The Bank of England should cut the losses

I am trying to get more to put this case to the Treasury and Bank to stop the outrageous losses. Please use this text.

The Bank of England has received £49.4 bn in payments from taxpayers and the Treasury so far to cover its losses on holding and selling bonds.. OBR forecasts point to further substantial losses to come. They estimated these at £179 bn in the March budget papers. This year could see the need to pay the Bank of England a further large sum.

These payments increase the public sector deficit excluding the Bank of England, which is the figure used to assess how much headroom the government has to increase public spending and or reduce taxes. It is in everyone's interest to minimise these losses and to protect the taxpayer from the possible outcome forecast by the OBR.

There are three main sources of loss. Some of the bonds were bought at prices above the repayment value of the bond. These losses are unavoidable if the bonds are held to repayment. It is true if at some future date interest rates had tumbled and the price of the bonds have again risen above the repayment value you could then sell at a profit. We cannot assume that is going to happen anytime soon. Meanwhile there will be some losses as bonds mature.

The Bank is actively selling £100bn of bonds a year into the market, taking larger losses than if they held them to maturity, and taking the losses sooner than they need to. The Bank could stop selling these bonds, allowing them to be repaid in due course on maturity. Some mature quite soon, Others are long dated and can stay on the balance sheet. Stopping selling the bonds would stop a large amount of the total losses.

The European Central Bank and the Federal reserve Board also bought lots of bonds at high prices and have considered what to do with them. The ECB has decided not to sell any prematurely into markets that are now so much lower than when they bought the bonds. They will allow them all to run off as they mature with lower losses. The Fed has been selling some Treasury bonds but has recently stated it plans to halve the rate of sale, and to place more emphasis on selling shorter dated bonds where the losses are considerably lower than the losses on long dated. When interest rates are pushed up as they have been losses on longer dated bonds are much larger than on short dated, because you have to wait so much longer to get your money back.

The third source of loss is the Bank receives a lower rate of interest on the bonds it has bought than the rate of interest it pays the commercial banks for the money they deposit with it. All the time the Bank keeps the base rate as high as today there will be losses on simply holding the bonds. The ECB has decided it will no longer pay interest on minimum

reserves commercial banks have to hold with the Central Bank to cut these losses. The Bank of England and the Fed did not pay interest on reserves prior to 2006. The Bank of England could align its policy with the ECB.

These actions would lead to a substantial improvement in the UK public sector finances excluding the Bank of England. The Bank would not suffer as a result, as it admits these sales are not crucial to its monetary policy. These proposals do not interfere with Bank of England independence. The Banks independence is over settling the Base rate and assessing inflation , which this does not change. The Bank says it acts as an agent for the Treasury over bonds. It needed the approval of successive Chancellors for all the purchases, and insisted on a Treasury guarantee against loss. As the Treasury is the guarantor it can also influence when these bonds are sold.