

BANK OF ENGLAND OPERATIONS IN THE STERLING MONEY MARKETS

OPERATIONAL NOTICE

APPLICABLE FROM 14 MARCH 2005

(Replaces the Operational Notice issued in November 2004 as amended)



FEBRUARY 2005

Introduction

This Operational Notice explains the processes involved in participation in the Bank's Open Money Market Operations (OMOs) under the following headings:

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1 This Operational Notice sets out terms which govern participation in the Bank's open money market operations and explains the procedures involved; it should be read in conjunction with the Money Market Operations Master Sale and Repurchase Agreement ("Master Agreement") by which all repo transactions referred to in this Operational Notice are governed. In the event of any conflict between the two documents, the Master Agreement prevails. Liquidity withdrawal operations described in Section VIII of this notice are governed by the Liquidity Withdrawal Legal Agreement which will similarly prevail in the event of any conflict.

2 In some cases this Operational Notice follows market terminology in using expressions such as "repurchase", "redelivery", "margin" and "substitution". This is done for the sake of familiarity, but is not a reflection of the legal nature of the repo transactions undertaken under this Operational Notice, which is determined by the Master Agreement. Full title to securities sold under sale and repurchase transactions and to securities transferred by way of margin passes to the recipient; the right of the party making the transfer is a right to receive equivalent securities in accordance with the Master Agreement and this Operational Notice.

3 The repo rate applied to two week repo operations conducted under this Operational Notice at 9.45 (12.15 on MPC days) and 14.30 will be the MPC's repo rate, but if at any time this rate changes prior to the day of maturity of a repo transaction, then the new MPC repo rate will apply from and including the date of the change until the day of maturity.

4 The Bank may amend this Operational Notice either generally or in particular circumstances from time to time, any such amendment taking effect at a time specified by the Bank. Copies of the Notice as amended, or the relevant amended parts, will be circulated to participants in the Bank's open market operations and published in the Financial Markets section of the Bank's website (www.bankofengland.co.uk/markets/money/index.htm). The Bank will endeavour to give reasonable notice of any amendment, but reserves the right to introduce any amendment with immediate effect, if necessary. The Bank may also vary the operational timetable or vary or omit any of the procedures described on any particular day.

5 All transactions or planned transactions as part of the Bank's open market operations are confidential.

6 All references to times are London time, unless stated otherwise.

7 Frequent reference is made in this document to Liquidity Services Section (LSS) at the Bank of England. This office provides settlement services and, after bids have been submitted to the Bank's Dealing Room, will be the usual point of contact for participants.

8 References in this document to Clearstream should be taken to refer to Clearstream Banking Luxembourg. References to Euroclear should be taken to refer to Euroclear Bank, Belgium.

I Counterparties

The Bank applies the following criteria for being a counterparty in the Bank's open market operations –

- (i) Technical capability to respond quickly and efficiently to the Bank's daily rounds of operations.
- (ii) Maintaining an active market presence in at least one of the instruments eligible in the Bank's open market operations and having an active trading presence in the core sterling money markets.
- (iii) Participating regularly and on a reasonable scale in the Bank's open market operations.
- (iv) Providing the Bank with useful information on market conditions and developments in sterling money markets or more generally.
- (v) Prudence and risk.

Counterparties will need to satisfy the Bank that the legal agreements underpinning its operations with them are, and remain, at all times fully valid and robust in all relevant jurisdictions. When not dealing with the primary entity within a group, the Bank reserves the right to require a guarantee from the primary entity.

II Eligible Securities¹

1 General

In its routine open market operations to supply funds, the Bank may use the following techniques and instruments:

Sale to the Bank and repurchase (“repo”) of:

- Gilts, including gilt strips

¹ See Section I, 2 for detailed definitions of these securities

- Sterling Treasury bills
- Bank of England Euro bills and notes
- Eligible bankers' acceptances (also known as eligible bank bills) issued before 14 March 2005. All bankers' acceptances will cease to be eligible for use in the Bank's open market operations maturing after 17 August 2005. An addendum of 11 February 2005 to the Bank's notice on eligible banks and eligible bankers' acceptances (found at www.bankofengland.co.uk/markets/money/eligiblebanks.htm) sets out the criteria for the eligibility of existing and newly issued acceptances in the transition period until 17 August 2005.
- HM Government non-sterling marketable debt
- Sterling denominated securities issued by European Economic Area (EEA) governments and major international institutions (see Appendix IV), which for those securities issued directly into Euroclear and Clearstream, are described in a list maintained by the Bank and published in the Financial Markets section on the Bank's website (www.bankofengland.co.uk/markets/money/eligiblesecurities.htm).
- Euro denominated securities, including strips, issued by EEA central governments and central banks and major international institutions (see Appendix IV) where they are eligible for use in Eurosystem credit operations. These securities are also described in a list maintained by the Bank and published in the Financial Markets section on the Bank's website (www.bankofengland.co.uk/markets/money/eligiblesecurities.htm). These securities can either be those issued directly into Euroclear and Clearstream or can be "CCBM securities" where the central bank in the country in which the relevant securities were issued has agreed to act as the Bank's custodian under the Correspondent Central Banking Model (CCBM).

The above eligible securities are subject to the continuing requirement that they should be of prime credit quality and traded in liquid markets.

The above sovereign and supranational securities are subject to the requirement that they are issued by an issuer rated Aa3 (on Moody's scale) or higher by two or more of the major rating agencies (Moody's, Standard & Poors, and Fitch).

With effect from 1 March 2005, there will be a limit on the amount, by market value, of securities from a single issuer (excluding HM Government and the Bank of England) that a participant can hold with the Bank at any one time.

- If, at any time, the total securities provided by a single OMO counterparty or CHAPS sterling settlement bank in OMOs and RTGS exceeds £1bn, the institution must ensure that the securities of any single issuer (other than HM Government and the Bank of England) comprise no more than 25% by market value of the total securities delivered to the Bank. For settlement banks that are also OMO counterparties, two tests will therefore apply – first, to outstanding OMO securities held overnight and second, to the sum of outstanding RTGS and OMO securities held intra-day.
- The limit will not be applied to securities provided by OMO participants against the 15.30 and 16.20 overnight operations.
- The limit may be varied by the Bank at its discretion.
- The Bank will conduct regular checks to monitor compliance with the limit. In the event of an OMO participant's holdings of a particular issuer's securities exceeding the limit, the Bank will require the participant to take immediate steps to rectify the situation; any continuation of a breach of the limit to the next business day will attract a collateral interest charge on the market value of the securities over the 25% limit, equivalent to that for being overdrawn at the Bank¹. The charge will be calculated from the day on which the breach first occurs up to (but not including) the day on which it is rectified. (The treatment of breaches of the limit in RTGS by settlement banks is described in an RTGS operational circular dated 23 November 2004 and will be incorporated in the RTGS Reference Manual.)

In exceptional circumstances, involving for example stressed conditions in or affecting markets, infrastructure or a counterparty, the Bank will be able to receive marketable US Treasury Securities as collateral in its operations, in addition to other securities on its current list of eligible collateral (see Section X). In such circumstances, the Bank will make clear to those affected or, as appropriate, to the market as a whole, when any such extension comes into effect.

2 Definitions

¹ Overdrafts are charged at the Bank's repo rate + 3% on the first occasion and at an additional 1% for each further overdraft in a rolling three month period

- (i) **Gilts.** A gilt is a sterling denominated security issued into CREST by HM Government under the National Loans Act 1968 (or earlier similar legislation) and constituting a charge on the National Loans Fund with recourse to the Consolidated Fund of the United Kingdom.
- (ii) Sterling **Treasury bills** are ‘eligible Treasury bills’, issued into CREST, as defined in regulation 3 of The Uncertificated Securities Regulations 2001, as amended. Treasury bills are sterling denominated unconditional obligations of HM Government with recourse to the National Loans Fund and the Consolidated Fund which are payable on a specified date and issued at a discount to their nominal value.
- (iii) **Bank of England Euro bills and notes** are bearer securities issued into Euroclear or Clearstream by the Bank of England and denominated in euros. The bills are payable on a specified date and are issued at a discount to their face value. The notes are securities paying interest annually at a fixed rate and are payable on a specified date.
- (iv) **Eligible bankers’ acceptances** (also known as eligible bank bills)¹. The EDS (‘eligible debt security’) equivalents of bills of exchange issued into CREST by a bank on the Bank’s current list of eligible banks and which meet the other requirements for eligible bankers’ acceptances as set out in the Bank’s current notice on the requirements for eligible banks and eligible bankers’ acceptances. An eligible debt security is defined in the Uncertificated Securities Regulations 2001, as amended.
- (v) **Non-sterling marketable debt** issued by HM Government currently comprises:
- US\$ bond
- (vi) **Eligible sterling denominated securities issued by EEA governments and major international institutions.**
- The sterling denominated securities issued by EEA governments and major international institutions (see Appendix IV) held in CREST (“bulldogs”) which may be offered for repo using

¹ Bankers’ acceptances will cease to be eligible for use in the Bank’s open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities

member to member delivery or CREST RPO are those described in a list maintained by the Bank of England published in the Financial Markets section on the Bank's website (www.bankofengland.co.uk/markets/money/eligiblesecurities.htm).

