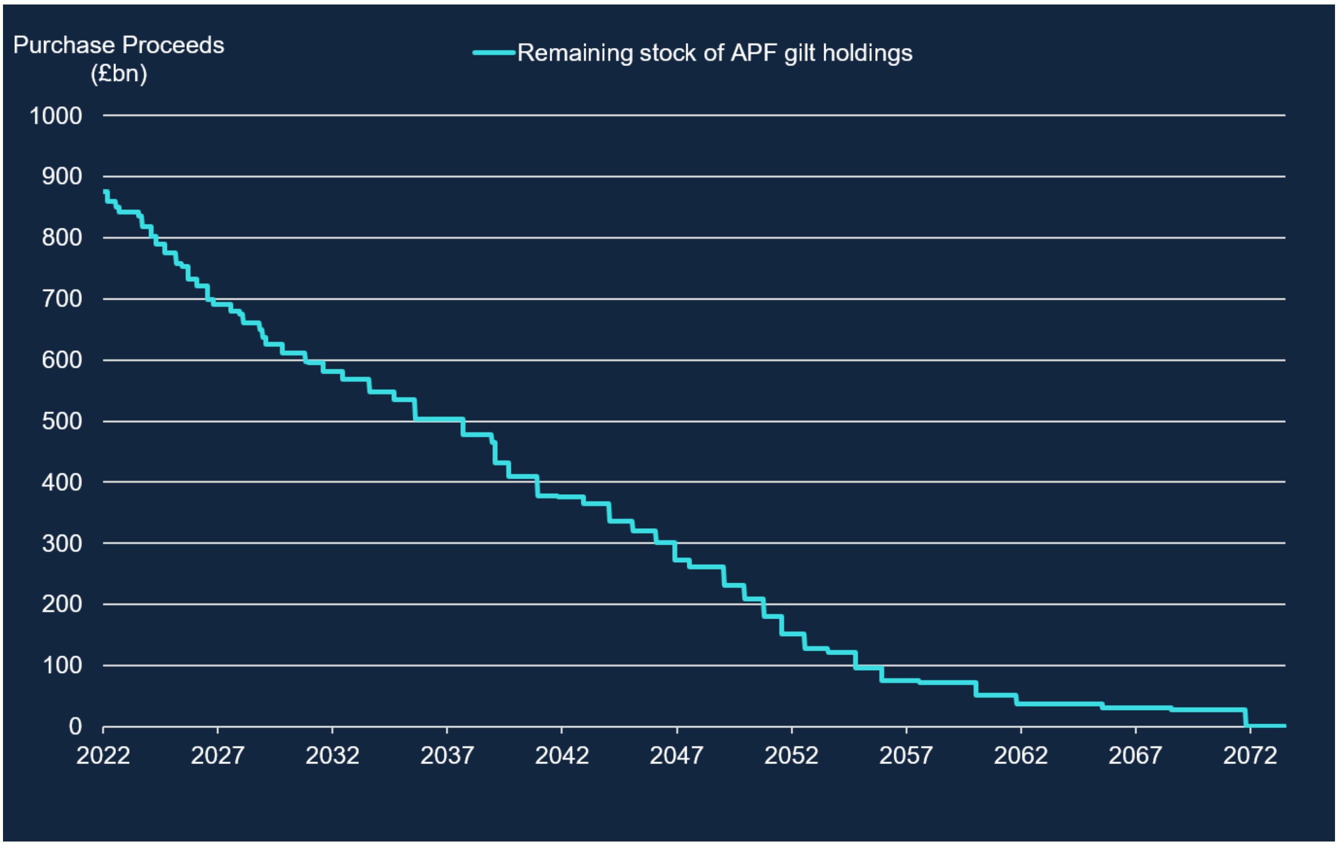
Sources: Bank of Canada, Bank of England, Bank of Japan, Board of Governors of the Federal Reserve System (H.4.1 release), European Central Bank, Reserve Bank of Australia, Reserve Bank of New Zealand, Sveriges Riksbank, and Bank calculations.(a) The Bank of England commenced QT in February 2022, initially through passive unwind, with sales commencing in September 2022. The Fed started QT in June 2022 through passive unwind and capped run-off, and ended QT in December 2025. The European Central Bank commenced QT in March 2023, initially through partial reinvestment. The Reserve Bank of New Zealand commenced QT in February 2022 initially through passive unwind, with sales to New Zealand Debt Management commencing in July 2022. The Bank of Canada commenced QT in April 2022 through passive unwind; calculations only include the Government Bond Purchase Program, and do not include other asset purchases made during COVID that the Bank of Canada stated were made for market functioning and liquidity purposes. The Reserve Bank of Australia commenced QT in February 2022 via passive unwind. The Riksbank commenced QT in July 2022, initially through partial reinvestments, with sales to the secondary market commencing in April 2023. The Bank of Japan commenced QT in April 2024, initially through partial reinvestment.

Where the Bank's approach has sometimes been described as different to its peers has been the use of sales to the secondary market, alongside maturities, to deliver the annual reduction in the stock of assets or QT pace. So far, approximately £259 billion of gilts have rolled off through maturities, alongside £129 billion of gilt sales and approximately £20bn of corporate bond sales and maturities. The Riksbank has also used sales to the market in its QT implementation, but other peer central banks, like the Federal Reserve and the ECB, have relied on maturities.

There were good reasons for undertaking sales. It is a prominent feature of UK government debt that the average maturity is much longer than international peers. In implementing QE, the Bank sought to purchase gilts in a way that reflected the structure of the gilt market, consistent with a principle of market neutrality. This meant that QE purchases were conducted across the maturity spectrum of the gilt market, rather than targeting a particular segment of the curve. Given the long maturity profile of UK government debt, this meant that the Bank's gilt purchases included much longer maturities than many peer central banks.

