

US DOLLAR REPO OPERATIONS: BANK OF ENGLAND MARKET

NOTICE

1 This Market Notice sets out the terms that will apply to the Bank of England's US dollar repo operations. Other than as amended by this Market Notice, the terms of all previous Market Notices as relevant continue to apply to the US dollar repo operations.

2 This Market Notice covers the following US Dollar Repo Operations: overnight and one-week variable rate, longer term fixed rate and one-week fixed rate.

OVERNIGHT AND ONE- WEEK VARIABLE RATE AUCTIONS

Overnight operations

3 The overnight variable rate US dollar repo operations will continue for an amount of \$10bn until further notice.

Cessation of one-week variable rate auctions

4 No further one-week variable rate auctions will be held until further notice. However, the Bank will conduct on 14 October 2008 only, a 3-day US dollar variable rate auction for \$30 billion, against collateral eligible in the current one-week operations (which is the same as for one-week fixed rate operations set out below). This operation will be for same-day settlement and will mature on Friday, 17 October.

Timing of Operations

5 Overnight auctions will take place at 08.30 London time. The closing time for bids will be 08.45.

6 The 3-day auction on 14 October will take place at 08.45 London time. The closing time for bids will be 09.00.

7 The results of variable rate auctions will be announced half an hour after the closing time for bids in the final variable rate US dollar repo operation of the day, or as soon as possible thereafter.

LONGER TERM FIXED-RATE US DOLLAR REPO OPERATIONS

8 On Monday 20 October, the Bank will conduct a one-month US dollar term repo operation at a pre-announced fixed rate with full allotment. Further term auctions for one-month and three-month maturity will be held on dates to be confirmed in subsequent announcements.

ONE-WEEK FIXED RATE US DOLLAR REPO OPERATIONS

9 Beginning on Wednesday 15 October, and each Wednesday thereafter until further notice, the Bank will conduct a one-week US dollar term repo operation at a pre-announced fixed rate with full allotment. The settlement date for the first one-week fixed rate operation will be Friday 17 October and the maturity date will be Friday 24 October. Thereafter settlement for these operations will continue on a T+2 basis until further notice.

10 The following terms shall apply to the Bank's US dollar one-week fixed rate repo operations.

Operation structure

11 The Bank will announce at 08.15 each Wednesday, the rate applicable for that day's US dollar term repo operation. The weekly one-week fixed rate operations will take place at 08.45 London time. The closing time for bids will be 09.00.

12 Bids should be submitted via telephone to the Bank's sterling money market desk. Participants must state the total amount of funds for which they wish to apply. There will be no maximum bid size.

13 The minimum bid amount is \$5 million and the minimum bid increment is \$1 million.

14 Interest will be calculated on an Act/360 money market basis.

15 The results for the fixed rate repo operations will be co-ordinated with announcements from other central banks undertaking similar operations. Precise timing will be confirmed in subsequent announcements.

Eligible Collateral

16 Eligible collateral for the US dollar one-week fixed rate repo operations will consist of:

- (i) the securities listed as eligible collateral for the Bank's extended collateral sterling long-term repo OMOs in paragraphs 3 -6 of the Bank's Market Notice of 3 October 2008 (all of the securities referred to those paragraphs being the "wider collateral pool");
- (ii) as well as those securities eligible for the overnight US dollar repo operations (securities that are routinely eligible in the Bank's short-term repo OMOs and conventional US Treasury securities).

Margin ratios for the wider collateral pool are set out in the Annex to this Notice. The Bank will also accept as collateral in these operations bank debt that is guaranteed under HM Government's bank debt guarantee scheme. Further details will be announced in due course.

17 All one-week (and longer term) US dollar repos will be re-margined¹ separately from sterling OMOs.

Settlement arrangements

18 Settlement of the one-week fixed rate operations will take place on T+ 2 basis until further notice.

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

20 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. Lists of collateral securities to be checked for eligibility by the Bank, accompanied by an assurance of compliance with the criteria

¹ In accordance with clause B.3 of the Terms and Conditions for Participation in the Bank of England's Operations under the Sterling Monetary Framework.

specified above, should be submitted to the Bank at the following address:

LTReligibilitycheck@bankofengland.co.uk

21 Counterparties are also encouraged to pre-position collateral with the Bank ahead of the operation.

22 Securities to be delivered as collateral must be confirmed to the Bank by 2pm on the day prior to settlement of the operation using the confirmation template supplied by the Bank. 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.

23 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.

24 Securities to be offered as collateral should be deliverable through the mechanisms outlined below with the following two exceptions: US Treasury securities should only be delivered free-of-payment across Fedwire to the Bank of England's account at the Federal Reserve Bank of New York (FRBNY); securities issued directly into CREST should only be delivered to the Bank's CREST account.

(i) CREST²; 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 or Clearstream Banking Luxembourg.

(iv) Such other delivery mechanism as the Bank may specify.

² Securities may not be delivered using CREST's Delivery-by-Value (DBV) facility.

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

25 The following custody accounts will be used:

Clearstream: 11639

CREST: MIMAY

Euroclear: 13572

Federal Reserve Bank of New York: 021088904

DTC via Bank of New York: (account number on application)

26 Collateral provided must have an adjusted market value that is at least equal to the amount of dollar funds allocated, plus interest. Where necessary, valuations should be converted into dollars using the exchange rates published on the RBS fixings pages available on Reuters or Bloomberg (on pages RBSGBPFX01 or RFIX respectively) at 16:00 on the previous day. The Bank reserves the right to use other prices at its discretion

27 Collateral concentration limits will not apply.

28 On the maturity date of transactions, dollar funds should be delivered to the Bank by 14.30 London time. Subject to prior agreement with SCS, participants may combine payments to be made or returned on the same day into a single transaction of a net amount.

Bank of England

13 October 2008

Annex: Margin ratios for wider collateral pool

	Sovereign paper	Government guaranteed agencies and US GSEs	RMBS, covered bonds backed by residential mortgages	ABS backed by credit cards and other consumer debt	ABS backed by corporate loans and bonds	CMBS, covered bonds backed by commercial mortgages
<i>Credit rating (on Moody's scale)</i>	Aa3/AA- or higher	AAA	AAA not own-name	AAA not own-name	AAA not own-name	AAA not own-name
Floating rate/Fixed interest rate under 3 years to maturity	1.01	1.03	1.14	1.18	1.25	1.33
Fixed interest rate 3-5 years to maturity	1.02	1.04	1.16	1.20	1.28	1.37
Fixed interest rate, 5-10 year maturity	1.03	1.09	1.20	1.25	1.33	1.43
Fixed interest rate, 10-30 year maturity	1.06	1.16	1.28	1.33	1.43	1.54
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-sterling.

There will be add-ons to margin ratios for own-name eligible covered bonds, RMBS and ABS; and for securities for which no market price is observable.

Margin ratios for asset-backed commercial paper (ABCP) will be determined by the Bank for each issue following the agreement of the specific ABCP programme and will be in the range of 1.14-1.33 depending on the underlying asset classes and the diversification of the pool.

The Bank may make further specific add-ons to the margin ratio for particular RMBS, covered bonds, ABS and ABCP at its discretion.

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.