- The sterling denominated securities issued into Euroclear and Clearstream by EEA central governments and the major international institutions (see Appendix IV) which may be offered for repo are described in a list maintained by the Bank and published in the Financial Markets section on the Bank's website (www.bankofengland.co.uk/markets/money/eligiblesecurities.htm).

(vii) **Eligible euro denominated securities issued by EEA governments and major international institutions.**

- The bonds and strips denominated in euro issued by EEA central governments and central banks and the major international institutions (see Appendix IV) which may be offered to the Bank for repo are those which are eligible for use in Eurosystem credit operations. These are described in a list maintained by the Bank and published in the Financial Markets section on the Bank's website (www.bankofengland.co.uk/markets/money/eligiblesecurities.htm). These securities can either be those issued directly into Euroclear and Clearstream or can be "CCBM securities".

3 Eligible Securities: specific requirements for repos

- (i) All eligible securities must be capable of being settled via at least one of the delivery mechanisms described in Section IV.
- (ii) Gilts offered for repo should be fully paid. Gilts and gilt strips offered for repo should not have a shutting date for redemption during the life of the repo transaction for which they are used.
- (iii) Eligible sterling securities in CREST may be offered for repo in the form of a member-to-member delivery, a CREST RPO or a Term DBV. A Term DBV, the terms of which are set out in the Master Agreement, is in effect a composite transaction consisting of a series of overnight deliveries-by-value within CREST. (Payment of the premium element of the repurchase price for each individual transaction is deferred and a separate payment

representing the aggregate of all such premiums is paid at the maturity of the Term DBV Repo.)

- (iv) Acceptable DBV categories in CREST for use in OMOs are (a) all OMO eligible securities [ELG]; (b) Treasury bills [TSY]; (c) Unstripped British Government Stock [UBG]; and (d) All British Government Stock [BGS].
- (v) Bills, including Bank of England Euro bills, and eligible bankers' acceptances offered for repo should have a maturity date beyond the life of that repo and if provided as margin securities following a margin call by the Bank should have a maturity date at least one day after the final maturity date of the longest outstanding repo with the relevant participant.¹
- (vi) Eligible bankers' acceptances may not be offered for repo by a participant where there is a shareholding link or link of common control or management between the participant and the primary or secondary issuer; or where the participant is the same entity as the primary or secondary issuer.¹
- (vii) HMG non-sterling marketable debt, Bank of England Euro notes, "bulldogs" and eligible sterling and euro-denominated securities issued by EEA governments or international institutions (see Appendix IV) offered for repo should be fully paid and have a maturity date beyond the life of the repo transaction for which they are used.
- (viii) HMG non-sterling marketable debt, "bulldogs" and eligible sterling and euro-denominated securities issued by EEA central governments and central banks or international institutions (see Appendix IV) unless pre-positioned, are only eligible for use in the 9.45 round or in the 12.15 round on the day of an MPC announcement.
- (ix) "Bulldogs" are not eligible for inclusion within DBV repo either originally or via substitution.

¹ Bankers' acceptances will cease to be eligible for use in the Bank's open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities

- (x) The Master Agreement gives the Bank recourse to the seller of an eligible bankers' acceptance¹ if the security is dishonoured.

III Procedures for OMOs

1 Publication of Forecast

The Bank will publish a forecast of the market's liquidity position on its wire services pages [listed in Appendix II(a)] at around 9.45. At that time, the Bank will also provide a breakdown of the principal factors contributing to the forecast [see Appendix II(b)]. A revised forecast will be published, if necessary, at 14.30 and at 16.20. No further breakdown of the principal factors will be provided with these later forecasts.

2 Invitation for Bids at 9.45 and 14.30

- (i) The Bank will normally conduct the first round of OMOs at 9.45 and a second round at 14.30. The Bank will publish a screen announcement substantially in the form of Appendix II(b). The announcement will state the maturity of that day's repo transactions and the current MPC repo rate.
- (ii) When the Bank operates to supply funds at 9.45 and 14.30, it will normally invite repos to any or all of three dates – the two week forward date and the working days either side of that forward date. The particular combination of these maturities will be specified in advance on each occasion. Repos to additional dates may also be invited on occasion if necessary to smooth the future pattern of forecast daily shortages/surpluses.
- (iii) The Bank will normally conduct OMOs at a rate announced in advance, but may on occasion choose to operate at a rate or rates set through a tender. At the time when the Bank publishes the invitation for bids for funds, it will announce the repo rate or, if applicable, the arrangements for a tender.

¹ Bankers' acceptances will cease to be eligible for use in the Bank's open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities.

- (iv) If the aggregate bids for funds exceed the amount the Bank wishes to allot in any round of operations, the Bank will scale bids down on a pro-rata basis (subject to Section III, 6 below).

3 Monetary Policy Committee

- (i) On the day each month when the Monetary Policy Committee makes an announcement on interest rates, the decision will be published on the Bank's wire services pages [listed in Appendix II(a)] at 12 noon on the day it concludes its monthly meeting.
- (ii) On the day of the MPC's announcement, the Bank will normally conduct its first round of operations at 12.15. On such days the Bank will publish its initial liquidity forecast at 9.45 and, if necessary, will publish a revised forecast at 12.15.

4 Invitation for Bids at 15.30¹

- (i) The Bank will, if necessary, conduct a third round of OMOs at 15.30. The Bank will publish a screen announcement substantially in the form of Appendix II(b). In this round the Bank reserves the right to supply funds in excess of the forecast remaining shortage.
- (ii) When the Bank operates to supply funds at 15.30, it will only invite bids for overnight repos.
- (iii) The rate to be applied at the 15.30 round will be determined by the Bank, but will be above its repo rate: it will normally be 25 basis points above the prevailing MPC repo rate.
- (iv) If the aggregate bids for funds exceed the amount the Bank wishes to allot, the Bank will normally scale bids down on a pro-rata basis (subject to Section III, 6 below).

5 Submission of Bids

- (i) Bids for funds are irrevocable. By submitting a bid a participant commits itself to entering into repo transactions up to the amount specified in the bid, the details of those transactions being determined in accordance with the procedures described below.

¹ Section IX sets out the procedures for the unsecured overnight deposit facility

- (ii) Participants in OMOs should call the Bank of England dealing room on their dedicated telephone line with the details of their bids within five minutes after the publication of the invitation for bids: there will be no prompts or notice given of the expiry of the five minute period.
- (iii) Participants must state the total amount of funds for which they wish to apply.
- (iv) The minimum amount of bids will be £5mn.
- (v) The maximum total size of a participant's bid should be no greater than the size of the forecast aggregate market shortage or, where OMOs have already been conducted, the forecast remaining aggregate market shortage.
- (vi) Participants may not bid through, nor discuss their bids with, third parties.
- (vii) In the event of a dispute, reference will be made to recordings of telephone conversations. All telephone conversations with the Bank's dealing room will be recorded.

6 Acceptance of Bids

The Bank will normally announce the result of each round within fifteen minutes of its start, stating the total amount of funds to be provided. Participants will then receive a telephone call from the Bank's dealers to confirm whether the full value of their bid has been accepted or, if not, what amount of their bid has been accepted. The Bank reserves the right to reject individual bids and to accept individual bids in part and at levels determined by the Bank.

7 Sale and Repurchase Transactions

- (i) Participants will receive cash to the exact value of the accepted repo bid. Securities must therefore be provided with an adjusted market value at least equal to the accepted repo bid. The adjusted market value means the market value, calculated in accordance with Appendix III, divided by the appropriate margin ratio as set out below:
- (ii)

Gilts, and eligible sterling securities issued by EEA governments and international institutions:

		<u>Strips</u>
With a residual maturity of up to one year	1.005	1.015
With a residual maturity more than one year and up to three years	1.01	1.025
With a residual maturity more than three years and up to seven years	1.015	1.03
With a residual maturity of more than seven years	1.025	1.07

Eligible euro-denominated securities issued by EEA central governments and central banks¹ and international institutions and HMG non-sterling marketable debt:

		<u>Strips</u>
With a residual maturity of up to one year	1.035	1.045
With a residual maturity more than one year and up to three years	1.04	1.055
With a residual maturity more than three years and up to seven years	1.045	1.06
With a residual maturity of more than seven years	1.055	1.10

Treasury bills and eligible bankers' acceptances² in CREST 1.0025

DBVs in CREST

All OMO eligible OMO securities [ELG]	1.07
Treasury bills [TSY]	1.0025
Unstripped British Government Stocks [UBG]	1.025
All British Government Stocks [BGS]	1.07

- (iii) The Bank reserves the right to change margin ratios at its discretion.
- (iv) When bids are invited for repos to two or more maturity dates, the total amount of funds allotted to each participant will normally be split approximately equally between these dates. The following procedure will be applied in determining the exact split of repo amounts between days:

the total allotted to each participant will be divided by the number of different repo maturity dates, the daily total rounded to the nearest £100,000 but with any difference being applied to the earliest repo maturity date, eg,

£100mn over three repo dates:

¹ Including Bank of England Euro bills and notes

² Bankers' acceptances will cease to be eligible for use in the Bank's open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities.