Relying solely on maturities would have meant the unwind taking over 50 years, as shown in Chart 4. This would have left a significant amount of interest rate risk on the Bank's balance sheet, limiting the headroom available for future policy interventions and failing in the objective that QE should represent a temporary intervention. Sales to the market have allowed the MPC to reduce the portfolio in a timely manner, retaining future flexibility and credibility of our policy tools.

Chart 4: Maturity profile of the APF in September 2022



Source: Bank of England

To be consistent with the MPC's QT principles, the MPC has closely monitored the impact of the APF unwind on the economy, financial conditions, and the functioning of financial markets.

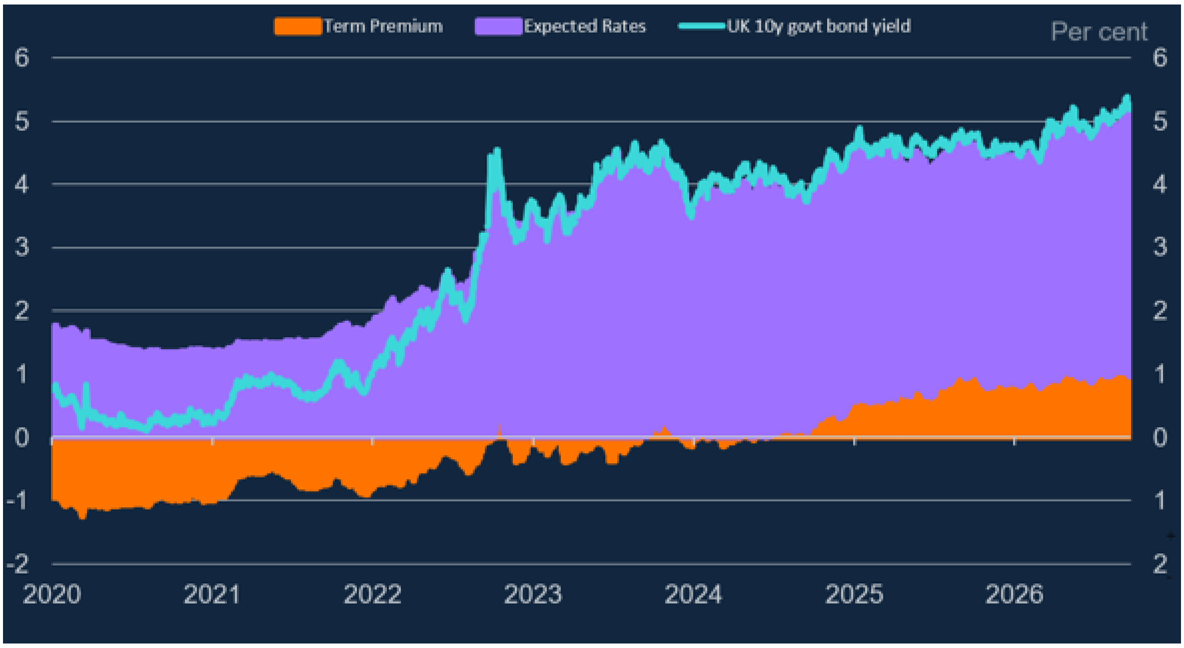
Monetary policy assessment of QT to date

Starting first with the monetary policy impact of QT, as I set out in my 2023 speech, our strategy for QT has turned off some channels that were important during QE.[10] That should have reduced QT's potential impact on gilt yields, certainly when compared with the impacts of QE. The main way through which QT does impact financial conditions is through the so-called portfolio rebalancing channel, which can in theory lead to modest increases in gilt yields through term premia.[11]

Term premia can be influenced by a wide range of factors, and isolating the specific effect of QT is not simple, though our estimates suggest the impact of QT has been relatively modest. Other factors influencing term premia over the last four years have been a structural reduction in domestic demand for long-term government debt, global economic policy uncertainty and high issuance of government bonds across countries.

Between the start of QT in February 2022 and late September 2026, 10-year gilt yields rose by around 450 basis points. Term structure model estimates indicate that around 200 basis points of this increase was driven by term premia, with the remaining rise accounted for by higher expected rates, as shown in Chart 5.

Chart 5: Decomposition of UK 10-year gilt yields



Sources: Bloomberg Finance L.P, Tradeweb and Bank calculations(a) The chart uses estimates from a range of internal term structure models of UK term premia to split the 10-year gilt yield into expected rates and term premia contributions. Expected rates reflect investors' expectations of the average short-term monetary policy rate over the next 10 years, and term premium is defined as the additional compensation investors demand to hold a longer-term bond relative to a series of shorter-term bonds. Sources: Bloomberg Finance L.P, Tradeweb and Bank calculations.

To estimate the specific effect of QT, one approach is to look at movements in term premia in short periods directly around announcements[12] of QT policies or around the time of QT auctions; this is the approach taken by Bank staff. This helps to identify the impact of QT because gilt market pricing tends to adjust quickly in response to market news, and the short window helps to limit the influence of other factors on the estimates. But, given that there have been a limited number of QT announcements and auctions and that QT has been operated in a predictable manner, there remains considerable uncertainty around these estimates.

There is also uncertainty around the persistence of QT's effects on term premia. One drawback of event study estimates of QT (or QE) is that they cannot identify effects that fall outside of the short window used for the estimation. Bank staff's estimates cumulate effects across QT announcements and auctions going back to 2022 and therefore assume that the effects of QT are highly persistent. While there is, so far, limited evidence on the persistence of QT's effects, Bank staff analysis of QE has assumed, based on available studies, that impacts may start to fade after one to four years.[13] If the same is true for QT, then these central estimates could overstate its impact on the current level of yields.

