



Changes to published gilt repo and stock lending statistics: a consultation

By Joanna McLafferty and Sophie Miles

Tel: +44 (0) 20 3461 6370 / 4270

joanna.mclafferty@bankofengland.co.uk

sophie.miles@bankofengland.co.uk

This article provides details of regular statistics compiled using the Bank's Sterling Money Market (SMM) data collection that the Bank will soon begin to publish. In part, these statistics will replace those currently compiled by the Bank using data collected on gilt repo and stock lending activity through Form RSL and published in Bankstats [Table D3.1](#). As such, we seek views from stakeholders on the Bank of England's proposal to cease the collection of Form RSL. **We invite comments on this proposal by Friday 17 August 2018.**

Introduction

The sterling money markets play a key role in the implementation and transmission of monetary policy. Since July 2016 the Bank has collected granular data on sterling money market transactions by exercising its statutory powers under the Bank of England Act 1998, providing new insights into these markets. A subset of the SMM data set, covering sterling overnight unsecured transactions, is used to calculate the Sterling Overnight Index Average (SONIA) benchmark.

The scope of the SMM data collection is the most active participants in the sterling money market. Institutions covering 95% of the total turnover at either overnight or up to one-year maturities are required to report daily money market transactions in both the unsecured deposit market¹ and the gilt repo market.

The Bank intends to use this new data collection to publish summary statistics of activity in the sterling money markets on a regular basis. The recently published Quarterly Bulletin article '[Sterling money markets: beneath the surface](#)' provides more information on the SMM data set, previews the summary statistics on market activity and outlines the plans to publish these data regularly. This will improve the transparency of activity in the money markets, increase

¹ Unsecured money market transactions include all negotiated cash deposits (borrowing-only) denominated in sterling, with an original maturity of up to and including one year, accepted from wholesale participants.

understanding of market functioning and allow market participants to consider their own activity in the context of the broader money market.

Statistics compiled using the SMM data will be published quarterly, replacing those previously published in Bank of England Bankstats Table D3.1 (Gilt repo and stock lending) sourced from Form RSL.

This article outlines the new data publication approach and compares the output to the current published sterling money market dataMain text.

Proposal

The Bank of England proposes that the July 2018 publication of the current statistics published in Bank of England Bankstats Table D3.1 (Gilt repo and stock lending) (for May 2018 data) will be the last, after which only the new sterling money market statistics based upon the SMM data set will be published, including back data to Q3 2016.

The current gilt repo and stock lending data, from Form RSL, are reported by less than 40 market participants, compared to nearly 80 reporters when the data collection started. Only one measure derived from the RSL form is currently published – the value of transactions outstanding at the quarter-end. This measure is available for different instrument types (repo and stock lent as well as sell/buy backs on the lending side and between reverse repo, stock borrowed and buy/sell backs on the borrowing side) and is split by maturity. There is also a split showing these instruments by type of market practitioner i.e. banks and non-banks.

New measures

The proposed output based on the SMM data collection should offer a better insight into conditions in the sterling money market. The SMM data collection is designed to capture at least 95% of activity in the unsecured sterling money markets and 95% of banks' and major investment firms activity in the secured markets². The data are collected every day and every transaction is subjected to plausibility checking designed to ensure data quality. There will be efficiency gains for reporters as well as the Bank for basing the new sterling money market outputs on the SMM data collection.

The new published statistics will present a more accurate and reliable picture of the sterling money markets. They will cover both unsecured cash deposits and the gilt repo market, split into repo and reverse repo.

² Given the scope of eligible reporters, the secured SMM does not reflect activity transacted between non-banks.

The measures to be published are:

- average daily number of transactions over the past quarter;
- average daily value of turnover during the past quarter, in pound sterling; and
- average daily value of transactions outstanding³ over the past quarter, in pound sterling.

