



BANK OF ENGLAND

News release

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Auctions to be held under the Extended Collateral Term Repo Facility

In his Mansion House speech last night, Sir Mervyn King, the Governor of the Bank of England, announced that in the current turbulent period, the Bank of England will be commencing operations under the Extended Collateral Term Repo (ECTR) Facility. Activation of this Facility, introduced in December 2011, is intended to mitigate prospective risks to financial stability arising from a market-wide shortage of sterling liquidity by lending to the banking system against the widest range of collateral.

The Bank intends to hold an ECTR auction at least monthly until further notice. The first auction under the ECTR Facility will be held on 20 June 2012. In its ECTR auctions, the Bank will offer sterling liquidity with a term of 6 months against collateral pre-positioned for use in the Bank's Discount Window Facility (DWF). The minimum bid rate in these auctions will be a spread to Bank Rate of 25 basis points. All firms registered for access to the Bank's DWF are eligible for ECTR auctions. The size of ECTR auctions will be announced the day prior to each operation and will be subject to a minimum of £5 billion.

The ECTR Facility is part of the Bank's permanent framework of operations, the Sterling Monetary Framework, and as such is incorporated in the "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 enables the Bank to ensure that the banking sector has sufficient access to sterling liquidity to mitigate risks arising from unexpected shocks.

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 News Release from December 2011 is available here <http://www.bankofengland.co.uk/publications/Pages/news/2011/152.aspx>

The Market Notice for the ECTR Facility is available at www.bankofengland.co.uk/markets/Documents/marketnotice120615.pdf