In the July Monetary Policy Report, analysis by Bank staff[14] pointed to an estimated total increase in 10-year gilt yields from cumulative QT to date of 20–30 basis points.[15] Given the overall increase in the term premium for 10-year gilt yields since February 2022, this suggested QT has driven between a tenth and a sixth of that total.

The reaction to the MPC's September 2026 QT announcement of a multi-year strategy saw yields fall across the curve. The effect was larger at the longer end, for example 30-year gilt yields fell by around 10bps which persisted over subsequent days. The 10-year gilt yields fell by a similar amount with term premia falling around 7 basis points. At the shorter end the effect was smaller and has subsequently reversed. This suggests the market was expecting more QT, either in total or at a higher pace. And some positioning for increases in long-dated yields were subsequently unwound, which may have exacerbated the moves after the announcement. It is also possible that the removal of uncertainty about the path of future QT reduced risk premia.

Other estimates of the impact of QT over the last four years have been published, some of which suggest QT has had a larger impact than the Bank staff's estimates. But importantly, to the extent any QT impacts – while relatively modest – are coming through, the MPC will have observed the associated effects on asset prices, conditioned its forecasts accordingly and has full flexibility to adjust its active tool – Bank Rate – to the extent that any offsetting action is deemed necessary.

The Bank Executive's implementation of QT to date

Turning to the implementation of QT, throughout the period from 2022 to 2026, the Bank Executive designed its sales to market approach, such that it delivered the MPC's QT decision, in line with the MPC's principles – particularly that sales are conducted so as not to disrupt the functioning of financial markets, and that they should be conducted in a gradual and predictable manner. Subject to that, the Bank Executive should maximise value for money by minimising cost and risk over the lifetime of the APF.

To achieve that, the Bank Executive worked closely with the DMO to design an auction schedule that fitted around gilt issuance and other market events. Auction schedules have been published in advance and sales have been conducted through a consistent auction framework, providing the market a clear view of the QT programme. Together, these features ensured that QT remained predictable, allowing the programme to remain in the background while supporting orderly market functioning.

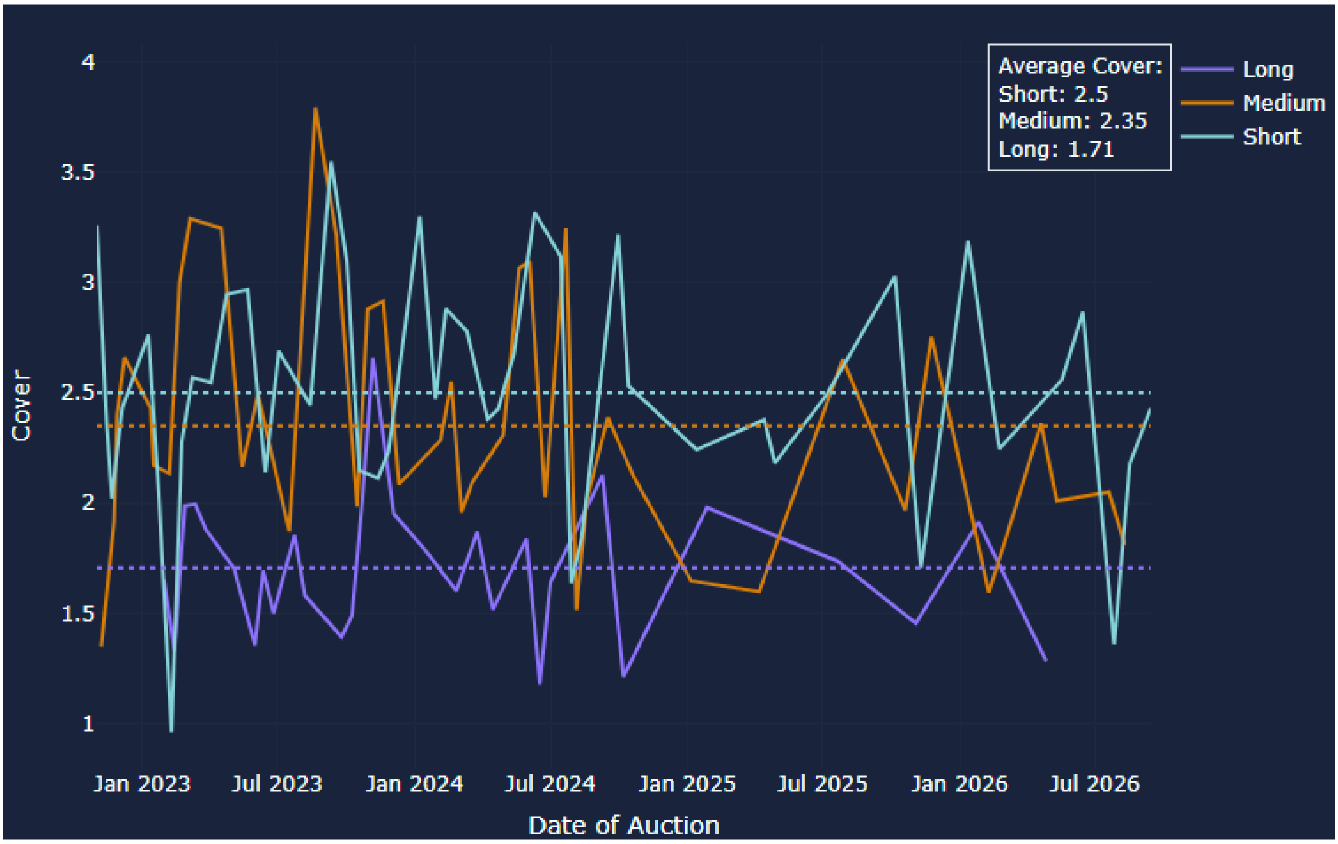
Gilt sales have been conducted via multi-stock auctions to the secondary market. The auction design itself plays an important role in achieving the value for money objective. By offering multiple bonds in each operation and using a discriminatory price format, the Bank aims to maximise participation and competition, helping deliver value for money across the programme. Offers were ranked and allocated according to the attractiveness of the yield for the Bank.

