



BANK OF ENGLAND

News release

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New Money Market Framework: Participants Announced

The Bank is today publishing the lists of banks and building societies participating at the launch of its new framework for implementing the Monetary Policy Committee's interest rate decisions.

There will initially be 41 reserves scheme members and an additional 17 (so in total 58) standing facilities participants.

The Bank has also today published the 'Red Book' which sets out the framework.

The new framework is being launched on Thursday 18 May 2006.

The lists of participants for reserves and the standing facilities can be found in the Key Resources below.

Notes to Editors

1. The 'Red Book', formally titled 'The framework for the Bank of England's operations in the sterling money markets', is available at www.bankofengland.co.uk/markets/money/publications/redbook0506.pdf (see link in Key Resources below). Full and definitive details of the Bank's framework are contained in the Bank's Documentation, which sets out the legal terms and conditions for the operations and the Bank's full operating procedures. The Documentation is available at www.bankofengland.co.uk/markets/moneymarketreform/051222full.pdf (see link in Key Resources below).

2. The objectives of the new system:

- Overnight market interest rates to be in line with the Bank's official rate, so that there is a flat money market yield curve, consistent with the official policy rate, out to the next MPC decision date, with very limited day-to-day or intra-day volatility in market interest rates at maturities out to that horizon.
- An efficient, safe and flexible framework for banking system liquidity management - both in competitive money markets and, where appropriate, using central bank money - in routine and stressed or otherwise extraordinary conditions.

- A simple, straightforward and transparent operational framework.
- Competitive and fair sterling money markets.

In pursuit of these objectives, the Bank's new framework is based on a system of voluntary remunerated reserves with a period-average maintenance requirement. In addition, standing lending and deposit facilities will, from Thursday, be available on demand to a wide range of banks and building societies. The Bank's short-term open market operations are moving to weekly operations of one-week maturity, with a routine overnight fine-tuning operation on the final day of the maintenance period.

3. The institutions participating in the new framework comprise the bulk of the UK banking system by size of balance sheet, with reserve scheme members alone accounting for around 90% of the system's sterling bank liabilities. The UK banks and building societies that are participating in the new reserve-averaging are required to have access to the standing facilities.

4. In April, the Bank confirmed that it is launching the new framework on 18 May. The news release is available at www.bankofengland.co.uk/publications/news/2006/050.htm.

Key Resources

The framework for the Bank of England's operations in the sterling money markets (The 'Red Book') - May 2006

<http://webarchive.nationalarchives.gov.uk/20100114080129/http://www.bankofengland.co.uk/markets/money/publications/redbook0506.pdf>

Documentation for the Bank of England's Operations in the Sterling Money Markets
Full and definitive details of the Bank's framework.

<http://webarchive.nationalarchives.gov.uk/20100114080129/http://www.bankofengland.co.uk/markets/money/marketreform/051222full.pdf>

List of Reserve Scheme Members and Standing Facilities Participants

<http://webarchive.nationalarchives.gov.uk/20100114080129/http://www.bankofengland.co.uk/markets/money/marketreform/060515participants.pdf>