1st repo maturity - £33.4mn, 2nd mat. - £33.3mn, 3rd mat. - £33.3mn

£80mn over three repo dates:

1st repo maturity - £26.6mn, 2nd mat. - £26.7mn, 3rd mat. - £26.7mn.

In cases where the Bank pro-rates bids, participants should calculate the pro-rated value exactly following the above rule, eg,

Application for £80mn over three repo dates, 73% of bids accepted:

= 73% X £80mn = £58.4mn allotted

Split = £19.4mn, £19.5mn, £19.5mn.

- (v) Gilts, gilt strips and “bulldogs” will generally be valued at the prevailing CREST reference prices, but the Bank reserves the right to use other prices at its discretion. Participants will be informed of any different method of valuation when they telephone LSS to obtain confirmation of the results of a round.
- (vi) HMG non-sterling marketable debt will generally be valued at the previous day’s London close of business price as observed by the Bank, but the Bank reserves the right to use other prices at its discretion. Participants will be told of changes to the method of valuation when they phone LSS to obtain information of the results of a round. The value of HMG non-sterling marketable debt will be converted to sterling using the relevant exchange rate published by the Bank’s dealing room at 16.00 on the previous business day on its wire service pages.¹
- (vii) Sterling Treasury bills and eligible bankers’ acceptances² will generally be valued at the prevailing CREST reference prices, but the Bank reserves the right to use other prices at its discretion.
- (viii) Bank of England Euro bills and notes will generally be valued at prices observed by the Bank of England’s dealing room at the close of business on the previous day, and converted to sterling at exchange rates published by the Bank’s dealing room at 16.00 on the previous

¹ Reuters BOE/ERI, Telerate 3874, Bloomberg BOE, ICV/Topic 702

² Bankers’ acceptances will cease to be eligible for use in the Bank’s open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities.

business day on its wire service pages¹. The Bank reserves the right to use other prices at its discretion.

- (ix) With the exception of CCBM securities, other eligible euro and sterling denominated securities will generally be valued using the most recently available bid price supplied by ISMA and based on the quotations collected from ISMA reporting dealers, but the Bank reserves the right to use more recent prices at its discretion. Participants will be told of changes to the method of valuation when they phone LSS to obtain information of the results of a round. Where necessary, valuations will be converted to sterling at the exchange rate published by the Bank's dealing room at 16.00 on the previous business day on its wire service pages.¹
- (x) CCBM securities will be valued daily using the relevant price source specified on the ECB's eligible asset database and published on the ECB's website (www.ecb.int). Valuations will be converted to sterling at the exchange rate published by the Bank's dealing room at 16.00 on the previous business day on its wire service pages.¹ The Bank reserves the right to use other prices at its discretion.
- (xi) The Bank reserves the right to make margin calls intra-day.
- (xii) The Repurchase Price of securities sold to the Bank will increase daily during the life of a transaction according to the repo rate applicable to that transaction.
- (xiii) Valuation methods and margins for sale and repurchase transactions are set out in Appendix III.

¹ Reuters BOE/ERI, Telerate 3874, Bloomberg BOE, ICV/Topic 702

8 Trade Callover

- (i) Participants should, within 30 minutes after the publication of the results of the 9.45 (or 12.15) and 14.30 rounds, telephone LSS to obtain confirmation of the cash amounts allotted to them for each repo date and the repurchase prices of any repos. Participants should at the same time inform LSS of the details of the collateral types to be provided.
- (ii) For the 15.30 round of operations, participants should telephone LSS to obtain confirmation of the cash amounts allotted to them for overnight repo and the repurchase prices of any repos as soon as possible after completion of the round, but in any event by 15.50. Participants should at the same time inform LSS of the details of the collateral types to be provided.

9 Delivery Confirmation

- (i) Final details of securities to be delivered should be sent by fax or other mutually acceptable electronic means using the forms at Appendix V (a) to (d) within one hour after the publication of results of each of the 9.45 (or 12.15) and 14.30 rounds.
- (ii) For the 15.30 round of operations, participants should send details of securities by fax or other mutually acceptable electronic means using the forms at Appendix V (a) to (d) as soon as possible, but in any event by 15.50.
- (iii) Failure to identify the securities to be delivered under a transaction may result in cancellation of the transaction by the Bank. No securities will be accepted by the Bank until the delivery confirmation has been received.

10 Transaction Confirmation

Under normal circumstances, the Bank will by 10.00 on the day following each transaction send a fax or other mutually acceptable electronic communication to each participant confirming details of agreed repo transactions. This notification will contain, for each transaction, particulars of the securities

(except in the case of DBVs), the value of the repo, the prevailing MPC repo rate, the maturity date and the repurchase price for the securities. The notification may take the form of the delivery confirmation Appendix V (a) to (d) sent by the participant countersigned by an Authorised Signatory of the Bank.

IV Delivery of Securities to the Bank

1 Summary of deadlines for delivery of securities to the Bank:

Deadline

12.30	DBV (input and matched)	}	9.45 round
12.30	CREST Securities (member to member deliveries and CREST RPO)		
12.30	Euroclear or Clearstream Securities		
12.30	CCBM Securities		
14.00	DBV (input and matched)	}	12.15 round
14.00	CREST Securities (member to member deliveries and CREST RPO)		
14.00	Euroclear or Clearstream Securities		
14.00	CCBM Securities		
14.00	Pre-positioned securities in Euroclear or Clearstream or CCBM	}	14.30/15.30 rounds
15.50	DBV		

Failure to comply with a delivery deadline may result in cancellation of the transaction by the Bank.

2 CREST

Securities should be delivered to the CREST account number which has been specified to each participant by LSS. Delivery details across CREST should conform exactly to details given in Appendix V (a) & (b). Participants may, with the prior agreement of LSS, convey the information specified in Appendix V (a) & (b) in a form convenient to them.

- (i) Member to Member Deliveries including CREST RPO deliveries

Specific stocks to be sold to the Bank for repos agreed in the 9.45 round of operations should be delivered to the relevant CREST account by 12.30 (14.00 for the 12.15 round on the day of the MPC announcement).

(ii) Delivery By Value

Term DBV repos of the same category already outstanding should be amalgamated into one delivery and should be input to CREST as early as possible and given the highest priority available to users of the system – currently 90. DBV repos entered for the 9.45 round should be input to CREST as separate deliveries as soon as possible but not later than 12.30 (14.00 for the 12.15 round on the day of an MPC announcement) and given the highest priority available to users of the system – currently 90. A separate DBV transaction will be required for funds to be provided through the 14.30 and 15.30 rounds of operations. Again these should be input as soon as possible but not later than 15.50 and also given the highest priority available to users of the system – currently 90.

3 Euroclear or Clearstream

- (i) For the 9.45 (or 12.15 on MPC days) OMO round participants can offer eligible securities held in Euroclear or Clearstream and receive same day funds for these securities provided they input the relevant settlement instructions by 12.30 (14.00 for the 12.15 round on the day of the MPC announcement).
- (ii) In order to receive same day funds for the 14.30 and 15.30 rounds against eligible securities held in Euroclear or Clearstream participants must have delivered and pre-positioned such securities by 14.00 the same day.
- (iii) Participants may continue to pre-position securities for participation in any round on subsequent days.
- (iv) Participants should inform LSS if they are offering securities held in Euroclear or Clearstream when they telephone to obtain confirmation of the cash amounts allotted to them.

