



BANK OF ENGLAND

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

News release

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News Release - Developments in the Bank's approach to liquidity insurance

Alongside a speech by the Governor, the Bank of England has today announced changes to its approach to providing liquidity insurance to the banking system.

The principles and tools the Bank uses in providing liquidity insurance are set out in the Sterling Monetary Framework (SMF), which has been substantially reformed in recent years. In 2012, the Court of the Bank asked Bill Winters to review how these reforms were working in practice and to consider whether further changes were warranted. In light of the recommendations from that review, together with the Bank's own assessment of the changing regulatory and financial market landscape, the Bank is announcing a number of further significant changes to the SMF's liquidity insurance toolkit. Taken together, these changes are designed to increase the availability and flexibility of liquidity insurance, by providing liquidity at longer maturities, against a wider range of collateral, at a lower cost and with greater predictability of access.

Further details on the approach are provided in 'Liquidity insurance at the Bank of England: Developments in the Sterling Monetary Framework' (available at www.bankofengland.co.uk/markets/Documents/money/publications/liquidityinsurance.pdf) and an updated edition of the Bank's 'Red Book', which provides a comprehensive description of the SMF (available at www.bankofengland.co.uk/markets/Documents/money/publications/redbook.pdf).

Note for Editors

The Governor's speech is available at the following link:

www.bankofengland.co.uk/publications/Pages/speeches/2013/690.aspx