HM TREASURY

Report under section 231 of the Banking Act 2009:

1 April 2012 to 30 September 2012

November 2012

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Presented to the House of Commons pursuant to section 231 of the Banking Act 2009

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1 Introduction

1.1 Section 231 of the Banking Act 2009 ("the Act") requires the Treasury to prepare reports about arrangements entered into which involve or may require reliance on section 228(1) of the Act. Section 228(1) allows the Treasury to make payments from money provided by Parliament or, pursuant to section 228(5), from the Consolidated Fund:

a) for any purpose in connection with Parts 1 to 3 of the Act;

b) in respect of, or in connection with, giving financial assistance to or in respect of a bank or other financial institution (the Secretary of State is also permitted to make such payments with the permission of the Treasury); and

c) in respect of financial assistance to the Bank of England.

1.2 This document covers the period beginning 1 April 2012 and ending 30 September 2012 and fulfils the requirement under section 231(2)(b) of the Act to report on successive six month periods. In accordance with section 231(4) of the Act, the report does not specify individual arrangements, or identify, or enable the identification of individual beneficiaries.

1.3 This document does not cover expenditure incurred in relation to action taken under the Banking (Special Provisions) Act 2008.

1.4 Details of the support provided to financial institutions and the economy is set out in a number of places:

- HM Treasury's Annual Report and Accounts 2011-12 (HC 46) and its Main Supply Estimates for 2011-12 (HC 921) and 2012-13 (HC 1919);
- Previous reports published in connection with the requirements of the Banking Act 2009 (http://www.hm-treasury.gov.uk/fin_stability_bankingact_srr.htm);
- The financial stability section of HM Treasury's website contains details of agreements entered into with specific institutions and other information (http://www.hm-treasury.gov.uk/fin_finstability_index.htm);
- UK Financial Investments' website contains details of how it manages the Government's shareholdings in various banks (http://www.ukfi.co.uk).

1.5 Links to further information on government financial assistance schemes are provided in Annex A.

2 Report covering the period from 1 April 2012 to 30 September 2012

2.1 This chapter constitutes the report required to be prepared under section 231 of the Act and provides information about arrangements entered into in the period beginning 1 April 2012 and ending 30 September 2012 which involve or may require reliance on section 228(1) of the Act. It excludes any income from financial sector interventions.

Table 2.A: Period from 1 April 2012 to 30 September 2012

Department		Scheme/Other commitments	New commitments £m	New utilisation or issuance £m	Cash expenditure £m
HM Treasury	1.	Asset Purchase Facility	50,000	56,237	-
	2.	National Loan Guarantee Scheme	-	2,900	-
	3.	Loans and Receivables	-	-	12
DCLG	4.	NewBuy Guarantee Scheme	-	6.3	-
DCLG/BIS	5.	Regional Growth Fund	30	-	30

2.2 The above table discloses new arrangements and expenditure by scheme where applicable and by type of commitment for other arrangements. 'New commitments' represent the maximum amount that the Government has committed under a scheme or arrangement and do not represent the size of any expected future losses or cash payments. Provisions for expected losses, if any, are included in departmental annual reports and accounts and Parliamentary Estimates. 'New utilisation or issuance' represents the net amount of a total facility which was used or the net increase in the amount of guarantees which were issued during the reporting period. 'Cash expenditure' represents cash amounts paid out in respect of schemes or other commitments.

1 Asset Purchase Facility: The Bank of England's Monetary Policy Committee voted to increase the size of the Asset Purchase Facility by £50 billion in July 2012. At 30 September 2012 the authorised limit of asset purchases was £385 billion, comprising £375 billion financed from central bank reserves and a further £10 billion for the purchase of private sector assets, financed by the issuance of central bank reserves, Treasury bills and the Debt Management Office's cash management operations. At 30 September 2012 the stock of asset holdings under the Facility was £360 billion, virtually all financed by central bank reserves.

2 National Loan Guarantee Scheme (NLGS): HM Treasury operates the NLGS which was launched on 20 March 2012. Under the NLGS, the government will allow eligible banks to issue limited quantities of government guaranteed debt up to a total of £20 billion. This represents the maximum potential liabilities under the scheme over the next two years.

3 Loans and receivables represent loans which have been made or amounts which have been paid out or committed during the reporting period in the interests of protecting depositors and to support lending into the real economy.

4 NewBuy Guarantee Scheme: The Department for Communities and Local Government (DCLG) launched the NewBuy Guarantee Scheme in March 2012 with the intention of supporting people without access to large deposits to realise their aspirations to home ownership, getting 95 per cent Loan to Value new build mortgages back on the market and providing a significant boost to housing supply. £6.3 million of guarantees were issued between April and September 2012.

5 Regional Growth Fund: £30 million has been made available by the Department for Business, Innovation and Skills (BIS) to match a similar amount invested by selected banks for onward lending by community development finance institutions to businesses in disadvantaged areas who have been turned down for bank finance.

