

Migration of CDs - Note of meeting held at Bank of England on 9 July 2003

1. Following discussions at SLRC on 10 June, representatives of stock borrowers, stock lenders, settlement banks, trade associations and infrastructure providers met at the Bank on 9 July to discuss plans for the migration of CDs from the CMO to CREST on 13 October.
2. Attendees recognised the importance of minimising any possible market disruption at this time, including avoiding any large-scale recalls of lent stock where CDs had been given as collateral and ensuring that CD issuance continued.
3. Given that new CDs will be issued in CREST from 15 September, CRESTCo estimated that there may be approximately £18bn CDs held as collateral in the CMO in the run-up to migration. Changes to patterns of issuance and trading may alter this estimate.
4. It was agreed that:
 - Migration of CDs should take place over one weekend.
 - Outright holders of CDs (eg stock borrowers) and their settlement banks should be encouraged to discuss with stock lenders the possibility of substituting appropriate alternative collateral for pledged CDs prior to the CMO close of business on Friday 10 October. Appropriate collateral might include a Letter of Credit or similar collateral from the stock borrower's settlement bank.
 - All CDs that remain pledged at the close of business on Friday should be returned to the outright owner against the collateral of a CREST payment on Monday morning. This cash collateral in CREST would be returned on issue of the new CDs in CREST, planned later on Monday morning.
 - To aid rapid processing and to mitigate the risk of disruption to normal settlement activity on the Monday, participants should input settlement instructions into CREST and the CMO over the migration weekend.
 - CD owners/stock borrowers likely to be involved should urgently be discussing with their settlement banks their unsecured lending caps in CREST.
 - The Bank would act, in close coordination with CRESTCo, as a contact point for this work.

BANK OF ENGLAND

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