



HM TREASURY

Report under section 231 of the Banking Act 2009

1 October 2010 to 31 March 2011



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

September 2011



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1

Introduction

1.1 Section 231 of the Banking Act 2009 (“the Act”) requires the Treasury to prepare reports about any 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 with 1 October 2010 and ending with 31 March 2011 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 the action taken under the Banking (Special Provisions) Act 2008. Information regarding that expenditure can be found in HM Treasury’s Annual Report and Accounts 2010-11 (HC 984) which were published in July 2011.

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 2010-11 (HC 984);
- 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 copies of relevant Ministerial statements (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/>);
- The Asset Protection Agency’s webpage contains details of how it operates the Asset Protection Scheme (<http://www.hm-treasury.gov.uk/apa.htm>);
- The Debt Management Office’s website contains details on the Credit Guarantee Scheme (http://www.dmo.gov.uk/index.aspx?page=CGS/CGS_about);
- The Bank of England’s website contains information on the Asset Purchase Facility (<http://www.bankofengland.co.uk/monetarypolicy/assetpurchases.htm>) and the Special Liquidity Scheme (<http://www.bankofengland.co.uk/markets/sls/>);
- The Department for Business, Innovation and Skills’ Annual Report and Accounts 2010-11 (HC 1001) contains information on the Working Capital Scheme;
- The Department for Communities and Local Government’s Annual Report and Accounts 2010-11 (HC 971) contains information on the Homeowners Mortgage Support Scheme.

2

Report covering the period from 1 October 2010 to 31 March 2011

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 with 1 October 2010 and ending with 31 March 2011 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 October 2010 to 31 March 2011

Department	Scheme/Other commitments	New commitments £m	New utilisation or issuance £m	Cash expenditure £m
HM Treasury	1. Loans and Receivables	-	-	95

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 '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.

2.3 The Department for Communities and Local Government operates the **Homeowners Mortgage Support Scheme**. Issuance of guarantees in the reporting period was under £1 million, and the total guarantees issued at 31 March 2011 were also under £1 million. There was no cash expenditure during the reporting period. The scheme closed on 21 April 2011.

2.4 There is nothing to report for the **Special Liquidity Scheme** (SLS), the **Credit Guarantee Scheme** (CGS), the **Asset Protection Scheme** (APS), the **Asset Purchase Facility** (APF), or the **Working Capital Scheme** (WCS) as, in each of these schemes there were no new commitments, utilisation had decreased at the period end, and none of them had incurred any cash expenditure. The SLS and CGS have been closed to new utilisation since January 2009 and February 2010 respectively. The WCS came to an end on 31 March 2011.

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



Information on government financial assistance schemes

HM Treasury

Asset Purchase Facility

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/assetpurchases.htm>

Asset Protection Scheme

The Asset Protection Scheme is designed to protect financial institutions against exposure to exceptional future credit losses on certain portfolios of assets, helping 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

The Special Liquidity Scheme provides 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 has been closed to new drawdowns since January 2009 but will run until January 2012. Further information can be found at <http://www.bankofengland.co.uk/markets/sls/>

Credit Guarantee Scheme

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. The scheme is due to run until April 2014. 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

Department for Business, Innovation & Skills

Working Capital Scheme

Through the Working Capital Scheme (WCS), the Government provided 50 per cent guarantees to banks against portfolios of loans in order to release capital for new lending to small and mid-sized businesses. The WCS came to an end on 31 March 2011. As at 31 March 2011 there were

no defaults and no notifications of restructuring. From that date the Department remained liable for credit events for a further six weeks for notification of default, and to 31 July 2011 for notification of restructuring.

Department for Communities and Local Government

Homeowners Mortgage Support Scheme

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, as planned, on 21 April 2011, although the government guarantee will run until 2017. Further information can be found at

<http://webarchive.nationalarchives.gov.uk/+/http://www.communities.gov.uk/housing/buyingselling/mortgagesupportscheme/>

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

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