Over this period, the Bank has sold £129 billion (in purchase proceeds) of the MPC's APF holdings across 120 auctions, selling gilts across three maturity buckets; short, medium and long.[16] The programme's success can be seen in auction outcomes. We monitor both the level of demand for auctions and the prices achieved relative to prevailing market rates. One measure of demand is the cover ratio – the ratio of offers to accepted bids (Chart 6), while a key pricing metric is the weighted average (WA) spread of accepted prices relative to market mid-yields (Chart 7). To date, QT auctions have received an average cover of 2.3x, meaning there have been 2.3 times more bids than those accepted. And, the average WA spread has been -0.5, meaning that accepted pricing has on average been 0.5bp lower than market mid prices (in favour of the Bank).

These measures suggest that Bank auctions have on the whole consistently attracted strong demand and delivered favourable pricing outcomes. This sentiment is reiterated by market contacts in our MI gathering, who generally describe QT operations as running smoothly and being readily absorbed by the market. These metrics, alongside our market monitoring, indicate that we have achieved our desired aim of reducing the size of the APF in a timely manner while achieving value for money and supporting orderly market functioning.

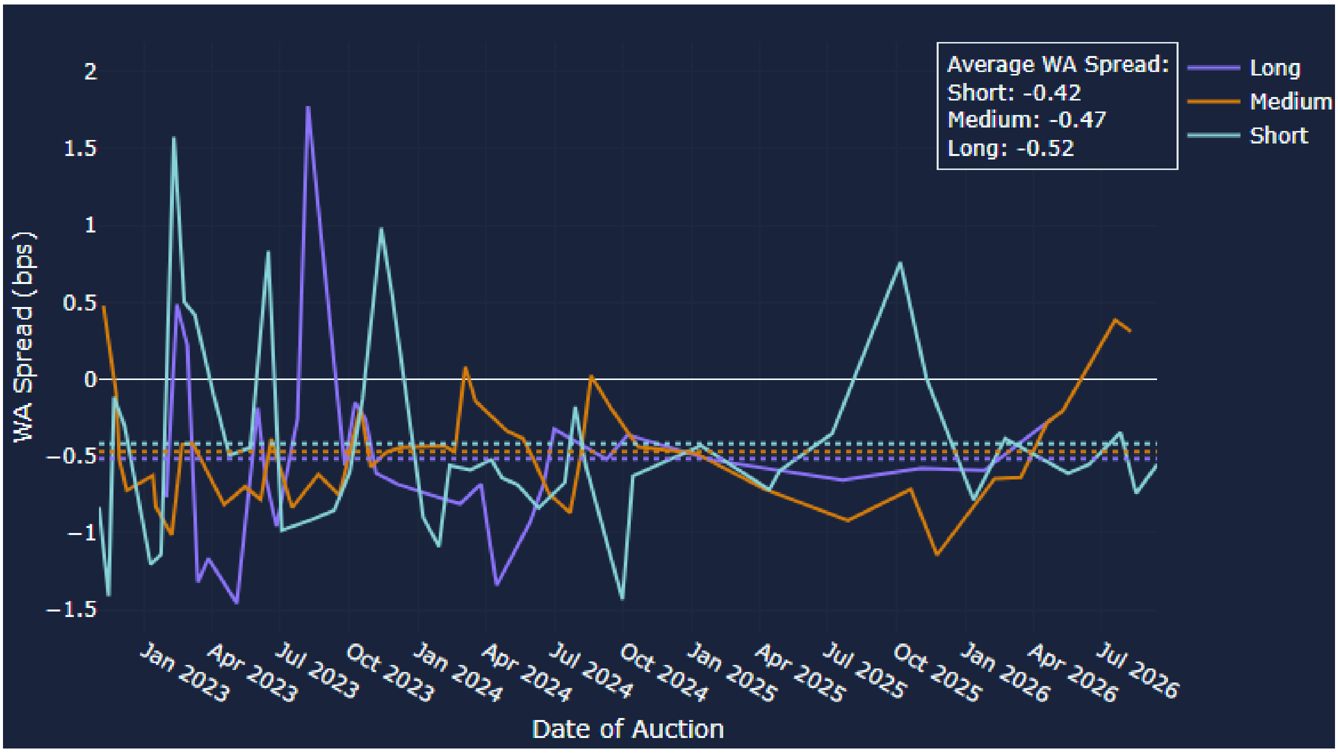
A key feature of the Bank's implementation to QT so far has been responsiveness to the needs of the market. Ahead of each annual MPC decision, staff have assessed the capacity of the gilt market to absorb additional supply, and the potential impact to financial markets of different sales paces. That information helps to inform the MPC on potential pace options for subsequent years of QT, in line with the MPC's principle that sales should be conducted so as to not disrupt the functioning of financial markets. As such, the QT programme has adapted when necessary, including the decision to skew away from longs in September 2025, showing that the Bank is sensitive to changing market conditions.

Chart 6: Cover ratio in APF auctions



Source: Bank of England

Chart 7: Weighted average spread vs. mid-yields



Sources: Bloomberg Finance L.P, Tradeweb and Bank calculations(a) The WA spread measures the difference between average accepted yield and the market mid-yield. A spread below zero indicates pricing better than the market price (in favour of the Bank).

