



**BANK OF ENGLAND**

# News release

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## **The Development of the Bank of England's Market Operations: Consultative Paper**

The Bank of England today announces the release of a paper on the planned developments of its market operations.

The Bank is planning three major reforms designed to improve the functioning of the existing framework and introduce two new permanent liquidity insurance facilities for banks to access in stressed financial circumstances:

1 The replacement of the existing Standing Facilities with Operational Standing Facilities, the clear purpose of which will be to absorb technical problems and imbalances in the operation of money markets and payments and not to provide support to stressed firms. These changes will be introduced on Monday 20 October 2008.

2 The establishment of a Discount Window Facility, enabling banks to borrow gilts or, at the Bank's discretion, cash, against a wide range of eligible collateral in order to provide liquidity insurance to commercial banks in the event of stress. This Facility will also take effect on Monday 20 October 2008.

3 The introduction, after further consultation, of permanent long-term repo open market operations against broader classes of collateral, to be auctioned under a mechanism where counterparties bid separately and against different types of collateral.

Commenting on the consultative document, Governor of the Bank of England, Mervyn King, said: "These arrangements set out our liquidity provision in a systematic way to help banks plan access to central bank liquidity and so add certainty."

The Development of the Bank of England's Market Operations - A consultative paper by the Bank of England

<http://www.bankofengland.co.uk/markets/Documents/money/publications/condococt08.pdf>

Summary note

<http://www.bankofengland.co.uk/markets/Documents/money/publications/summarynoteoct08.pdf>