- (v) Securities to be delivered to the Bank via Euroclear or Clearstream transactions must be input on a matching basis for delivery to the appropriate Bank accounts in Euroclear or Clearstream.
- (vi) If securities are pre-positioned in Euroclear or Clearstream and participants do not in the event receive funds to the full value of the securities pre-positioned, the Bank as a result will be holding securities with a value greater than that required to cover the margined repurchase value of the repo. Participants have a right to receive equivalent securities and should notify the Bank when they require the return of such securities. The Bank reserves the right to levy its own charges, and to seek reimbursement from the participant of any charges incurred by the Bank, where the Bank is holding securities in Euroclear or Clearstream prior to or following their use in an OMO transaction. Such securities will be held by the Bank as agent for the participant until, as the case may be, they are returned to the participant or transferred (whether by way of purchase or as margin) to the Bank. The participant agrees to indemnify the Bank and its servants and agents against all expenses, claims, damages and liabilities whatsoever arising directly and indirectly from the Bank holding securities as agent for the participant, and agrees that the Bank shall have no liability for any expenses, claims, damages and liabilities whatsoever which the participant may incur as the result of such securities being held by the Bank.
- (vii) Subject to prior agreement with LSS, participants may effect delivery of securities sold to the Bank by way of repo by making a series of fractional deliveries of such securities. The Bank will advance to the participant the adjusted market value of securities as they are delivered, or such lesser amount as may be agreed with the participant, provided that appropriate settlement confirmation has been received by the Bank.
- (viii) Delivery details across Euroclear and Clearstream should conform exactly to details given in Appendix V (c) and (d). Participants may, with the prior agreement of LSS, convey the information specified in Appendix V (c) and (d) in a form convenient to them.

4 CCBM Securities

- (i) CCBM securities should be delivered to the Bank's account at the relevant custodian central bank, details of which will be specified by LSS, no later than 12.30 for the 9.45 round and 14.00 for the 12.15 round on the day of an MPC announcement.
- (ii) In order to receive same day funds for the 14.30 and 15.30 rounds against CCBM securities participants must have delivered and pre-positioned such securities by 14.00 the same day
- (iii) Participants may continue to pre-position securities for participation in any round on subsequent days.
- (iv) Participants should inform LSS if they are offering CCBM securities when they telephone to obtain confirmation of the cash amounts allotted to them.
- (v) If securities are pre-positioned using the CCBM and participants do not in the event receive funds to the full value of the securities pre-positioned, the Bank as a result will be holding securities with a value greater than that required to cover the margined repurchase value of the repo. Participants have a right to receive equivalent securities and should notify the Bank when they require the return of such securities. The Bank reserves the right to levy its own charges, and to seek reimbursement from the participant of any charges incurred by the Bank, where the Bank is holding securities in the CCBM system prior to or following their use in an OMO transaction. Such securities will be held by the Bank as agent for the participant until, as the case may be, they are returned to the participant or transferred (whether by way of purchase or as margin) to the Bank. The participant agrees to indemnify the Bank and its servants and agents against all expenses, claims, damages and liabilities whatsoever arising directly and indirectly from the Bank holding securities as agent for the participant, and agrees that the Bank shall have no liability for any expenses, claims, damages and liabilities whatsoever which the participant may incur as the result of such securities being held by the Bank.
- (vi) Subject to prior agreement with LSS, participants may effect delivery of securities sold to the Bank by way of repo by making a series of fractional deliveries of such securities. The Bank will advance to the participant the adjusted market value of securities as they are delivered, or such lesser amount as may be agreed with the participant, provided that appropriate settlement confirmation has been received by the Bank.

- (vii) Participants eligible as counterparties in the 16.20 settlement bank late repo facility may transfer OMO eligible CCBM collateral for their repos to the Bank from their RTGS accounts at the Bank.
- (viii) Delivery details across CCBM should conform exactly to details given in Appendix V (d). Participants may, with the prior agreement of LSS, convey the information specified in Appendix V (d) in a form convenient to them.

5 Payment of Funds

Provided that sufficient securities have been received through the relevant settlement systems and confirmation acceptable to the Bank to this effect has been received, the Bank will pay the amount of funds allotted via CREST for eligible CREST securities and via CHAPS/RTGS for other eligible securities.

V Margin Maintenance

1 Daily Revaluation

The Bank will adjust the market value of equivalent securities which it is due to deliver on the repurchase leg of outstanding repos and also the market value of any equivalent margin securities, by dividing the market value of such securities by the appropriate margin ratio. The Bank reserves the right to change margin ratios at its discretion. The ratios are repeated below for convenience:

Gilts, and eligible sterling securities issued by EEA governments and international institutions:

		<u>Strips</u>
With a residual maturity of up to one year	1.005	1.015
With a residual maturity more than one year and up to three years	1.01	1.025
With a residual maturity more than three years and up to seven years	1.015	1.03
With a residual maturity more than seven years	1.025	1.07

Eligible euro-denominated securities issued by EEA central governments and central banks¹ and international institutions and HMG non-sterling marketable debt:

		<u>Strips</u>
With a residual maturity of up to one year	1.035	1.045
With a residual maturity more than one year and up to three years	1.04	1.055
With a residual maturity more than three years and up to seven years	1.045	1.06
With a residual maturity of more than seven years	1.055	1.10
Treasury bills and eligible bankers' acceptances² in CREST	1.0025	
DBVs in CREST		
All OMO eligible OMO securities [ELG]	1.07	
Treasury bills [TSY]	1.0025	
Unstripped British Government Stocks [UBG]	1.025	
All British Government Stocks [BGS]	1.07	

2 Calculation of Margin Deficit

- (i) The Bank will compare the total of the adjusted market values with the total repurchase price for all repos outstanding with a participant. The Bank will normally call for margin if the total adjusted market value falls below the total repurchase price by an amount equal to or greater than a "call trigger amount" which the Bank will determine and may change at its discretion. Additional margin should take the form of securities having an adjusted market value at least equal to the margin deficit.

(ii) Example

Purchase Price £353,000,000

Accumulated Price Differential	<u>£142,000</u>
Total Repurchase Price	<u>£353,142,000</u>
Market value of gilts of maturity of more than seven years	<u>£108,389,610</u>
	1.025 (appropriate margin ratio)
=	£105,745,961 A
Market value of Treasury bills	= <u>£143,424,081</u>

¹ Including Bank of England Euro bills and notes

² Bankers' acceptances will cease to be eligible for use in the Bank's open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities.

	1.0025 (appropriate margin ratio)
=	£143,066,415 B
Market value of EEA government or central bank	
euro securities, 3-7 years residual	
maturity	102,826,490
	1.045 (appropriate margin ratio)
	= £98,398,555 (C)
Total Adjusted Market Value	<u>£347,210,931</u> (A+B+C)
Total Repurchase Price	£353,142,000
less, Total Adjusted Market Value	<u>£347,210,931</u> (A+B+C)
= Margin Deficit	<u>£5,931,069</u>

- (iii) The call trigger amount is, for the time being, set at £1,000,000. In this example, where the Margin Deficit exceeds the call trigger amount, the Bank would require margin securities to be delivered having an adjusted market value of at least £5,931,069.
- (iv) The Bank will also normally require delivery of additional margin securities sufficient to eliminate the margin deficit should the unadjusted market value of securities fall below the total repurchase price, even if the margin deficit is less than the call trigger amount.
- (v) The Bank will advise participants, normally by 9.30 but in any event as soon as possible thereafter, of the amount of any margin to be called and may at its discretion retain equivalent securities in lieu of margin securities (see Section V, 7 below).
- (vi) For the purposes of the above paragraphs, payments referred to in Section VII, (iii) below (deferred payments of accrued premium arising on substitution) will be taken into account as though they formed part of the repurchase price under the replacement transaction.

3 Calculation of Margin Excess

- (i) If the total adjusted market value of securities exceeds the total repurchase price for all repos outstanding with a participant by an amount equal to or greater than the “return trigger amount”, the participant may make a margin call on the Bank for securities with an adjusted

market value no greater than the margin excess. The participant should notify LSS by telephone by 9.30. The return trigger amount is an amount which the Bank determines and may change at its discretion; it is currently the same as the call trigger amount.

- (ii) Deferred payments are taken into account in the manner described in Section V, 2(vi) above.

4 Margin Calls

If a margin call is made by the Bank or a participant, details of the securities to be delivered should be sent by fax or other mutually acceptable electronic means by 10.30 on the day of the call. The appropriate version of Appendix VI will be used. The Bank reserves the right to reject the composition of any proposed margin transfer.

5 Delivery of Margin

- (i) All eligible CREST sterling securities to be provided as margin securities, or to be delivered by the Bank as part of a margin transfer, should be delivered by 12.30 on the day the margin is called.
- (ii) Where additional margin is to be supplied via CCBM, securities should be delivered and settled by 12.30 on the day the margin is called.
- (iii) Where additional margin is to be supplied via Euroclear or Clearstream securities should be delivered and settled in those systems on a matching basis by 12.30 on the day margin is called.

6 Margin Transfers

- (i) Securities provided to the Bank as the result of a margin call will become a margin pool and will be taken into account in subsequent revaluations of securities. Such margin securities will not have a fixed date for redelivery to the participant. When participants make a margin call, the Bank will normally, but at its discretion, satisfy the call by redelivering margin securities before it delivers other securities.