The next chapter of QT – the MPC's multi-year strategy

The annual strategy since September 2022 has delivered on the MPC's principles and provided a solid foundation for the MPC's decision to shift to a new, multi-year strategy for delivering QT.

There was a lot of information in the set of announcements released just over a week ago and, as I've said, these seem to have been well understood and well received. The Governor's letter to the Chancellor[17] set out the key elements of the package, taking the current APF stock of £488bn as the baseline, they are:

1. The MPC's decision to set a multi-year path for unwind, fully unwinding the stock of gilts held for monetary policy purposes by the end of 2034.
2. As a result, the Bank would not sell the £222bn of gilts with redemption dates earlier than 2035.
3. The Bank Executive's announcement that £120bn of the longest-dated gilts will remain in the APF to back current and future banknote issuance.
4. The Bank Executive is considering adjusting the way it conducts gilt sales of the remaining £146bn, and intends to implement the MPC's multi-year plan via sales to the Government rather than to the market.

For me the package was a coherent next step which continue to respect the division of responsibilities between the authorities. Importantly the MPC's three key principles for delivering QT continue to frame the approach.

The first element of the package is the MPC's decision to set out a multi-year path for unwinding the APF. Before deciding on the pace of that unwind, there was one critical decision for the MPC to take – the stock of gilts that should be held for monetary policy purposes. This is a key element of the UK's monetary policy framework, going back to those letters from 2009 that I highlighted.

I have previously set out the case for the MPC to fully unwind its stock of assets built up through QE[18], but the MPC had yet to take a formal decision on the issue. Consistent with the earlier sets of documentation, the MPC agreed that the stock of assets built up through QE should be fully unwound. Supporting this, the MPC judged that there were no monetary policy reasons to hold a structural gilt portfolio in the APF, particularly given the ongoing and successful transition to a demand-driven, repo led framework for supplying reserves, where money market rates have continued to trade in a narrow spread to Bank Rate.

Having confirmed its desired end point, the MPC discussed the merits of setting out a more forward-looking plan for the remainder of QT. Relative to the annual strategy, shifting to multi-year ensures the pace of QT is as predictable as possible. By removing uncertainty over the pace and end point of QT, the MPC can ensure QT is put even more firmly into the background. As the full intended path for QT can be embedded into financial conditions, this better enables the MPC to take it into account when setting Bank Rate, its primary tool for adjusting the stance of monetary policy.

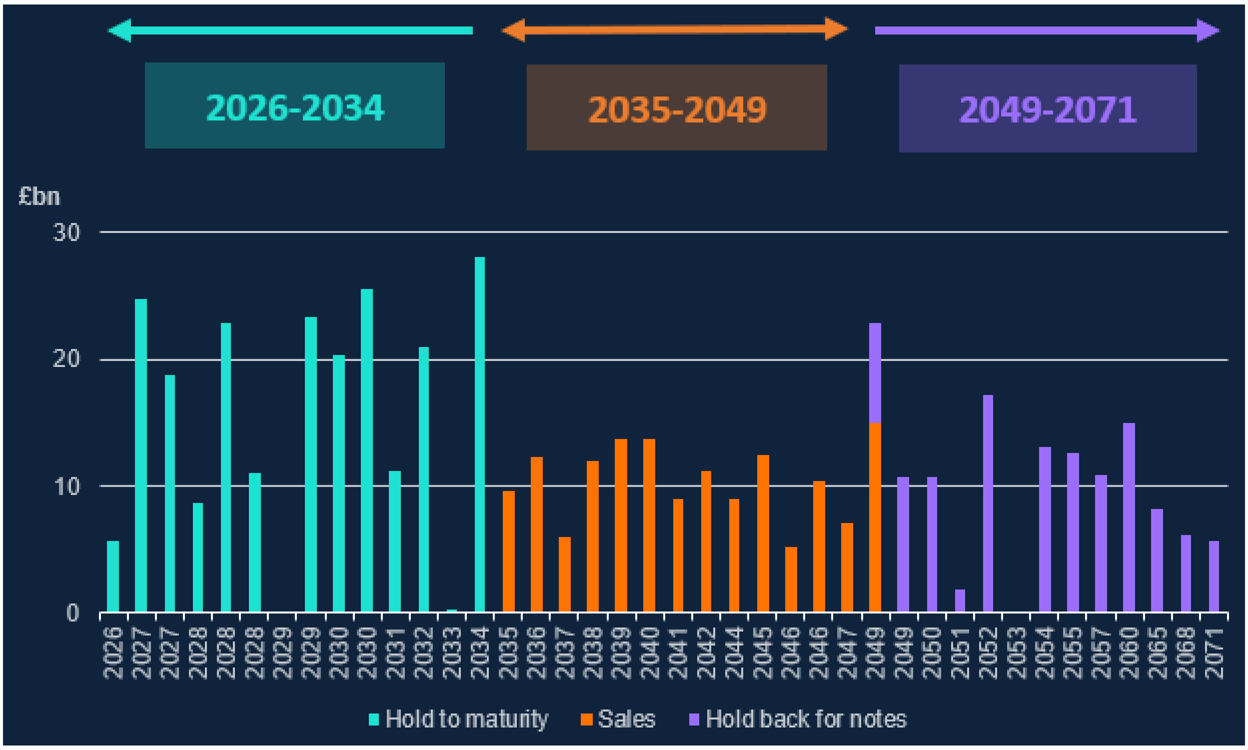
The MPC's confirmation that it planned to fully unwind the APF's holdings of gilts for monetary policy purposes meant the Bank Executive had clarity to confirm the long-term strategy for backing banknotes. The Bank Insights article published alongside the QT announcement[19] details how banknotes have been indirectly backed by gilts in the APF since 2009. The Bank Executive determined that a portfolio of long-dated gilts would be well suited to backing banknotes as its maturity profile provides a good match for the long-term nature of banknote liability. To ensure notes continued to have appropriate backing, the Bank Executive determined that £120bn of gilts should remain in the APF, no longer held for monetary policy and solely to back notes. Using existing APF gilts to back banknotes avoids the transaction costs associated with purchasing gilts from the market directly onto Issue Department.[20]

