



BANK OF ENGLAND

News release

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Reform of the Bank of England's Operations in the Sterling Money Markets

The Bank of England has today published a paper setting out the final details of the reformed framework for its official operations in the sterling money markets.

The paper asks for feedback from potential participants on practical issues relating to the introduction of the new framework. In the light of responses to those questions, the Bank will publish a detailed implementation timetable.

Notes to Editors

The Bank published a second consultative paper 'Reform of the Bank of England's Operations in the Sterling Money Markets' on 25 November 2004. It outlined the Bank's plans for a new framework based on averaging of voluntary remunerated reserves, with a narrow interest rate corridor formed by standing lending and deposit facilities on the final day of the maintenance period. The Bank's open market operations will move to weekly operations of one-week maturity, with a routine overnight-maturity fine-tuning operation on the final day of the maintenance period. That paper sought feedback on a number of detailed design features. In the light of the comments received, the paper published today sets out the new framework in full.

The reasons for the changes to the operational framework, along with the objectives of the review were set out in the first consultative paper, published on 7 May 2004.

The May 2002 paper "The Bank of England's operations in the sterling money markets" provides a full description of the Bank's current money market operations.

A number of technical changes to the current framework were introduced on 14 March 2005 with the aim of further stabilising overnight market interest rates ahead of the launch of the fully-reformed scheme. The news release announcing these interim changes was published on 11 February 2005.

Further information on the Bank's reforms can be found on the Money Market Reform pages.