- (ii) Where Treasury bills or eligible bankers' acceptances¹ are provided as margin securities, the maturity date of such securities must be at least one day later than the maturity date of the longest repo outstanding with that participant (regardless of the type of securities held by the Bank in connection with that repo). Treasury bills or eligible bankers' acceptances¹ held by the Bank in the margin pool which are due to mature will be returned to the participant one day before maturity and, where necessary, the Bank will require replacement securities to maintain margin requirements.
- (iii) The Bank reserves the right to make margin calls intra-day.
- (iv) When no repos remain outstanding with a participant the participant should notify the Bank when they require the return of securities provided as margin. The Bank reserves the right to levy charges for holding such securities if the participant does not request delivery immediately. Timings for the return of such securities, through the relevant settlement system, will normally be the same as those for maturing repo transactions listed in Section VII below.
- (v) Exceptionally and by prior agreement, the Bank may accept a margin transfer in the form of a CHAPS payment: no interest will be paid on margin so received.

7 Retention of Securities

- (i) Where the delivery by the Bank of equivalent securities at the maturity date of a repo would create a margin deficit in respect of continuing transactions which, in the Bank's opinion, is excessive, the Bank reserves the right to make a margin call and satisfy the call by retaining some or all of the securities due to be delivered. Retained securities may subsequently be delivered when the Bank has received sufficient other margin securities.

¹ Bankers' acceptances will cease to be eligible for use in the Bank's open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities.

- (ii) Where the Bank has requested additional margin and that margin call has not been met the Bank also reserves the right to utilise securities which are held in the name of the participant to extinguish the margin deficit so that, in the event, the securities would cease to be deliverable to the participant.

8 Dividends

- (i) Amounts equivalent to dividends received by the Bank in respect of gilts and other eligible securities will be paid to the participant which sold the relevant securities to the Bank. Such payments will normally be made on the dividend payment date.
- (ii) When a security goes ex-dividend its value (as defined in Appendix III) will fall, but the amount of the dividend to be received by the Bank will then be taken into account in subsequent revaluations of securities held by the Bank for the purposes of margin maintenance as described above. This treatment will continue until the dividend date, when the Bank will pay the participant the amount of the dividend provided any call for margin by the Bank has been satisfied and no event of default has taken place.

VI Substitutions

1 General

- (i) While repos are outstanding, participants may, with the agreement of the Bank, exchange securities originally sold to the Bank, or securities delivered to the Bank by way of margin, for other eligible securities the adjusted market value of which is equal to or greater than the adjusted market value of the securities to be replaced. This process is referred to in this notice as “substitution” and constitutes a variation of the relevant repo transactions in the manner set out in the Master Agreement. Substitution between DBVs and other securities may also be effected as described in the Master Agreement. Where a DBV transaction replaces a transaction relating to non-CREST securities the participant must pay the repurchase price less the premium for the securities to be returned to it by 12.30. Where the repo transaction constitutes a CREST RPO it will not be possible to use non-CREST securities in a substitution.

- (ii) The Bank may at its discretion require a participant to replace particular securities with other securities.
- (iii) The timetable for substitutions will be the same as for margin calls. Participants should notify LSS before 9.30 if they want to make a substitution. Details of securities to be exchanged must be sent by fax or other mutually acceptable electronic means to LSS by 10.30 on the form Appendix VII (a) or (b).

2 CREST sterling securities

The Bank will endeavour to complete substitutions out of and into any of these securities on a same-day basis. The Bank will release the securities to be replaced only after it has received the replacement securities. It may be necessary for either party to make a balancing payment outside of CREST in connection with such a substitution. Securities, including DBVs, should be input to CREST for matching by 12.30.

3 HMG Non-Sterling marketable debt, other eligible securities held in Euroclear or Clearstream and CCBM securities.

- (i) Where securities are to be exchanged via Euroclear or Clearstream, participants must inform the Bank by 9.30 on the day substitution is to take place and ensure settlement by 12.30 on the Euroclear or Clearstream systems. The transactions should be input on a matching basis. The Bank will release the securities to be replaced only after it has received the replacement securities. It may be necessary for either party to make a balancing payment outside of the Euroclear or Clearstream system in connection with such a substitution.
- (ii) CCBM securities should be delivered to the Bank's account at the relevant custodian central bank, details of which will be specified by LSS, no later than 12.30.
- (iii) Failure to comply with a delivery deadline may result in cancellation of the transaction by the Bank.

VII Repurchase of Securities

1 General

- (i) When a repo transaction matures, participants will purchase securities equivalent to those sold to the Bank in the first leg of the repo. On or after receiving payment, the Bank will deliver to the participant securities equivalent to those sold to it.
- (ii) Where there has been a substitution between DBVs and other securities, the participant is liable to make a separate payment representing the accrued premium on the securities replaced to the date of substitution, as referred to in clause 6.11(f) and 6.12(f) of the Master Agreement. This payment may be aggregated with a payment for the repurchase of securities. Details of any such payment should be included in Appendix VIII (a) to (d).
- (iii) When a repo transaction matures and no other repos with that participant remain outstanding, any additional margin provided by that participant will be returned. In cases where one or more repos with a participant are outstanding, the Bank will, if necessary, make a margin call and, until sufficient margin securities are delivered, satisfy the call by retaining equivalent securities as described in Section V, 7 above.
- (iv) Participants should send a fax or other mutually acceptable electronic communication in the form of Appendix VIII (a) to (d) confirming the nominal amount and description of the securities to be purchased, the repo rate(s) applicable to the transaction and the number of days for which they applied, the repurchase price for securities of each description and the total repurchase price. The cash details should conform exactly to the original confirmation sent by the Bank on the day following the purchase date. Confirmations should be sent by 14.00 on the day before maturity of the repo, except in the case of overnight repos entered into at the 15.30 round when a confirmation will not be required.
- (v) On the morning of maturity, the Bank will inform participants by telephone by 9.30 of the amount of any securities due to be returned that day which it intends to retain as part of the margin maintenance arrangements described in Section V above. Such notification will constitute a margin call.

2 CREST sterling securities

Participants repurchasing CREST sterling securities should match the transaction in CREST by 11.30. On the maturity date of a Term DBV Repo transaction the participant should make a separate CHAPS payment representing the accrued premium by 11.30.

3 HMG Non-Sterling marketable debt, other eligible securities held in Euroclear or Clearstream and CCBM securities

Participants repurchasing the above securities must pay the repurchase price to the Bank via CHAPS by 11.30 on the day of maturity. After payment has been received, the Bank will deliver the securities due via Euroclear, Clearstream or CCBM.

4 Liability for charges

Participants are liable to reimburse the Bank for all costs incurred through holding securities in settlement systems in accordance with the Master Agreement. The Bank will normally invoice participants quarterly for such amounts.

VIII Operations in the event of a market surplus: sale for subsequent repurchase of DBV by the Bank

- (i) Should the Bank forecast that the market is in surplus, it may invite bids from OMO participants on its wire services screens for the purchase that day of securities for repurchase by the Bank at one or more specified dates through DBV transactions. Such operations will be governed by a separate agreement (the Liquidity Withdrawal Legal Agreement) and the applicable arrangements and timetable are those set out below.
- (ii) Bids will usually be invited at 14.30 but may be invited at 9.45. OMO participants will have five minutes to make their bids using their dedicated lines to the Bank's dealing room. Participants may submit a maximum of three bids. The minimum amount for bids will be £5mn and no participant may bid for more than the published surplus.
- (iii) Bids should be made at a rate to two decimal places. Bids will be ranked in descending order according to the rates bid: bids which are accepted at the highest rate may be scaled down. The amount of each accepted bid will be the purchase price to be paid by the applicant. The

market value of securities to be delivered to successful applicants will be equal to the purchase price divided by the appropriate margin ratio (see Appendix III): the Bank reserves the right to change this ratio at its discretion. The repurchase price paid by the Bank when equivalent securities are returned will include a premium calculated by reference to the rate bid.

- (iv) The Bank reserves the right to reject individual bids and to accept individual bids in part and at levels determined by the Bank. Bids that are accepted will be accepted at the rates bid.

Timetable:

9.45	Forecast surplus. Possible "mopping" operation announced
9.50	Deadline for bids
By 10.00	Publish results
10.30	Trade callover
12.30	Input and match CREST DBV instruction for 9.45 operation
14.30	Forecast surplus. Possible "mopping" operation announced
14.35	Deadline for bids
by 14.45	Publish results
15.15	Trade callover
15.50	Settle CREST DBV transactions

IX Overnight deposit facility

- (i) In addition to the operations to supply funds at 15.30 the Bank will invite OMO participants to offer unsecured overnight deposits to the Bank. The applicable arrangements and timetable for offers of overnight deposits are set out below. The Bank will publish screen announcements substantially in the form set out in Appendix II(b) to this Notice.
- (ii) Deposits will be invited at 15.30. OMO counterparties will have five minutes to make offers. The minimum amount that may be offered will be £5mn. Each participant may make no more than one offer. The Bank will normally announce the results of each round within 15 minutes of its start.
- (iii) Participants will receive a telephone call from the Bank's dealers to confirm whether the full amount of their offer has been accepted or, if not, what amount of their offer has been accepted. The Bank reserves the right to reject individual offers in part and at levels determined by the Bank.