That means, of the £488bn of gilts in the APF at the time of the MPC's September decision, the MPC could determine what the multi-year path should be in the knowledge that £120bn of those gilts would remain in the APF to back notes. In other words, the MPC's decision on pace would be in relation to the remaining £368bn of gilts.

The MPC discussed the appropriate pace for the multi-year path as part of its September decision. Consistent with previous annual QT decisions, Bank staff assessed the appropriate pace options over the multi-year path, in line with the MPC's principles that sales should be conducted so as not to disrupt the functioning of financial markets. Given the change in strategy to a multi-year unwind with a fixed pace of sales throughout, the MPC considered the relative benefits of unwinding more quickly or slowly. The MPC recognised the chance that future economic and market shocks could occur over the period of QT unwind and the strategy, including the pace of unwind, has been designed with that context in mind.

After discussion, the MPC unanimously agreed that the remaining £368bn of gilts should be unwound at an annual average pace of £46bn by the end of 2034, through annual sales of £20bn alongside maturing gilts. That means of the £488bn of gilts remaining in the APF, £222bn would be held to maturity (shown by the blue bars in Chart 7), £146bn would be sold (orange bars), and £120bn would remain in the APF to back banknotes (purple bars). The final maturity will be the £28.2bn September 2034 gilt, and the MPC expects that will mark the completion of the QT unwind.

Chart 7: Allocation of remaining APF gilts to maturities, sales and notes-backing



Source: Bank of England

One point of particular discussion amongst MPC members was the extent to which the committee should retain flexibility within that multi-year plan. There's an obvious trade-off here, the more flexibility the MPC has, the greater its ability to respond to evolving market conditions over time, and potentially increase or decrease its pace of unwind in subsequent years. But on the other hand, a fixed intended pace of unwind would provide more certainty and clarity over the future QT path. On balance, most MPC members felt that the benefits from the predictability of a fixed pace outweighed the loss of flexibility.

The MPC judged that unwinding the APF at a constant and fixed pace would further put QT in the background. Given the variation in the maturity profile in coming years, to make this as simple and transparent as possible, it specified its multi-year strategy as a constant annual sales pace of £20bn each year over the remainder of the path of unwind.

To ensure the MPC's QT strategy remained consistent with its principles – both that Bank Rate remains the active tool, and that sales do not disrupt the functioning of financial markets – the MPC reiterated that there would only be two specific circumstances where the pace of unwind in the multi-year plan would be reconsidered.[21] These two 'knockouts' are designed such that high bars would have to be met in order for them to be triggered, First, if the MPC judged that potential movements in Bank Rate alone were insufficient to meet the inflation target. And second, if markets were judged by the Bank to be very distressed. The Financial Policy Committee would have a role in this second circumstance through its assessment of financial stability.

From my perspective, the obvious example of the first knockout is if repeated shocks mean that Bank Rate is approaching the effective lower bound and there is a risk of running out of headroom to achieve the MPC's price stability objective. Of course, it would be for the MPC at the time to judge whether the knockout had been triggered, dependent on the circumstances at the time.

The final element of the package set out in the Governor's letter to the Chancellor is the Bank Executive's intended approach to implementing the MPC's multi-year plan. The intended approach – to sell gilts to the Government rather than to the market – has been developed through engagement with HMT and the DMO over the last year, and is subject to final agreement with HMT.

The Bank Executive's intention to change its approach to gilt sales – subject to HMT agreement – is driven by its responsibility to continue to maximise value for money by minimising cost and risk over the lifetime of the APF, subject to achieving the MPC's chosen unwind target and in line with the MPC's key principles. As I've described, the Bank Executive's approach to sales to date has been successful and delivered on its value for money responsibility through careful design of its auctions to market. But given the MPC's multi-year plan for QT, the Bank Executive is mindful that a portion of the gilts remaining in the APF will likely become less aligned with market demand as unwind continues.

As an alternative, the Bank has engaged with HMT and the DMO to consider a model whereby the MPC's decision could instead be implemented through APF sales to the Government. At a high level, the model would see HMT instruct the DMO to purchase, over time, the £146bn of 2035-2049 APF gilts that the Bank is selling, which the DMO would on-sell to the National Loans Fund for cancellation and subsequent refinancing, with the DMO better able to align its issuance with market demand. It would also see a return to a single public sector supplier of gilts to the market.

The operational details of this model need to be worked through between the Bank, HMT and DMO. To ensure monetary independence, and to prevent any blurring of fiscal and monetary responsibilities, sales would be set in advance by the Bank Executive and conducted at market prices. This means that sales parameters, including the pace and frequency, would be pre-defined and non-discretionary. The lifetime costs of the APF unwind are neutral whether starting with the longest or shortest maturities. Of course, starting sales from the longest maturity and working backwards reduces interest rate risk on the Bank's balance sheet the most quickly. Under this sales model, the Bank Executive would therefore expect to sell the £146bn of APF gilts designated for sales to the DMO in reverse order, starting with the longest maturity gilts. The indemnity from HMT to the Bank will remain in place.

