



**BANK OF ENGLAND**

# News release

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## **Special Liquidity Scheme**

The Bank is today publishing information about the use of its Special Liquidity Scheme (SLS).

The SLS was introduced in April 2008 to improve the liquidity position of the banking system by allowing banks to swap their high quality mortgage-backed and other securities for UK Treasury Bills for up to three years. The Scheme was designed to finance part of the overhang of illiquid assets on banks' balance sheets by exchanging them temporarily for more easily tradable assets. Securities formed from loans existing before 31 December 2007 have been eligible for use in the SLS.

As previously announced, the drawdown period for the SLS closed on 30 January. Use of the Scheme has been considerable, totalling £185 billion of Treasury Bills. The attached Market Notice provides further details.

Although the drawdown window to access the SLS has closed, the Scheme will remain in place for three years, thereby providing participating institutions with continuing liquidity support and certainty.

The Special Liquidity Scheme has served its purpose in relation to the overhang of illiquid assets on balance sheets up to the end of 2007. But financing conditions have remained difficult for banks and building societies and therefore further measures have been introduced by the Bank and HM Treasury to improve financing and credit conditions in the economy. These include the Bank's Discount Window Facility, introduced in October 2008 as part of the Bank's framework for its operations in sterling money markets. The Discount Window Facility is a permanent facility to provide liquidity insurance to the banking system. It allows eligible banks and building societies to borrow gilts against a wide range of collateral. Eligible collateral is wider than that accepted in the SLS and is not limited to assets on balance sheets before a particular date. In recognition of the continued stresses in financial markets, the Bank announced on 19 January 2009 that, for an additional fee, access to its Discount Window Facility was being extended to 364 days in addition to the normal 30-day window, which would continue to be available.

Further details are published in a Market Notice

<http://www.bankofengland.co.uk/markets/marketnotice090203c.pdf>.