

## **BANK OF ENGLAND MARKET NOTICE: US DOLLAR REPO OPERATIONS**

1 This Market Notice sets out the terms that will apply to the Bank of England's US dollar repo operations on 1 and 3 October 2008. Other than as amended by this Market Notice, the terms of the Bank's Market Notice of 22 September 2008 and the Supplementary Terms for US Dollar Repo Operations of 26 September 2008 continue to apply to the US dollar repo operations.

### US DOLLAR REPO OPERATIONS

2 On 1 October, the Bank will conduct two US dollar repo operations. The first will be for an overnight maturity. The second will mature on Tuesday 7 October. \$10 billion will be offered at the overnight maturity; and \$30 billion at the one-week maturity.

3 The Bank will continue to offer \$10 billion overnight until further notice against collateral securities specified in the Market Notice dated 22 September 2008.

4 On 3 October, the Bank will conduct a further operation, offering \$30 billion for one-week maturity, settling same-day and maturing on Friday, 10 October against extended collateral.

5 In each operation, participants may not bid for more than 20% of the total funds on offer. The maximum number of bids that an individual bidder may submit in each operation is 10.

6 The overnight dollar repo operation will take place from 08.15; and the closing time for bids will be 08.45. The one-week repo operation will take place from 08.45. The closing time for bids in this operation is 09.15.

7 The results of both operations will be announced together at 09.45 or as soon as possible thereafter.

### Eligible collateral

8 Eligible collateral securities for the one-week USD dollar repo operations, beginning with the operation held on 3 October will consist, in addition to those listed

in the Bank's Market Notice of 22 September 2008, of the following ("the wider collateral pool"):

- Bonds issued by G10 sovereigns rated Aa3/AA- or higher, subject to any settlement constraints.
- Bonds issued by G10 government agencies explicitly guaranteed by national governments, rated AAA.
- Conventional debt security issues of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Corporation and the Federal Home Loan Banking system, rated AAA.
- AAA-rated tranches of UK, US and EEA asset-backed securities (ABS) backed by credit cards; and AAA-rated tranches of UK and EEA prime residential mortgage-backed securities (RMBS). Un-listed ABS and RMBS will not be eligible. The assets underlying ABS and RMBS must be cash, not synthetic. Own-name ABS and RMBS will be accepted.
- UK and EEA covered bonds rated AAA. The underlying assets may be either public sector debt or prime residential mortgages. Own-name covered bonds will be accepted.

9 Securities may be denominated in sterling, euro, US dollars, Australian dollars, Canadian dollars, Swedish krona, Swiss francs and, in the case of Japanese Government Bonds only, yen.

10 Credit ratings as set out above or their equivalent must have been provided by two or more of Fitch, Moody's and Standard and Poor's.

11 Securities must be capable of being delivered to the Bank via the delivery mechanisms specified below.

12 Margin ratios for the wider collateral pool are set out in the annex to this Market Notice, and have been set to be in line with the haircuts for the Bank's Special Liquidity Scheme.

13 The Bank will keep under review the list of securities eligible as collateral in these operations.

14 US dollar repo operations against the wider collateral pool will be re-margined separately from other OMOs (including \$ operations against collateral specified in the Market Notice dated 22 September 2008). Margin securities may consist of the wider pool of collateral securities listed above, as well as those specified in the Market Notice dated 22 September 2008.

#### Settlement arrangements

15 The Bank will not advance funds until it has confirmed the eligibility of the collateral received. Participants may deliver securities routinely eligible in the Bank's short-term OMOs initially and substitute other eligible collateral subsequently.

16 Counterparties must submit to the Bank as early as possible ahead of the operation a list of the specific securities they propose to deliver as collateral, so that the Bank can assess its eligibility. Counterparties are also encouraged to pre-position collateral with the Bank ahead of the operation.

17 Counterparties must submit to the Bank within an hour of receiving the details of their allocation a list, using the template provided, of the specific securities they propose to deliver as collateral, so that the Bank can assess eligibility. In the case of RMBS, ABS and covered bonds, counterparties should specify in the confirmation template supplied by the Bank whether the securities are own-name.

18 The deadline for delivery of securities in the wider collateral pool is 4pm. Where those securities are being delivered in substitution for securities already held by the Bank and those other securities are required at an earlier point in the day, delivery of securities to the Bank should be effected well in advance of that earlier time.

19 Securities in the wider collateral pool must be deliverable through the following mechanisms:

- (i) CREST<sup>1</sup>; the European Correspondent Central Banking Model; and, for instruments issued directly into the International Central Securities Depositories, Euroclear or Clearstream;
- (ii) To the Bank of England's account at the Federal Reserve Bank of New York, the Bank of Canada or the Bank of Japan;
- (iii) Via international links maintained by Euroclear.
- (iv) Such other delivery mechanism as the Bank shall specify.

20 The Bank reserves the right to reject any security offered for any reason.

Bank of England

1 October 2008

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<sup>1</sup> Securities may not be delivered using CREST's Delivery-by-Value (DBV) facility.

Annex: Margin ratios for wider collateral pool

	Sovereign paper	Government guaranteed agencies	US GSEs	RMBS, covered bonds and credit card ABS
<i>Credit rating (on Moody's scale)</i>	Aa3/AA- or higher	AAA	AAA	AAA not own-name
Floating rate/Fixed interest rate under 3 years to maturity	1.01	1.03	1.03	1.14
Fixed interest rate 3-5 years to maturity	1.02	1.04	1.04	1.16
Fixed interest rate, 5-10 year maturity	1.03	1.09	1.09	1.20
Fixed interest rate, 10-30 year maturity	1.06	1.16	1.16	1.28
Fixed interest rate, more than 30 year maturity	1.07	Available on request		

Additional notes

*An additional 0.04 is added to margin ratios to allow for currency risk when securities are non-US dollar.*

*Consistent with the Special Liquidity Scheme, there will be add-ons to margin ratios for own-name eligible covered bonds, RMBS and credit card ABS; and for securities for which no market price is observable.*

*Credit ratings must have been provided by two or more of Fitch, Moody's, and Standard and Poors.*

*Note on calculation: adjusted collateral value (post-haircut) = collateral value / margin ratio.*