The Bank will announce its approach to implementing the MPC's QT strategy by April 2027. Regardless of the method of sales, the Bank Executive will ensure that the MPC's agreed sales pace is implemented and full unwind is completed by the end of 2034. The £20bn sales pace refers to the 12-month period following the start of sales; for the avoidance of doubt, if sales were to begin in April 2027, the £20bn of sales would be completed by April 2028. As long as sales begin by end-Q2 2027, the exact start date of the sales programme does not influence the expected end date of the QT unwind, given the MPC expects the final APF gilt held for monetary policy purposes will be the one that matures in September 2034. In the meantime, APF gilt maturities continue, with the next maturity occurring on 22 October 2026.

Once the Bank announces its approach to implementing the MPC's QT strategy, from my perspective, we will have brought to a close the chapter of QT I first described in 2023. And we will have embarked on the next chapter, which should see the current stock of APF gilts fully unwound for monetary policy purposes over the next eight years.

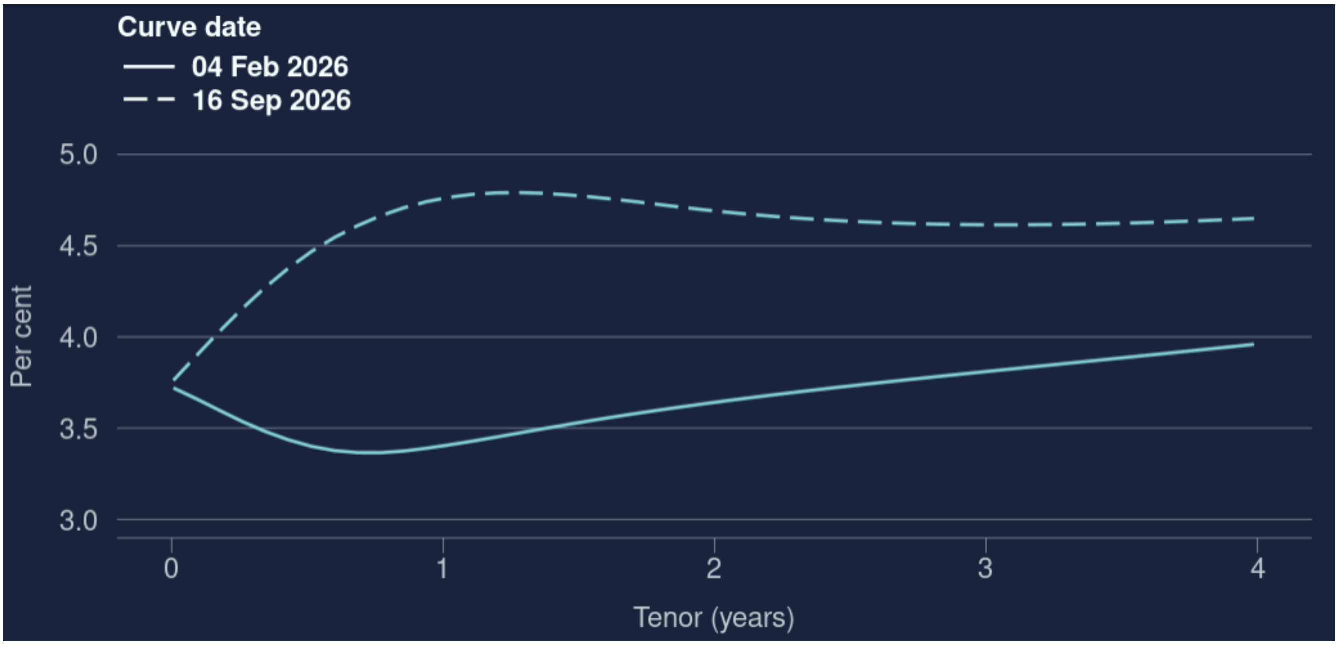
The MPC's active monetary policy tool

Before closing, I wanted to share my latest view on the MPC's active monetary policy tool – Bank Rate. At its September meeting, the MPC voted by a majority of 6-3 to leave Bank Rate unchanged at 3.75%. I voted in the majority, as I have since the outbreak of the conflict in the Middle East to hold Bank Rate at 3.75%.

For my part, Bank Rate being the ‘active’ tool doesn’t always mean it has to change. Indeed, a decision to hold can be an active response to the risks to the inflation outlook. In February of this year, prior to the outbreak of the conflict in the Middle East, I voted in the minority for a cut to Bank Rate to 3.5%. Indeed, with evidence that the disinflation process was on track at the time (and subsequently confirmed from my perspective with the data outturns we have seen this year) I would have expected at least two cuts by now, such that Bank Rate would be at least 0.5% below where it is today, and slightly below the UK OIS curve at the time (shown in Chart 8). Therefore, my holds to Bank Rate since March have effectively delivered a tightening relative to where I thought we might otherwise have been.

I think the tightening we have seen in financial conditions since the outbreak of the conflict, shown by the increase in the OIS curve since February, has helped to limit the potential for some of the direct effects from the energy shock to propagate through to second round effects. But, as I set out in my individual paragraph in the September meeting minutes, I think the risks to the inflation outlook, whether external or domestically generated, have tilted more to the upside. Whilst the policy stance continues to provide restrictiveness, were upside pressures on the inflation outlook to continue to build, there could be a case for increasing Bank Rate.

Chart 8: UK instantaneous forward curve prior to the February and September MPC meetings



Sources: Bloomberg Finance L.P. and Bank calculations.

Looking ahead to upcoming meetings, the inflation pressures I will continue to focus on are external pressures from energy prices, including from crude oil and gas prices as well as those of refined products, but also from extreme weather events and the AI supply chain.

