

Contingent NBFI Repo Facility (CNRF) – Frequently Asked Questions

I am interested in participating in the CNRF, what should I do?

Insurance companies, pension schemes, and LDI funds ('ICPFs') that are interested in participating in the CNRF should check whether they meet the eligibility criteria, which are set out in the [CNRF Terms and Conditions](#). Assuming you meet these criteria, you may want to contact the CNRF applications team if you have any questions about the application process. When you are ready to begin your application, you should submit an [Application Form](#) and the accompanying documentation. The application process involves submitting several legal documents, as well as some financial and regulatory information and the completion of test trades.

Guidance on the required legal documents can be found in the [Guide to Legal Documentation](#), while further information on the financial and regulatory information and test trades required can be found in the FAQs below. If you have any further questions about applying to the CNRF, please email CNRFapplications@bankofengland.co.uk.

Do applicants need to appoint a Representative to access the CNRF?

Applicants are not required to appoint another party to act as their Representative but may choose to do so. Representatives must meet the eligibility criteria applicable to them, which are set out in the [CNRF Terms and Conditions](#). Working with the applicant, they must also submit a Representative Appointment Letter, which can be found on the [CNRF webpage](#).

The [Guide to Legal Documentation](#) gives an overview of the steps an applicant will need to take when applying to the CNRF. If an applicant intends to access the facility through a Representative, then that Representative may liaise with the Bank on the applicant's behalf during the application process. Representatives may support applicants in providing evidence that they meet the CNRF eligibility criteria, supplying the Bank with relevant documentation and settlement instructions, completing test trades, and transferring the access fee.

In the event that the CNRF is activated, Representatives will be able to act on a Participant's behalf by bidding, providing settlement instructions, transferring payments and collateral, and communicating with the Bank on behalf of the Participant or Participants they represent. Further explanation of the role and responsibilities of Representatives can be found in the Guide to Legal Documentation.

Participants and, where applicable, Representatives may delegate responsibility for transferring collateral and settling payments to a third party. The Bank must be informed of this via the Standard Settlement Instructions (SSIs) submitted as part of the application process. Where a third party acts as delegate, it may not perform any of the other duties assigned to the Representative.

How can an applicant demonstrate that it meets an appropriate standard of financial health?

Applicants will need to meet at all times, in the Bank's opinion, an appropriate standard of current and prospective financial health. As noted in the [Market Notice](#), insurance companies regulated in the UK can demonstrate this by meeting the Prudential Regulatory Authority (PRA)'s and Financial Conduct Authority (FCA)'s regulatory threshold conditions.

For LDI funds that are subject to the macroprudential measures introduced by the European Securities and Markets Authority in April 2024¹ (or the macroprudential guidance introduced by The Pensions Regulator and FCA in April 2023², if applicable), adhering to these measures (or guidance) satisfies this requirement.

Pension schemes, LDI funds that are not subject to these macroprudential measures, and insurance companies that are regulated outside the UK, can satisfy the requirement by providing evidence of financial health equivalent to an investment-grade credit rating.

Where no public credit rating is available, the Bank will consider relevant credit information from other qualified sources, including private ratings from commercial lenders or other relevant third-party sources.

If you are unable to provide any of this information, please contact us at CNRFapplications@bankofengland.co.uk to discuss how evidence of current and prospective financial health could be demonstrated in another way.

¹ In April 2024, [ESMA agreed with the new rules by the Central Bank of Ireland \(CBI\) and Luxembourg's Commission de Surveillance du Secteur Financier \(CSSF\) on GBP LDI funds authorised in those jurisdictions.](#)

² [Further guidance on enhancing resilience in Liability Driven Investment | FCA](#) and [Using leveraged liability-driven investment | The Pensions Regulator](#)

How can an investment fund demonstrate that its investment strategy seeks to match the sensitivity of its assets to UK interest rates or inflation to that of its investors' pre-defined liabilities, in order to be classified as an 'LDI fund' for the purposes of CNRF eligibility?