2.3 There is nothing to report in the period for the Special Liquidity Scheme (SLS), Credit Guarantee Scheme (CGS), Asset Protection Scheme, Business Finance Partnership or Homeowners Mortgage Support Scheme (HMS). In each of these schemes there were no new commitments, utilisation had either stayed the same or decreased at the period end and none of them had incurred any cash expenditure. The SLS closed to new utilisation in January 2009 and ran until the end of January 2012. The CGS has been closed to new utilisation since February 2010. The HMS Scheme closed to new entrants on 21 April 2011.

2.4 Additional information on all of the above schemes is in Annex A and in the published information referred to therein.

A Information on government financial assistance schemes

HM Treasury

Asset Purchase Facility

A.1 The Asset Purchase Facility (APF) is designed to enable the Bank of England to help improve the operation of credit markets through the purchase of corporate assets such as corporate bonds and commercial paper. This will improve liquidity, reduce funding costs and increase the availability of credit by stimulating the issuance of further instruments in those markets. The APF has also been used by the Bank of England to implement monetary policy through the purchase of gilts and other assets financed by the issuance of central bank reserves. HM Treasury has indemnified the Bank of England and the fund specially created by the Bank to implement the Facility from any losses arising out of or in connection with the Facility. Further information can be found at http://www.bankofengland.co.uk/monetarypolicy/Pages/qe/facility.aspx

Asset Protection Scheme

A.2 The Asset Protection Scheme is designed to protect financial institutions against exposure to exceptional future credit losses on certain portfolios of assets, help banks to rebuild and restructure their investments and increase lending in the economy. The scheme is operated by the Asset Protection Agency which is an Executive Agency of HM Treasury. Further information can be found at http://www.hm-treasury.gov.uk/apa.htm

Special Liquidity Scheme

A.3 The Special Liquidity Scheme provided liquidity by allowing institutions to swap illiquid assets for Treasury Bills which are more easily converted into cash, minimising the system-wide risks of illiquidity to financial stability. The scheme was closed to new drawdowns in January 2009 and ran until the end of January 2012. Further information can be found at http://www.bankofengland.co.uk/markets/Pages/sls/default.aspx

Credit Guarantee Scheme

A.4 The Credit Guarantee Scheme was designed to help restore confidence by making available to eligible institutions a government guarantee of new debt issuance of up to three years' maturity for a fee. The drawdown window for new debt issuance under the scheme closed on 28 February 2010 and the scheme is being wound down. Further information about the scheme can be found on the Debt Management Office's website http://www.dmo.gov.uk/index.aspx?page=CGS/CGS_about

National Loan Guarantee Scheme

A.5 The National Loan Guarantee Scheme (NLGS) was launched on 20 March 2012 and helps businesses access cheaper finance by reducing the cost of bank loans under the scheme by 1 percentage point. The NLGS uses government guarantees on unsecured borrowing by banks, enabling them to borrow at a cheaper rate. Participating banks pass on the entire benefit that they receive from the guarantees across the UK through cheaper loans. Further information about the scheme can be found at http://www.hm-treasury.gov.uk/nlgs.htm

Business Finance Partnership

A.6 The Business Finance Partnership aims to diversify the sources of finance available to small and medium-sized firms and reduce their dependence on bank finance. The Government has made available £1.2 billion to invest through non-bank financial institutions. These investments are focused on co-investment with the private sector through channels that can lend to small and medium-sized businesses in the UK. More details can be found at http://www.hm-treasury.gov.uk/bfp.htm

Department for Communities and Local Government

Homeowners Mortgage Support Scheme

A.7 The Homeowners Mortgage Support (HMS) Scheme enabled eligible borrowers who suffered a temporary loss of income to defer a percentage of their mortgage interest payments for up to two years to help them get back on track with their finances. If repossession cannot be avoided, lenders can claim on the HMS guarantee for up to 80 per cent of the deferred interest. The scheme closed on 21 April 2011 although the government guarantee will run until 2017. Further information can be found at http://webarchive.nationalarchives.gov.uk

NewBuy Guarantee Scheme

A.8 The NewBuy Guarantee Scheme assists buyers who have a deposit of at least 5 per cent to buy a new build home. The scheme will allow more borrowers to obtain up to 95 per cent Loan to Value mortgages on new build properties from participating builders in England. Further information can be found at https://www.gov.uk/affordable-home-ownership-schemes

Department for Communities and Local Government/Department for Business, Innovation and Skills

Regional Growth Fund

A.9 The Regional Growth Fund (RGF) is a £2.4 billion fund operating across England from 2011 to 2015. It supports projects and programmes with significant potential for economic growth that can create additional, sustainable private sector employment. It aims particularly to help those areas and communities which were dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. The majority of funds disbursed under the RGF scheme have been provided under the vires of the International Development Act but, where intermediaries are banks, the Banking Act is used. Further information can be found at: http://www.bis.gov.uk/policies/economic-development/regional-growth-fund

HM Treasury contacts

This document can be found in full on our website: http://www.hm-treasury.gov.uk

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