



BANK OF ENGLAND

News release

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Introduction of the Extended Collateral Term Repo Facility

In light of the continuing exceptional stresses in financial markets, the Bank of England is today announcing the introduction of a new contingency liquidity facility, the Extended Collateral Term Repo (ECTR) Facility. This Facility is designed to mitigate risks to financial stability arising from a market-wide shortage of short-term sterling liquidity. There is currently no shortage of short-term sterling liquidity in the market. But should that position change, the new Facility gives the Bank additional flexibility to offer sterling liquidity in an auction format against the widest range of collateral. The introduction of the ECTR Facility underlines the Bank's commitment to take appropriate measures to maintain UK monetary and financial stability.

The ECTR Facility will form part of the Sterling Monetary Framework and is reflected in an update to the Bank's "Red Book". In conjunction with the Indexed Long-Term Repo (ILTR) operations, and the permanent availability of the Discount Window Facility (DWF) for bilateral transactions, the ECTR Facility will give the Bank the ability to ensure that the banking sector has a sufficient access to sterling liquidity to mitigate risks arising from unexpected shocks.

Operations under the Facility will be announced at the discretion of the Bank to respond to actual or prospective market-wide stress. The operations would offer sterling for 30 days against collateral pre-positioned for use in the Bank's Discount Window Facility (DWF). All firms registered for access to the Bank's DWF would be eligible for ECTR operations. The size of any ECTR operation would be announced the day prior to the operation. Further operational details are available in the accompanying Market Notice.

Notes to Editors

The framework for the Bank's operations in the sterling money markets is set out in the Bank's 'Red Book' available here <http://www.bankofengland.co.uk/markets/sterlingoperations/redbook.htm>

The Market Notice for the ECTR Facility is available at <http://www.bankofengland.co.uk/markets/marketnotice111206.pdf>