The below provides a list of various ways in which an investment fund could demonstrate that its investment strategy seeks to match the sensitivity of its assets to UK interest rates or inflation to that of its investors' pre-defined liabilities. This list is non-exhaustive and should be considered as guidance only. The Bank may consider these and other indicators in combination and ask for further information to assess whether this eligibility criterion has been met. Meeting one of these indicators alone may not be sufficient to demonstrate that this eligibility criterion has been met.

- The investment fund can demonstrate that it has a high concentration of investment in gilts, inflation-linked gilts, and interest rate swaps.
- The investment fund can demonstrate that its objective is to seek to provide a series of cash flow payments which, when combined with returns which an investor may receive from cash it may hold on deposit, will provide a total return which reflects that of a profile of fixed rate cash flows and/or that of real rate cash flows with payment terms linked to the UK Retail Price Index.
- The investment fund can demonstrate that its objective is to seek to provide a leveraged return to a specific gilt.
- The investment fund can demonstrate that it has a large amount of holdings in repurchase agreements using collateral: inflation-linked gilt.
- The investment fund can demonstrate that it has exposure to liquid or near cash instruments, primarily gilts and index-linked gilts together with the flexibility to invest in interest rate swaps, inflation swaps and total return swaps in relation to such gilts.
- The investment fund can demonstrate that it has an exposure to liquid or near cash instruments together with inflation swaps which are designed to match the change in the UK Retail Price Index over the period to the maturity of each fund.
- The investment fund can demonstrate that it seeks to provide a leveraged exposure to the gilt with a specific yield and maturing in a given year.

What can be included in an applicant's gilt holdings for the purposes of the CNRF eligibility threshold / responding to the CNRF Financial Data Form (Section A: Question 2)?

What can be included in the applicant's / Participant's gilt holdings?

- Gilts held outright on the balance sheet.
- Gilts that have been lent out to third parties (e.g. via repo), but only to the extent that these gilts remain on the balance sheet of the applicant / Participant.³

What cannot be included in the applicant's / Participant's gilt holdings?

- Gilts that have been borrowed (e.g. via reverse repo) should not be included. Similarly, gilts that have been borrowed (e.g. via reverse repo) and subsequently lent out to other counterparties should not be included. This aligns with the policy purpose of the CNRF.
- Gilts that are managed or held by an external counterparty / another entity should not be included where the applicant / Participant would not have the right to transfer those gilts to the Bank as collateral. For example, insurance companies should not report gilts that are held in collective investment funds, and pension schemes should not report gilts that are managed by an external asset manager as part of an LDI mandate. This is to avoid double counting i.e. multiple applicants / Participants reporting the same pool of gilts.
- Synthetic gilt holdings and/or derivative gilt exposures such as futures, forwards or swaps should not be included. This is due to the lack of physical gilts that can be transferred to the Bank as collateral.

Example:

- Suppose a theoretical firm (herein referred to as 'Firm A') holds £5bn of gilts and these are recorded on its balance sheet.
- Table 1 below sets out various scenarios that may impact Firm A's reported gilt holdings for the purposes of the CNRF:

³ See: [ICMA - Does repo 'encumber' a borrower's assets?](#) and [ICMA - Is repo used to remove assets from the balance sheet?](#)

Table 1: CNRF Gilt Holdings – Example Scenarios

Scenario	Gilt holdings for the purposes of the CNRF
Firm A lends out £1bn of its initial gilt holdings (e.g. via repo).	Firm A = £5bn
Firm A borrows £0.5bn of gilts (e.g. via reverse repo) but does not do anything further with that £0.5bn of gilts.	Firm A = £5bn
Firm A borrows £0.5bn of gilts (e.g. via reverse repo) and lends that £0.5bn of gilts to another counterparty.	Firm A = £5bn
Firm A borrows cash against £1bn of its initial £5bn gilt holdings (e.g. via repo), and then uses that cash to buy £0.5bn of gilts.	Firm A = £5.5bn
Firm A transfers £1bn of its initial gilt holdings into LDI Fund B. LDI Fund B is managed by an external asset manager on behalf of Firm A only.	Firm A = £4bn LDI Fund B = £1bn
Firm A transfers £1bn of its initial gilt holdings into pooled LDI Fund C. LDI Fund C also currently manages £6bn of gilts on behalf of other firms.	Firm A = £4bn LDI Fund C = £7bn

Would a participant cease to be eligible if the value of its gilt holdings falls below the eligibility threshold?