Domestically, I will be focused on the outlook for indirect effects, particularly in food prices, and any early signs of second round effects apparent from firms' responses to the DMP survey and the Bank's Agents' intelligence on upcoming wage negotiations, looking ahead to 2027 settlements.

Conclusion

To conclude, based on mine and the market's current assessment of the economy, I don't foresee that we will be considering further QE any time soon. However, we have to recognise that the external environment can change very rapidly, as it did with the shocks of the Global Financial Crisis in 2008 and again with the Covid pandemic in 2020.

For today's purposes let's assume it doesn't. In which case, the MPC's decision at its September 2026 meeting should see the stock of assets held for monetary policy purposes fully unwound by 2034. That will be 25 years after QE was first undertaken. The MPC's multi-year QT strategy provides a credible and coherent strategy for unwinding QE purchases, which should mean we've built a stronger foundation should QE be undertaken again in future.

Back in 2009 I certainly did not envisage that QE would take place in multiple phases over a 12 year period, and would take a similar period to unwind. The last 25 years has raised a lot of questions and points of discussion – in relation to both QE and QT – that need to be worked through. There are further lessons to be drawn from that experience, and more chapters to be written.

I'd like to thank Georgie Green, Ellie Kantor, Ed Kent and Lisa Panigrahi for their assistance in preparing these remarks, and to Callum Ashworth, Jamie Bell, Shiv Chowla, Rohan Churm, Johnny Elliot, Fran Furness, Alice Hobday, Rhys Phillips, Aniruddha Rajan, Nyssa Roberts, Tom Smith, Matt Roberts-Sklar, Andrea Rosen, Vicky Saporta as well as many others and my fellow MPC members for their work on QT and helpful comments and contributions to the speech.

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1. **Quantitative tightening: the story so far − speech by Dave Ramsden | Bank of England – the UK's central bank**
2. See, for example, **The evolving liquidity landscape − speech by Victoria Saporta | Bank of England – the UK's central bank**; **Learning by doing − speech by Victoria Saporta | Bank of England – the UK's central bank**; **Let's get ready to repo! - speech by Victoria Saporta | Bank of England – the UK's central bank**; **Transitioning to a repo-led operating framework – discussion paper feedback statement | Bank of England – the UK's central bank**
3. **Minutes of the Monetary Policy Committee Meeting held on 4 and 5 March 2009 | Bank of England – the UK's central bank**

4. Table A in the **Bank of England Quarterly Bulletin 2011 Q3** contains a full timeline of APF and QE-related announcements through 2009 and into early 2010.

5. For example, the Governor to Chancellor letter on 17 February 2009, and the Chancellor to Governor letter on 3 March 2009 – see **Exchange of letters regarding Asset Purchase Facility - March 2009 | Bank of England – the UK's central bank**

6. For instance, in 2009 it was noted in both the Minutes to the 5 March 2009 meeting, and the subsequent **Bank of England Quarterly Bulletin 2009 Q2**

7. As I set out at the **Treasury Committee's Quantitative Tightening inquiry on 18 May 2023** and again at the **Treasury Select Committee hearing on the July 2026 Monetary Policy Report on 8 September 2026**

8. See Box A of the **Bank of England Monetary Policy Report August 2021**

9. The first corporate bond sales were undertaken in September 2022, and the first gilt sales were undertaken in November 2022.

10. For instance, while QE affected gilt rates through a 'signalling channel' by changing market expectations for the future path of Bank Rate, the QT strategy is likely to have switched this channel off. During QT, the MPC has used Bank Rate as the active tool of monetary policy, which means that news about QT is not intended to contain any information about the future stance of monetary policy. QE also operated via effects on gilt market liquidity, but as QT sales have been gradual, predictable and only conducted in appropriate market conditions, it has had no marked effect on market liquidity.

11. This can occur via two main effects. First, increasing the supply of certain bonds can increase the yield on these bonds and on other assets that investors might consider close substitutes (the 'local supply' channel). Second, by shifting investors' portfolios towards longer-dated assets, QT increases the overall amount of duration risk borne by market participants and may therefore increase term premia across the yield curve (the 'duration channel').

12. MPC announcements include all market notices related to our QT schedule, market notices regarding adjusting our sales approach, and MPC days which included information on QT (e.g., an MPR box). These events date back to 4 February 2021, when the MPC first asked staff to consider a strategy for APF unwind.

13. See Box A of the **Asset Purchase Facility Quarterly Report - 2025 Q3 | Bank of England – the UK's central bank**

14. See Box G of the **Monetary Policy Report - July 2026 | Bank of England – the UK's central bank**

15. This estimate is based on modelling the change in the 10-year gilt rate term premium on the day of QT policy announcements combined with the effects on the day of QT auctions. Changes occur around announcements to the extent that such news causes market participants to revise their expectations about future QT. Price movements observed around auctions primarily reflect temporary 'flow' effects. Busetto and Wazzi (2024) show that QT auction effects have not been persistent with increases in intraday 10-year gilt yields, if any, fading entirely within one day irrespective of market conditions.

16. Short, medium and long maturity buckets correspond to APF gilts with residual maturities of 3-7 years, 7-20 years, and more than 20 years respectively.

17. **Letter from the Governor to the Chancellor on QT and the APF - 17 September 2026**

18. **Bond trading, innovation and evolution: a Bank of England Perspective − speech by Dave Ramsden | Bank of England – the UK's central bank**

19. **The promise to pay: what backs banknotes? | Bank of England – the UK's central bank**

20. As the gilts in the APF held to back notes mature in future, gilts will be purchased directly onto the Issue Department.

21. As first set out in the **August 2022 MPC minutes**

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