

BANK OF ENGLAND MARKET NOTICE: CHANGES TO THE ELIGIBILITY CRITERIA FOR ACCESS TO RESERVES ACCOUNTS AND OTHER STERLING MONETARY FRAMEWORK FACILITIES: CONSOLIDATED MARKET NOTICE

1. The Bank has widened the population of institutions eligible to apply for Reserves Accounts.
2. Previously, only firms required to place cash ratio deposits (CRDs) with the Bank – that is, institutions with an average level of Eligible Liabilities of £500 million or more – were eligible to apply for Reserves Accounts. With effect from 5 October 2009, all institutions that are subject to the statutory CRD regime – that is, all institutions reporting their Eligible Liabilities to the Bank – are eligible to apply for a Reserves Account. The Bank has widened eligibility to apply for access to Reserves Accounts in order to assist smaller institutions to manage their liquidity.
3. Newly eligible institutions will also be able to apply to access the other Sterling Monetary Framework (SMF) facilities: the Operational Standing Facilities, the Discount Window Facility and the Bank’s Open Market Operations.
4. If granted access to an SMF facility, newly eligible institutions will be required to pay a fee to the Bank of £10,000 per annum. The fee will be levied in two semi-annual amounts, coinciding with the dates for determining the sets of CRD- and non-CRD payers. If on these dates an institution participating in the SMF that was not previously a CRD-payer becomes a CRD-payer, it will no longer have to pay the fee, and vice versa. The Bank will review the level of the fee from time to time and may change it. The fee for the initial six-month period in which an institution is admitted to the SMF will be pro-rated to reflect the joining date.
5. Institutions interested in accessing the SMF facilities should in the first instance contact the Bank at smfapplications@bankofengland.co.uk
6. This Market Notice forms part of the Documentation for the SMF and should be read in conjunction with the rest of the Documentation. Other than as varied in this Market Notice, previous Market Notices relating to the SMF facilities continue to apply. The Bank will publish revised Operating Procedures for the SMF in due

course, which will provide further details of the process by which the semi-annual fee payments will be collected.

Bank of England
13 November 2009

Notes

The group of institutions subject to the CRD regime are defined as ‘deposit-takers’ for the purposes of Schedule 2 of the Bank of England Act 1998, and are required to report their Eligible Liabilities to the Bank on a monthly or quarterly basis (as advised by the Bank). The Bank calculates average Eligible Liabilities, for six-month calculation periods, ending in April and October. Broadly speaking, Eligible Liabilities consist of sterling deposit liabilities, excluding deposits with an original maturity of over two years, plus net foreign currency liabilities. Interbank liabilities (excluding cash ratio and special deposits with the Bank of England) are also included on a net basis. The precise definition of eligible liabilities is available at: http://www.bankofengland.co.uk/statistics/reporters/defs/def_els.pdf.

Institutions with reported Eligible Liabilities in excess of the statutory CRD threshold (currently set at £500 million) are required to place non-interest bearing deposits with the Bank equivalent to a fixed proportion of their Eligible Liabilities, currently set at 0.11% of the amount by which their Eligible Liabilities exceed £500 million.

Institutions with Eligible Liabilities below the threshold are not required to place a deposit with the Bank (i.e. they are non-CRD payers).