The Bank recognises that the value of Participants' gilt holdings will fluctuate over time, and that this may result in Participants' holdings falling temporarily below the gilt holdings eligibility threshold. In such situations, the Bank will engage with Participants and take into account a range of considerations. There is no presumption that a Participant's eligibility would be automatically revoked.

What will the operational onboarding process for successful applicants involve?

During the onboarding process applicants will be required to submit an [Application Form](#) and a [Data Collection Form](#) to provide their Standard Settlement Instructions (SSIs). This also includes contact information, settlement preferences and reporting requirements. As onboarding is progressed the Bank's operational teams will work with applicants, proposed Representatives (where relevant), and third party delegates (where relevant) to provide information on the trade and collateral process flow.

As part of the onboarding process, we will complete a small trade to test the system connections and settlement processes. Following onboarding we will ensure operational readiness by conducting an end-to-end CNRF test trade, including bids submitted in our electronic tendering system ('Btender'). This test trade will be repeated around annually to ensure familiarity.

We are happy to support operational teams through the process, including process walkthrough and the provision of example data, messages and notifications.

Is there an expedited onboarding option available during a stress event?

If the CNRF is activated during a period of market stress, the Bank cannot guarantee that it will be able to onboard and lend to any applicant that the Bank has not onboarded in advance. We encourage eligible ICPFs to apply in a timely manner now that the CNRF is open for applications.

What information will the Bank collect on applicants and Participants?

Applicants will be required to submit a range of information to demonstrate that they meet the CNRF eligibility criteria. This information will include the [CNRF Application Form](#), [Financial Data Form](#) and [Financial Data Form Certificate](#), the [Bank of England Know Your Customer Questionnaire](#) and [Data Collection Form](#) to provide SSIs. Once admitted, Participants will be required to submit an updated Financial Data Form and the Financial Data Form Certificate each year. Further details regarding data requirements are set out in the [CNRF Operating Procedures](#).

The Bank may share some information submitted by applicants with relevant regulatory authorities or supervisory bodies where necessary to do so, to enable the Bank to verify or assess an applicant's eligibility for the CNRF.

In complying with applicable laws and for law enforcement purposes, we may also disclose information to any government entity, regulatory authority or to any other person the Bank reasonably considers necessary.

The Bank will only share data with others in accordance with the [CNRF Terms and Conditions](#).

What is a single collateral pool, and what is the collateral management process?

The Bank uses a pooling method to manage the collateral we hold. Under this model all the Adjusted Market Value (AMV) of delivered securities from each Participant will be aggregated to create a total pool AMV. This total pool AMV will be compared to the total value of any outstanding exposures that Participant has in the CNRF. This means that an individual collateral delivery is not earmarked against, or assigned to, a specific CNRF transaction. Collateral pooling facilitates easy collateral substitution.

For collateral substitutions, any exposures must remain collateralised so you must settle additional collateral into your pool before the Bank can return any collateral to you.

We encourage substitutions to take place as early as possible during the day to ensure same day settlement.

Participants will be provided with a collateral pool account at the Bank through the onboarding process.

More detail on the methods of instructing collateral movements to a Participant's pool account are provided in the [CNRF Operating Procedures](#).

What is the Adjusted Market Value (AMV) of collateral?

The Bank uses prices and haircuts to calculate an AMV of the collateral delivered to us. A concentration limit of £500mn is also applied to each International Securities Identification Number (ISIN) within the pool for CNRF Participants.

The total AMV of all collateral delivered to the Bank in a collateral pool must be greater than the value of a Participant's exposures under the CNRF. If the AMV of collateral falls below that of the exposures, the Participant will be asked to deliver additional collateral.

The Participant or, where relevant, its Representative, should monitor the values of collateral placed with the Bank to ensure the Participant has enough collateral to cover its drawings and any fees or interest. Once the collateral has been delivered to us, the Participant or, where relevant, its Representative can check the AMV of the Participant's collateral using the Collateral Management Portal or view the 'pool details report' which is emailed daily at around 10pm.

