



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

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MMI Migration Marks Completion of UK Securities Settlement Consolidation

With the successful transfer this week of sterling Certificates of Deposit (CDs), the Bank of England and CRESTCo are pleased to announce that the migration of all money market instruments (MMIs) from the Central Moneymarkets Office (CMO) to CREST has now been completed smoothly and on schedule. The migration also marks the conclusion of the programme of work set out in the Bank of England's 1998 Securities Settlement Priorities Review, and cleared the way for the closure, at noon today, of the CMO settlement system.

The migration process began on 15 September with the issuance of new money market instruments in CREST and ended on 13 October with the transfer of CDs, the last remaining category of MMIs to be moved out of the paper-based CMO system into dematerialised form in CREST. The conclusion of the migration process represents the culmination of more than six months dedicated preparatory work by the market as a whole, and both the Bank of England and CRESTCo wish to record their appreciation of the efforts made by everybody involved.

By making money market instruments eligible in CREST, non-CMO members now have full access to these securities, which is expected to improve their liquidity. In addition, due to the multi-currency capabilities of the CREST system, it will also be possible to issue money market securities in currencies other than sterling and euro.

This move also brings a welcome reduction in risk, with settlement of money market instruments in CREST occurring in real time with Delivery-versus-Payment (DvP) in central bank money. It follows the introduction of DvP in central bank money for other CREST securities (equities and bonds) in 2001 and the implementation in 1996 of Real-Time Gross Settlement in the wholesale payments system. Together these measures have eliminated inter-settlement bank exposures in the payments and settlement infrastructure supporting UK financial markets.

The migration also brings substantial cost savings for issuers and investors. For example, the standard settlement fee charged by CREST is GBP 0.50p, instead of an average of GBP 4.50 in the old CMO.

Commenting on the completion of the migration, Hugh Simpson, CRESTCo Chief Executive said: "The full dematerialisation of money market securities in CRESTCo provides a more secure and less expensive means to issue and process transactions in these instruments in the UK. We are delighted with the speed of the market's take-up of the modern infrastructure that we have put in place for these short-term securities, particularly the multi-currency feature, as evidenced by the brisk activity witnessed in dollar CDs."

Paul Tucker, Executive Director - Markets and member of the Monetary Policy Committee at the Bank of England, said: "We are delighted that the long-term strategy for reducing risk in UK wholesale payments and settlement system has taken another important step. This initiative affects core money markets and so is especially important. Everyone in the market has worked together to achieve this."

Notes to Editors

The market for short-term securities in the UK - which includes UK Treasury Bills, Bank Bills and Certificates of Deposit - is valued at approximately GBP 160 billion (EUR 225 billion). Following the publication of the Bank of England's Securities Settlement Priorities Review in 1998, the market agreed that these securities would migrate to the CREST system. The other major elements in this programme were the integration of UK gilts settlement into CREST (July 2000, following CREST's earlier takeover of the Bank's Central Gilts Office operation) and the introduction of full scale Delivery-versus-Payment in central bank money for gilts and equities transactions in CREST (November 2001). The introduction of Electronic Transfer of Title in November 2001 was also a pre-requisite for the dematerialisation of MMIs.

The Bank of England maintains a close interest in the sterling and other money markets, and in the instruments that are traded in these markets. It implements monetary policy through its operations in the sterling money markets and seeks to foster an efficient infrastructure for the issuance, secondary trading and settlement of money market and other securities.

In 1989 in the Ernest Sykes Memorial Lecture, the then Governor of the Bank of England, Robin Leigh-Pemberton, set out a programme of work to reduce risk in UK wholesale payments and settlements systems, including the introduction of Real-Time Gross Settlement for wholesale payments and Delivery-versus-Payment in central bank money for the settlement of securities transactions. DvP significantly reduces systemic risk by providing that payment in central bank money between CREST settlement banks takes place simultaneously with the transfer of the ownership of securities.

The secondary legislation to allow the dematerialisation of money market securities came into force in June 2003.

CRESTCo Limited operates the real-time securities settlement system for Irish, UK, Jersey, Isle of Man, Guernsey and international securities. CRESTCo Limited is a wholly owned subsidiary of Euroclear Bank.