

# Cash ratio deposits

*Notice issued by the Bank of England, 21 August 1986*

1 This note updates the arrangements relating to the placement of cash ratio deposits with the Bank of England following the change to end-calendar monthly statistical reporting with effect from October 1986.

2 Institutions in the monetary sector which have reported eligible liabilities (ELs) averaging £10 million or more over a defined period (see below) are required to hold non-operational, non-interest-bearing deposits (cash ratio deposits) with the Bank of England. All recognised banks and licensed deposit-takers belong to the monetary sector, as do certain banks in the Channel Islands and the Isle of Man which have specifically opted to join it.

3 The level of an institution's cash ratio deposit is calculated twice a year, in April and October, as a percentage of average ELs reported in the previous six months. Hitherto banks have reported their eligible liabilities at end-banking months: with effect from October 1986 banks will report at end-calendar months. Because end-calendar month ELs have historically been somewhat higher than end-banking month ELs, and because the Bank has undertaken that this technical reporting change should not lead to a rise in the total of cash ratio deposits for the banking system as a whole, the cash ratio percentage will be reduced to 0.45%.<sup>(1)</sup> The first calculation period at the new rate will be the five banking months May to September 1986 inclusive. In April 1987 and thereafter at six monthly intervals, the calculation will relate to the average of ELs reported at the end-month reporting dates October-March and April-September.

4 ELs are defined, broadly, as an institution's gross sterling deposit liabilities plus net currency liabilities if these are positive. Offsets are allowed in the calculation of ELs in respect of—

- (i) funds (other than cash ratio deposits or Special Deposits placed with the Bank) lent by one institution in the monetary sector to any other;
- (ii) money at call placed with Stock Exchange money brokers<sup>(2)</sup> and gilt-edged market makers, and secured on gilt-edged stocks, Treasury bills, local authority bills and eligible bank bills.

5 ELs are calculated in uniform fashion for all reporting institutions except—

- (i) members of the London Discount Market Association (LDMA), whose ELs are calculated as the total of sterling deposits other than from institutions within the monetary sector and from Stock Exchange money brokers<sup>(2)</sup> and gilt-edged market makers;
- (ii) certain banks with money trading departments, who may omit from their ELs secured money at call placed by other banks with these departments, up to a limit set by the Bank.

6 It would be contrary to the objective of these agreed arrangements for any institution to reduce its ELs deliberately or artificially on reporting dates. The Bank accordingly reserves the right to make a spot check on the level of an institution's ELs on days when it would not normally report.

(1) In recognition of the special conditions in Northern Ireland, the Bank has set at 0.25% the cash ratio to be observed by institutions for which Northern Ireland is the principal place of business in the United Kingdom. The 0.25% ratio, which applies in respect only of the ELs of their Northern Ireland offices, will remain for the time being but will continue to be subject to periodic review.

(2) There are nine recognised Stock Exchange money brokers—  
Cazenove Money Brokers  
Hoare Govett (Moneybroking) Ltd  
James Capel Money Broking Ltd  
King & Shaxson Money Brokers Ltd  
Lazard Money Broking Limited  
LM (Moneybrokers) Ltd  
P-B Securities Money Brokers Limited  
Rowe & Pitman Money Broking Ltd  
Sheppards Moneybrokers Ltd