The Bank is unable to confirm the AMV of specific securities ahead of them being placed with us, but Participants can use the haircut information published along with market prices to calculate an indicative value.

10 business days prior to the maturity date of the Gilt the security will lose value. Please refer to the Operating Procedures for further detail. This can be monitored using the Collateral Management Portal or via the pool details report.

Collateral Prices

Conventional and index-linked gilts (including unconventional gilts such as strips) are valued by the Bank using observed market prices (our valuation is binding). Our intention is to snap prices at approximately 4pm London time where possible.

When will I receive a margin call?

A margin call will be issued to you when the AMV / value of gilt collateral backing active exposures drops below the total exposure value.

The minimum transfer to cover a margin call is £25,000.

The notification is sent as an email to the operational contact specified on the [Data Collection Form](#). The Bank aims to send out margin calls as early as possible, normally before 10am or as soon as possible afterwards. You are expected to cover any margin calls within 90 minutes.

How do I deliver collateral in or request it back out of the collateral pools?

Gilt collateral should be delivered to the Bank's CREST account via Free of Payment (FoP) delivery. There are three possible collateral instruction methods:

- SWIFT instruction
- Collateral Management Portal (CMP)
- Excel template confirmation

For the most efficient delivery method of collateral movements, SWIFT messages and/or the CMP are encouraged.

To enable SWIFT instruction the Bank provides additional references to quote in collateral messages. Please contact CMC.SCP@bankofengland.co.uk for more information on SWIFT instructions for collateral or to arrange a test trade.

The CMP allows users easy access to view collateral positions and valuations, check gilt collateral eligibility and instruct collateral movements. You can find out more about the CMP by accessing the user guide. For more information on the CMP, including set-up process and user benefits, please contact CMC.SSI@bankofengland.co.uk. The

[CNRF Collateral Confirmation Template](#) can be completed and sent via email to CMC.SCP@bankofengland.co.uk to process collateral instructions and movements.

What is the process for cash advances in the CNRF?

Cash payments are made following the settlement and valuation of eligible gilt collateral. The Bank processes the cash payment at the earliest opportunity.

It is possible to net new and maturing cash payments. This preference can be selected as part of the [Data Collection Form](#) to submit SSIs.

All cash advances are paid and received via CHAPS. More detail can be found on this in the [CNRF Operating Procedures](#).

How will the Bank value the gilt holdings of Participants posted as collateral?

The value of gilt holdings will be determined by the Bank, using observed market prices or other pricing sources and methods deemed appropriate by the Bank. Further information regarding the valuation of collateral can be found in the [CNRF Terms and Conditions](#).

On what basis are trades settled, and what is the process for a counterparty to access funds?

The Bank expects settlement will be on a T+0 basis. All payment of funds to the Participant or the Bank will be paid or received via CHAPS. Gilt securities can only be delivered to the Bank's CREST account.

CNRF cash advances will be paid to Participant's nominated bank according to Standard Settlement Instructions (SSIs) the Participant provides to the Bank as part of the application and test trade process in advance. Participants will be required to provide ongoing updates to their SSIs as appropriate.

More information about the settlement process can be found in the [CNRF Operating Procedures](#).

What will be the price of borrowing from the CNRF, and how will it be determined?

The price of borrowing from the CNRF will be set as a spread to the Bank Rate. The Bank will announce the pricing of the CNRF via a Market Notice at the point of activation and it will be calibrated to reflect the nature of the shock. This will allow the Bank to respond flexibly and appropriately to the nature of the shock.

As a backstop facility, the Bank intends that the pricing for the CNRF would be set such that it is not below comparable SMF facilities, and is unattractive when compared to market pricing in normal conditions but attractive during times of stress when the facility is active. This will help ensure market participants continue to self-insure against a range of liquidity shocks. It will also encourage usage of the CNRF when conditions require market-wide liquidity support while ensuring a return to private markets as conditions normalise.

How much will it cost to participate in the CNRF?

Each Participant in the CNRF will be required to pay an Access Fee, currently set at £8,000, payable annually. The Access Fee for the initial period in which a Participant is admitted to the CNRF is payable in advance and will be pro-rated to reflect the Participant's date of admission.