- (iv) Interest will be paid on deposits which are accepted at a rate which will be below the prevailing MPC repo rate. The rate will normally be 25 basis points below the prevailing MPC repo rate. The rate will be published as part of the Bank's 15.30 screen announcement. Participants should confirm details using the form Appendix IX as soon as possible, but in any event by 15.50.
- (v) Deposits will be normally be repaid together with interest via CHAPS no later than 9.00 on the following working day.

Timetable:	15.30	Invitation to offer
	15.35	Deadline for offers
	By 15.45	Bank publishes result
	By 15.50	Participant confirms details by telephone to LSS
	By 16.00	Funds in respect of deposits accepted must be paid via CHAPS to the Bank

X Use of US Treasury Securities as collateral in exceptional circumstances

- (i) Depending on the circumstances, the Bank may announce any such extension of its eligible collateral list to include US Treasury Securities on its wire service pages (see Appendix II (a)). In the event of any such announcement being made, the Bank will announce the end of any such temporary extension of its collateral list on its wire service pages. Outstanding transactions would be allowed to mature.
- (ii) US Treasury Securities means securities which are the direct obligations of the United States of America. US Treasury Securities offered for repo must be fully paid and must have a redemption date beyond the maturity date of the repo transaction for which they are used.
- (iii) After the Bank has announced its intention to accept US Treasury Securities in its operations, participants wishing to repo such securities should instruct the Bank that they intended to deliver them against borrowing in sterling open market operations. Participants should provide LSS with the relevant ISINs and nominal amounts of the securities, using the form set out in Appendix X(a). Participants wishing to repo US Treasury Securities must also provide to the Bank duly completed United States Internal Revenue Service Forms W-8 or such other tax documentation required by

the Bank to allow the Bank to make gross payments in respect of the US Treasury Securities delivered to it under any transaction.

- (iv) US Treasury securities should be delivered free-of-payment across Fedwire to the Bank of England's account at the Federal Reserve Bank of New York (FRBNY) as soon as possible after Fedwire opens for business (08.30 EST).
- (v) US Treasury securities will be valued by the Bank of England using prices observed by the Bank and available to participants upon request.
- (vi) Subject to prior agreement with LSS, participants may effect delivery of US Treasury securities sold to the Bank by way of repo by making a series of fractional deliveries of such securities. The Bank will advance to the participant the adjusted market value of securities as they are delivered, or such lesser amount as may be agreed with the participant, provided that appropriate settlement confirmation has been received by the Bank.
- (vii) Provided that sufficient securities have been received across Fedwire to the Bank of England's account at the FRBNY and confirmation acceptable to the Bank to this effect has been received, the Bank will pay the amount of funds allotted via CHAPS/RTGS.
- (viii) When a repo transaction matures, participants will repurchase securities equivalent to those sold to the Bank in the first leg of the repo. On or after receiving payment, the Bank will instruct the FRBNY to deliver to the participant, free of payment, securities equivalent to those sold to the Bank, using the form set out in Appendix X(b).
- (ix) The Bank will adjust the market value of equivalent securities which it is due to deliver on the repurchase leg of outstanding repos and also the market value of any equivalent margin securities on the basis set out in Section V, using the margin ratios applicable to eligible euro-denominated securities and HMG non-sterling marketable debt.
- (x) Participants wishing to substitute collateral for US Treasury securities should notify LSS at the earliest opportunity; such requests will be treated on a best endeavours basis.
- (xi) Amounts equivalent to dividends received by the Bank in respect of US Treasury Securities will be paid to the participant which sold the relevant securities to the Bank. Such payments will

normally be made on the dividend payment date. When a security goes ex-dividend its value (as defined in Appendix III) will fall, but the amount of the dividend to be received by the Bank will then be taken into account in subsequent revaluations of securities held by the Bank for the purposes of margin maintenance as described above. This treatment will continue until the dividend date, when the Bank will pay the participant the amount of the dividend provided any call for margin by the Bank has been satisfied and no event of default has taken place.

Bank of England
February 2005

Appendix 1

Timetable of operational events and deadlines which occur each day

Deadline/ Time	Action by Bank	Action by Participant (Front Office)	Action by Participant (Back Office)
9.30			Participants to notify LSS if they wish to make margin transfers and substitutions
9.45	Publish forecast – first round of OMOs		
9.50		Deadline for bids	
by 10.00	Publish results of round		
10.30			Delivery confirmation for margin transfers and substitutions Trade callover for 9.45 round
11.00			Delivery confirmation for 9.45 round
11.30			Repurchase monies in respect of DBV accrued premium, Euroclear, Clearstream or CCBM security repurchases should be paid via CHAPS
12.15	(On MPC announcement days – publish forecast if revised, first round of OMOs)		
12.20		(deadline for bids on MPC announcement days)	

by 12.30	(publish results of round on MPC announcement days)		Settle CREST MTM and RPO transactions in respect of margin transfers, substitutions, repurchases and 9.45 round. Input and match DBV transactions in CREST in respect of substitutions and 9.45 round Deliver CCBM securities to relevant NCB for the 9.45 round, substitution and margin transfers Deliver Euroclear and Clearstream securities for margin transfers, substitutions and the 9.45 round
13.00			Trade callover for 12.15 round
13.30			Delivery confirmation for 12.15 round.
14.00			Settle CREST MTM and RPO transactions in respect of the 12.15 round Input and match DBV transactions in CREST in respect of the 12.15 round Deliver CCBM securities to relevant NCB for the 12.15 round and pre-positioning for later rounds Deliver Euroclear and Clearstream securities for the 12.15 round and pre-positioning for later rounds
14.30	Publish forecast if revised – second round of OMOs		
14.35		Deadline for bids	
By 14.45	Publish results of round		
15.15			Trade callover for 14.30 round
15.30	Round of overnight OMOs, if applicable, and unsecured deposit facility		Delivery confirmation for 14.30 round
15.35		Deadline for bids	
by 15.45	Publish results of round		

by 15.50			Trade callover and delivery confirmation for 15.30 round. Settle CREST DBV transactions in respect of 14.30 and 15.30 rounds.
16.00			Funds in respect of deposits paid via CHAPS
16.05	Exchange rates published on Bank's wire service pages		
16.20	Publish forecast if revised – announce settlement bank facility if applicable	Settlement bank facility opens (if applicable)	
16.30		Deadline for bids in settlement bank facility	
By 16.35	Publish amount of overnight funds provided to settlement banks		

Appendix II (a)

BANK OF ENGLAND WIRE SERVICE PAGES FOR OPEN MARKET OPERATIONS

Reuters **BOE/MONEYOPS1-6**

Telerate **3868 - 3873**

ICV/Topic **44731 - 44736**

Bloomberg **BOE**

Examples of Bank of England screen announcements

<p>9.45 am¹ Initial liquidity forecast. Stg xxxx mn shortage A round of fixed rate operations is invited. The Bank's repo rate is X.XX%. The operations will comprise repos to X, X and X</p> <p>Principal factors in the forecast Maturing repo xxx Bank/customer transactions xxx (Change) in note circulation xxx Maturing settlement bank late repo facility xxx Bankers balances above/below target xxx</p> <p>10:00 am Total amount allotted - Stg xxxx mn</p>
<p>2.30pm Liquidity forecast revision - Stg xxxx mn./No revision to liquidity forecast Residual shortage - Stg xxxx mn A round of fixed rate operations is invited. The Bank's repo rate is X.XX%. The operations will comprise repos to X, X and X</p> <p>2.45pm Total amount allotted - Stg xxxx mn</p>
<p>3.30 pm Residual shortage - Stg xxxx mn/No residual shortage A round of overnight repo operations to supply funds is invited at a rate of x.xx%. Deposit Facility: offers of overnight funds are invited at a rate of X.XX%</p> <p>3.45pm Total amount allotted in overnight repo operations Stg xxxx mn Amount deposited with the Bank- Stg xxx mn/No use has been made of the deposit facility Net flows of overnight funds from the market Stg xxx mn Total liquidity provided to the market - Stg xxxx mn</p>
<p>4.20 pm Final liquidity forecast revision - Stg xxxx mn/No residual shortage Residual shortage - Stg xxxx mn The settlement bank late repo facility is available./The settlement bank late repo facility will not operate today.</p> <p>4.35 pm Stg xxxx mn has been provided in the settlement bank late repo facility</p>

¹ On the day each month when the Monetary Policy Committee makes an announcement on interest rates, the Bank will normally conduct its first round of operations at 12.15 rather than at 9.45. On such days the Bank will publish its initial liquidity forecast at 9.45 and, if necessary, will publish a revised forecast at 12.15.

