

NOTICE ON TRANSITION BETWEEN SETTLEMENT OF ELIGIBLE MONEY MARKET SECURITIES IN THE CENTRAL MONEYMARKETS OFFICE (CMO) AND SETTLEMENT IN CREST

Issuance of money market securities is due to begin in CREST on 15 September. As described in the Bank's notices of 11 July and 27 August¹, the non-material eligible debt security (EDS) equivalents of Treasury bills, eligible bank bills and eligible local authority bills in CREST will be eligible for use in the Bank's operations in the sterling money markets from that date. Physical Treasury bills, eligible bank bills and eligible local authority bills will remain eligible in the Bank's operations in the sterling money markets while these securities may still be settled in the CMO. There will therefore be a transitional period from 15 September to the closure of the full CMO settlement service - planned for 13 October - in which the Bank will take in its operations both eligible paper money market instruments in the CMO and their non-material EDS equivalents in CREST.

The Bank of England's new Operational Notice of September 2003 describes the arrangements for EDS equivalents of money market instruments and will take effect from 15 September. The Operational Notice of April 2000 will continue to apply to matters relating to physical Treasury bills, eligible bank bills and eligible local authority bills settled in the CMO. The Operational Notice of April 2000 will be wholly replaced by the new notice on closure of the full CMO settlement service.

Participants should note that:

- All Treasury bills are expected to migrate into CREST on 29 September. In advance of that, as part of the general migration arrangements, counterparties should substitute other eligible securities for physical Treasury bills ahead of 26 September.²
- Eligible bank bills are expected to migrate into CREST on 6 October. In advance of that, as part of the general migration arrangements, all eligible bank bills in the CMO sold to the Bank in a repo transaction should be substituted with other eligible securities ahead of 3 October.
- As a consequence of the limited service available in the CMO after 13 October, the Bank will only purchase non-migrated bills in the CMO on an outright basis in the period between the migration of bank bills on 6 October and 13 October.

Settlement bank counterparties of the Bank should be aware that for the provision of intra-day liquidity (IDL) the Bank will not accept Treasury bills or eligible bills delivered in the CMO following the relevant migration dates. Consequently, for IDL,

¹ "The eligibility of non-material money market securities for the Bank of England's operations in the sterling money markets and for RTGS" -

http://www.bankofengland.co.uk/markets/money/stermm2_030711.pdf

"Bank of England Operations in the sterling money markets: eligible banks and eligible bankers' acceptances" -

<http://www.bankofengland.co.uk/markets/money/eligbkopnot0003.pdf>

² For further details on arrangements for the migration weekends please contact the Liquidity Services Section of the Bank.

Treasury bills must be delivered in CREST with effect from 29 September 2003 and eligible bankers' acceptances (non-material equivalents of eligible bills) must be delivered in CREST with effect from 6 October 2003. Further information on transitional arrangements for IDL can be found in the RTGS Operating Circular of 10 September.

Bank of England

10 September 2003