



**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

8 October 2008

## **Recapitalisation of the UK Banking System**

The Bank of England believes the measures announced by the Government this morning are an important step forward in stabilising the financial system. The Bank will play its full part in implementing the plans.

Commenting on the announcement, Mervyn King - Governor of the Bank - said: "A major recapitalisation of the UK banking system of at least £50 billion is a necessary condition for regenerating confidence in the financial system. The recapitalisation, further liquidity support from the Bank of England and the new guarantee scheme amount to a significant step forward in resolving the present crisis".

### **Liquidity support**

The Bank of England will take all actions necessary to ensure that the banking system has access to sufficient liquidity. In its provision of short-term liquidity the Bank will extend and widen its facilities in whatever way is necessary to ensure the stability of the system.

As part of the Government's announcements and to that end, at least £200 billion will be made available to banks under the Special Liquidity Scheme. This is a substantial amount of eligible illiquid assets that banks in aggregate will be able to swap in the Scheme.

Until markets stabilise, the Bank will continue to conduct auctions to lend sterling for three months, and also US dollars for one week, against extended collateral. It will review the size and frequency of those operations as necessary.

Bank debt that is guaranteed under the Government's guarantee scheme will be eligible in all of the Bank's extended-collateral operations.

Next week, the Bank will bring forward its plans for a permanent regime underpinning banking system liquidity, including a Discount Window facility (previously scheduled for September but delayed in the light of financial market conditions).

More information about the Bank's operations will be published in a Market Notice later today

(<http://www.bankofengland.co.uk/markets/marketnotice081008.pdf>).