Appendix III

VALUATION METHODS AND MARGINS FOR SALE AND REPURCHASE TRANSACTIONS

The Bank will normally use the valuation methods shown below, but reserves the right to use more recent prices. If the Bank chooses to use more recent prices, participants will be told of the changes to the method of valuation when they phone LSS to obtain information of the results of a round.

SECURITY	MARGIN RATIO	VALUATION METHOD
<p>British Government fixed rate securities and eligible sterling denominated securities (bulldogs) in CREST with a residual maturity of:</p> <p style="text-align: center;">up to 1 year</p> <p>more than 1 year and up to 3 years</p> <p>more than 3 years and up to 7 years</p> <p style="text-align: center;">More than 7 years</p>	<p>1.005</p> <p>1.01</p> <p>1.015</p> <p>1.025</p>	<p>British Government fixed rate securities are valued at the prevailing CREST reference price for such securities.</p> <p>Bulldogs are valued at the prevailing CREST reference price for such securities</p>
<p>Gilt strips in CREST and stripped eligible sterling securities issued by EEA Governments and international institutions with a residual maturity of:</p> <p style="text-align: center;">up to 1 year</p> <p>more than 1 year and up to 3 years</p> <p>more than 3 years and up to 7 years</p> <p style="text-align: center;">more than 7 years</p>	<p>1.015</p> <p>1.025</p> <p>1.03</p> <p>1.07</p>	<p>The prevailing CREST reference price for such securities.</p>
<p style="text-align: center;"><u>DBV in CREST</u></p> <p>All OMO eligible OMO securities [ELG]</p> <p style="text-align: center;">Treasury bills [TSY]</p> <p>Unstripped British Government Stocks [UBG]</p> <p style="text-align: center;">All British Government Stocks [BGS]</p>	<p>1.07</p> <p>1.0025</p> <p>1.0025</p> <p>1.025</p> <p>1.07</p>	<p>N/A</p>

Sterling Treasury bills and eligible bankers' acceptances ¹ in CREST	1.0025	The prevailing CREST reference prices
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SECURITY	MARGIN RATIO	VALUATION METHOD
Eligible sterling denominated international securities issued by EEA governments or international institutions with a residual maturity of:		Valued using the most recently available bid price supplied by ISMA and based on quotations collected from ISMA reporting dealers.
up to 1 year	1.005	
More than 1 year and up to 3 years	1.01	
More than 3 years and up to 7 years	1.015	
of more than 7 years	1.025	

HMG non-sterling marketable debt, Bank of England Euro bills and notes and eligible euro denominated securities issued by EEA governments and central banks or international institutions with a residual maturity of:		HMG non-sterling marketable debt and BoE Euro bills and notes are valued at prices observed by BoE dealing room at c.o.b. on previous day. Eligible euro-denominated international securities other than CCBM securities are valued using the most recently available bid price supplied by ISMA and based on quotations collected from ISMA reporting dealers. CCBM securities are valued daily using the source specified on the ECB database published on www.ecb.int . All these are converted to sterling at exchange rates published by the BoE dealing room at 16.00 on the previous business day.
up to 1 year	1.035	
More than 1 year and up to 3 years	1.04	
More than 3 years and up to 7 years	1.045	
More than 7 years	1.055	

Eligible euro denominated strips issued by EEA governments and central banks or international institutions with a residual maturity of:		Strips of CCBM securities are valued daily using the source specified on the ECB database published on www.ecb.int . Other strips are valued using the most recently available bid price supplied by ISMA and based on quotations collected from ISMA reporting dealers. Both are
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¹ Bankers' acceptances will cease to be eligible for use in the Bank's open market operations maturing after 17 August 2005. For more information see Section II: Eligible Securities

up to 1 year	1.045	converted to sterling at exchange rates published by the BoE dealing room at 16.00 on the previous business day.
More than 1 year and up to 3 years	1.055	
More than 3 years and up to 7 years	1.06	
More than 7 years	1.10	

International Institutions

African Development Bank

Asian Development Bank

Council of Europe Social Development Fund

European Atomic Energy Community

European Bank for Reconstruction and Development

European Community

European Coal and Steel Community

European Investment Bank

Inter-American Development Bank

International Bank for Reconstruction and Development/World Bank

International Finance Corporation

Nordic Investment Bank

CREST STERLING COLLATERAL

COUNTERPARTY:

DATE:

BANK OF ENGLAND CREST ID:

CONTACT NAME:

TIME OF ROUND:

PARTICIPANT CREST ID:

CONTACT NUMBER:

REPO MATURITY DATE:

We refer to the Bank's telephone confirmation that, as a result of the acceptance of bids under the round of money market operations specified above, we are to enter today into repo transactions with the Bank for the maturities and the aggregate purchase prices for each such maturity specified below. We hereby notify the Bank that the securities to be sold under those repo transactions, and the purchase prices for those securities, are to be as specified below. This notice is given under the Bank's Operating Procedures relating to its Official Market Operations and the repo transactions to which it relates are subject to the Master Repurchase Agreement between us and the Bank and to those Operating Procedures.

TRANSACTION TYPE	PURCHASE PRICE	MATURITY DATE	RATE	REPURCHASE PRICE

TRANSACTION TYPE CODES		COLLATERAL TYPE	
MM	Member to Member	TSY	Treasury Bills
		EBA	Eligible Bankers' Acceptances
RPO	Repo Functionality	BGS	British Government Stocks

TRANS TYPE	COLL TYPE	ISIN CODE	NOMINAL	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
		1)					
		2)					
		3)					
		4)					
		5)					
		6)					
		7)					
		8)					
		9)					
		10)					
		11)					
		12)					

NOTE 1: Adjusted value of collateral should be equal to or greater than the purchase price.

NOTE 2: If insufficient room is available on this form please send additional forms.

NOTE 3: Page 2 to be used for specifying Primary and Secondary Issuers in respect of deliveries containing EBAs

TOTAL

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ISIN CODE	PRIMARY ISSUER	SECONDARY ISSUER
1)		
2)		
3)		
4)		
5)		
6)		
7)		
8)		
9)		
10)		
11)		
12)		

CREST DBV STERLING COLLATERAL

COUNTERPARTY:

DATE:

BANK OF ENGLAND CREST ID:

CONTACT NAME:

TIME OF ROUND:

PARTICIPANT CREST ID:

CONTACT NUMBER:

REPO MATURITY DATE:

We refer to the Bank's telephone confirmation that, as a result of the acceptance of bids under the round of money market operations specified above, we are to enter today into repo transactions with the Bank for the maturities and the aggregate purchase prices for each such maturity specified below. We hereby notify the Bank that the securities to be sold under those repo transactions, and the purchase prices for those securities, are to be as specified below. This notice is given under the Bank's Operating Procedures relating to its Official Market Operations and the repo transactions to which it relates are subject to the Master Repurchase Agreement between us and the Bank and to those Operating Procedures.

COLLATERAL TYPE	PURCHASE PRICE	MATURITY DATE	RATE	REPURCHASE PRICE

COLLATERAL TYPE CODES	
DBV UBG	Unstripped British Government Stocks
DBV BGS	All British Government Stocks
DBV TSY	Treasury Bills
DBV ELG	All OMO eligible securities

COLLATERAL TYPE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL			

NOTE 1: Adjusted value of collateral should be equal to or greater than the purchase price.

NOTE 2: If insufficient room is available on this form please send additional forms.

MARGIN TRANSFER TO BANK

Appendix VI (a)

CONTACT NAME:

DATE:

CONTACT NUMBER:

COUNTERPARTY:

STERLING COLLATERAL

COLLATERAL TYPE	ISIN CODE	NOMINAL	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL						

NON STERLING COLLATERAL

ISIN CODE	NOMINAL	EXCHANGE RATE	PRICE	MARKET VALUE	MARGIN	ADJUSTED VALUE
TOTAL						

COUNTERPARTY DELIVERY DETAILS

CREST ID	
EUROCLEAR NO.	
CLEARSTREAM NO.	

CCBM COUNTRY	RECEIVING AGENT

BANK OF ENGLAND DETAILS

CREST ID	
EUROCLEAR NO.	92696
CLEARSTREAM NO.	78042
SWIFT ID	BKENGB2L

NOTE 1: Where Eligible Bankers' Acceptances are to be delivered, please use an additional page to specify Primary and Secondary Issuers

NOTE 2: If insufficient room is available on this form please send additional forms.