Each measure will be available by the following maturity splits, based on the original maturity of the transactions. These differ slightly from those currently published in Bankstats Table D3.1 but more appropriately reflect market convention:

Maturity buckets	Description
Overnight	Overnight transactions are defined as having an original maturity of one London business day, with the same trade and settlement date. This should include open-ended or rolling transactions (e.g. rolling overnight DBV repo).
Tom/next	Tom/next transactions are defined as having an original maturity of one London business day, where settlement date is one business day after the trade date (i.e. settlement date T+1, maturity date T+2).
2 weeks	All transactions with an original maturity of at least 2 calendar days from settlement date, up to 20 calendar days from settlement date.
1 month	All transactions with an original maturity of at least 21 calendar days from settlement date, up to 60 calendar days from settlement date.
3 months	All transactions with an original maturity of at least 61 calendar days from settlement date, up to 120 calendar days from settlement date.
6 months	All transactions with an original maturity of at least 121 calendar days from settlement date, up to 224 calendar days from settlement date.
9 months	All transactions with an original maturity of at least 225 calendar days from settlement date, up to 314 calendar days from settlement date.
1 year	All transactions with an original maturity of at least 315 calendar days from settlement date, up to 375 calendar days from settlement date.

SMMD Reporters

All banks and building societies licensed to accept deposits in the UK, and all major investment firms regulated by the Prudential Regulation Authority, are required to report their annual turnover in unsecured deposits and gilt repo markets. Institutions whose annual activity at either overnight or all maturities (up to one year) falls within the top 95% of activity are then required to report daily transactions data to the Bank. The daily transactions data underpin the new statistics⁴.

³ Outstanding transactions are those that have been entered into, but for which the second leg has not been settled.

⁴ See [SMMD Reporting Instructions](#) for more information on how reporting population is determined.

Definitions

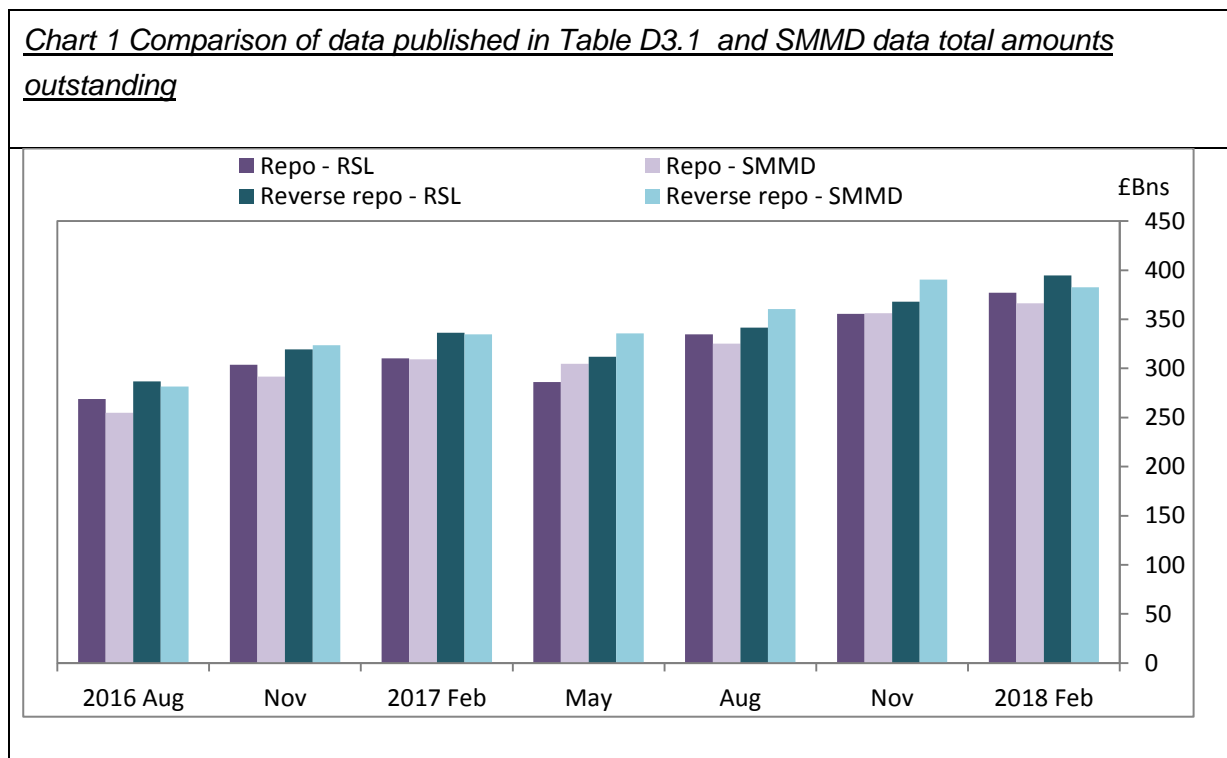
As mentioned above the new statistics are based on unsecured and secured money market transactions. The Reporting Instructions for Form SMMD contain the full definition of secured and unsecured money market transactions. Transactions where the nominal amount of cash borrowed/lent is below £1million are excluded from the statistics.