MARGIN TRANSFER FROM BANK

Appendix VI (b)

CONTACT NAME:

DATE:

CONTACT NUMBER:

COUNTERPARTY:

STERLING COLLATERAL

COLLATERAL TYPE	ISIN CODE	NOMINAL	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL						

NON STERLING COLLATERAL

ISIN CODE	NOMINAL	EXCHANGE RATE	PRICE	MARKET VALUE	MARGIN	ADJUSTED VALUE
TOTAL						

COUNTERPARTY DELIVERY DETAILS

CREST ID	
EUROCLEAR NO.	
CLEARSTREAM NO.	

CCBM COUNTRY	RECEIVING AGENT

BANK OF ENGLAND DETAILS

CREST ID	
EUROCLEAR NO.	92696
CLEARSTREAM NO.	78042
SWIFT ID	BKENGB2L

NOTE 1: If insufficient room is available on this form please send additional forms.

SUBSTITUTION – SECURITIES TO BE RETURNED

Appendix VII(a)

COUNTERPARTY:

CONTACT NUMBER:

DATE:

CONTACT NAME:

REPO START DATE:

REPO MATURITY DATE:

STERLING COLLATERAL

COLLATERAL TYPE	ISIN CODE	NOMINAL	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL						

NON STERLING COLLATERAL

COLLATERAL TYPE	ISIN CODE	NOMINAL	RATE	PRICE	MARKET VALUE	MARGIN	ADJUSTED VALUE
TOTAL							

TOTAL OF RETURNED ADJUSTED VALUES (A):	
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COUNTERPARTY DELIVERY DETAILS

CREST ID	
EUROCLEAR NO.	
CLEARSTREAM NO.	

CCBM COUNTRY	RECEIVING AGENT

BANK OF ENGLAND DETAILS

CREST ID	
EUROCLEAR NO.	92696
CLEARSTREAM NO.	78042
SWIFT ID	BKENGB2L

NOTE. 1: If insufficient room is available on this form please send additional forms.

SUBSTITUTION – REPLACEMENT SECURITIES TO BE DELIVERED

Appendix VII (b)

COUNTERPARTY:

CONTACT NUMBER:

DATE:

CONTACT NAME:

REPO START DATE:

REPO MATURITY DATE:

STERLING COLLATERAL

COLLATERAL TYPE	ISIN CODE	NOMINAL	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
	1)					
	2)					
	3)					
	4)					
	5)					
TOTAL						

NON STERLING COLLATERAL

COLLATERAL TYPE	ISIN CODE	NOMINAL	RATE	PRICE	MARKET VALUE	MARGIN	ADJUSTED VALUE
TOTAL							

TOTAL OF DELIVERED ADJUSTED VALUES (B):

COUNTERPARTY DELIVERY DETAILS

CREST ID		CCBM COUNTRY	RECEIVING AGENT
EUROCLEAR NO.			
CLEARSTREAM NO.			

BANK OF ENGLAND DETAILS

CREST ID	
EUROCLEAR NO.	92696
CLEARSTREAM NO.	78042
SWIFT ID	BKENGB2L

NOTE 1: Total adjusted value (B) must be equal to or greater than total adjusted value (A).

NOTE 2: Where Eligible Bankers' Acceptances are to be delivered, please use additional page to specify Primary and Secondary Issuers.

NOTE 3: If insufficient room is available on this form please send additional forms.

CREST STERLING COLLATERAL MATURITY

Appendix VIII (a)

COUNTERPARTY:

DATE:

BANK OF ENGLAND CREST ID:

CONTACT NAME:

TIME OF ROUND:

PARTICIPANT CREST ID:

CONTACT NUMBER:

REPO MATURITY DATE:

TRANSACTION TYPE	PURCHASE PRICE	NUMBER OF DAYS	RATE	REPURCHASE PRICE
TOTAL REPURCHASE PRICE				

TRANSACTION TYPE CODES		COLLATERAL TYPE	
MM	Member to Member	TSY	Treasury Bills
		EBA	Eligible Bankers Acceptances
RPO	Repo Functionality	BGS	British Government Stocks

TRANS TYPE	COLL TYPE	ISIN CODE	NOMINAL	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL							

NOTE 1: If insufficient room is available on this form please send additional forms.

CREST DBV STERLING COLLATERAL MATURITY

COUNTERPARTY:

DATE:

BANK OF ENGLAND CREST ID:

CONTACT NAME:

TIME OF ROUND:

PARTICIPANT CREST ID:

CONTACT NUMBER:

REPO MATURITY DATE:

COLLATERAL TYPE	PURCHASE PRICE	NUMBER OF DAYS	RATE	REPURCHASE PRICE
TOTAL REPURCHASE PRICE				

COLLATERAL TYPE CODES	
DBV UBG	Unstripped British Government Stocks
DBV BGS	All British Government Stocks
DBV TSY	Treasury Bills
DBV ELG	All OMO eligible securities

COLLATERAL TYPE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL			

Accrued Premium to be paid via CHAPS:	
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NOTE 1: The difference between Purchase Price and Repurchase Price is the Accrued Premium to be paid via CHAPS.

NOTE 2: If insufficient room is available on this form please send additional forms.

EEA STERLING COLLATERAL MATURITY

Appendix VIII (c)

COUNTERPARTY:

DATE:

CONTACT NAME:

TIME OF ROUND:

CONTACT NUMBER:

REPO MATURITY DATE:

	BANK OF ENGLAND	PARTICIPANT
Euroclear no.	92696	
Clearstream no.	78042	

COLLATERAL TYPE	PURCHASE PRICE	NUMBER OF DAYS	RATE	REPURCHASE PRICE
EEA*				
TOTAL REPURCHASE PRICE				

*EEA - Sterling Denominated securities issued directly into Euroclear / Clearstream by EEA Governments and major international institutions (settled in Euroclear / Clearstream)

ISIN CODE	NOMINAL	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL					

NOTE 1: The Total Repurchase Price is to be paid via CHAPS.
 NOTE 2: If insufficient room is available on this form please send additional forms.

NON STERLING COLLATERAL MATURITY

Appendix VIII (d)

COUNTERPARTY:

DATE:

CONTACT NAME:

TIME OF ROUND:

CONTACT NUMBER:

REPO MATURITY DATE:

	BANK OF ENGLAND	PARTICIPANT
SWIFT ID	BKENGB2L	
Euroclear no.	92696	
Clearstream no.	78042	

COLLATERAL TYPE (e.g. EURO EEA, BOE EURO, HMG NON £)	PURCHASE PRICE	NUMBER OF DAYS	RATE	REPURCHASE PRICE
TOTAL REPURCHASE PRICE				

RECEIVER (S) OF EEA SECURITIES	
CCBM COUNTRY	RECEIVING AGENT

ISIN CODE	NOMINAL	EXCHANGE RATE	PRICE	MARKET VALUE	MARGIN	ADJUSTED VALUE
TOTAL						

NOTE 1: The Total Repurchase Price is to be paid via CHAPS.

NOTE 2: If insufficient room is available on this form please send additional forms.

OVERNIGHT DEPOSIT FACILITY

Appendix IX

COUNTERPARTY:

CONTACT NAME:

CONTACT NUMBER:

DATE:

DEPOSIT START DATE	DEPOSIT MATURITY DATE	DEPOSIT AMOUNT	RATE	DEPOSIT REPAYMENT AMOUNT

Funds in respect of deposits accepted should be paid via CHAPS to the Bank of England

US TREASURY SECURITIES MATURITY

Appendix X (b)

COUNTERPARTY:

DATE:

CONTACT NAME:

TIME OF ROUND:

CONTACT NUMBER:

REPO MATURITY DATE:

	BANK OF ENGLAND	PARTICIPANT
SWIFT ID	BKENG2L	

We refer to the Bank's telephone confirmation that, as a result of the acceptance of bids under the round of money market operations specified above, we are to enter today into repo transactions with the Bank for the maturities and the aggregate purchase prices for each such maturity specified below. We hereby notify the Bank that the securities to be sold under those repo transactions, and the purchase prices for those securities, are to be as specified below. This notice is given under the Bank's Operating Procedures relating to its Official Market Operations and the repo transactions to which it relates are subject to the Master Repurchase Agreement between us and the Bank and to those Operating Procedures.

COLLATERAL TYPE	PURCHASE PRICE	NUMBER OF DAYS	RATE	REPURCHASE PRICE
US\$ SECURITIES				
TOTAL REPURCHASE PRICE				

RECEIVER (S) OF US\$ SECURITIES RECEIVING AGENT SWIFT ID AND ACCOUNT

ISIN CODE	NOMINAL	EXCHANGE RATE	PRICE	MARKET VALUE	MARGIN RATIO	ADJUSTED VALUE
TOTAL						

NOTE 1: If insufficient room is available on this form please send additional forms.

NOTE 2: The Total Repurchase Price should be repaid via CHAPS.