Comparison of RSL and SMMD output

There are conceptual differences in the data as well as differences in the reporting population and therefore a direct reconciliation is not possible.

Currently, Table D3.1 provides the value of transactions outstanding on a quarterly frequency (at end February, May, August and November dates) split by instrument, maturity and by practitioner i.e. banks versus non-banks. The latter split will not be available in the new output based on the SMMD data given that the majority of SMMD reporters are of one type - deposit accepting institutions. The main reason for differences between the two datasets is due to the diverse reporting populations. All institutions actively involved in gilt repo, gilt stock lending and buy-sell backs of gilts are encouraged to report Form RSL (which has been on a non-statutory basis) form, which has included banks as well as other large financial institutions. However, as noted above the number of reporters has declined significantly in recent years. Use of the daily SMM dataset will allow the flexibility to move to an end-quarter publication timetable (end-March, June, etc.). The SMMD reporting population is solely comprised of firms regulated by the Prudential Regulation Authority (licenced deposit takers). SMMD reporting instructions also place restrictions on geographical locations and stipulate that intra-group transactions are not to be included.

We have compared the value outstanding for repo and reverse repo transactions across all maturity buckets available in Table D3.1 and based on the secured segment of the SMMD data collection. The discrepancies in total amounts outstanding (Chart 1) between the two datasets are small; however, the two datasets are not fully comparable due to the various reasons described above.



Conclusion

The new time series will be compiled from the statutory SMM data collection, replacing the hitherto voluntary RSL dataset, and will be based on daily granular data reporting (of each individual transaction) rather than the aggregated quarterly data. Reflecting the arrangements designed to ensure high reliability of SMM data reporting, we expect that they will lead to a more accurate picture of the sterling money market. Additionally, the new dataset will include new statistical outputs on number, turnover and value of transactions and cover the unsecured segment of the market, so as to provide a fuller view of the sterling money market in the UK.

Form RSL becomes redundant under these proposals based on using the SMM data. Discontinuation of the RSL collection will bring savings to reporting institutions and to the Bank.

Responses

This consultation closes on Friday 17 August 2018. The Bank invites comments on the proposed improvement to the available secured data and the addition of unsecured data in place of the currently published Form RSL-sourced data. Please send your responses to:

DSD_MS@bankofengland.co.uk.

The Bank will review the feedback received and announce the outcome by the end of August 2018.

Appendix - List of new time series (including IADB codes)

Measure & Maturity	Unsecured	Gilt Repo	Gilt Reverse Repo
Average daily number of transactions over the past quarter			
Overnight	YWQZM4A	YWQZM53	YWQZM5U
Tom next	YWQZM4B	YWQZM54	YWQZM5V
2 weeks	YWQZM4C	YWQZM55	YWQZM5W
1 month	YWQZM4D	YWQZM56	YWQZM5X
3 months	YWQZM4E	YWQZM57	YWQZM5Y
6 months	YWQZM4F	YWQZM58	YWQZM5Z
9 months	YWQZM4G	YWQZM59	YWQZM62
1 year	YWQZM4H	YWQZM5A	YWQZM63
Total	YWQZM4I	YWQZM5B	YWQZM64
Average daily value of turnover over the past quarter, in pound sterling			
Overnight	YWQZM4J	YWQZM5C	YWQZM65
Tom next	YWQZM4K	YWQZM5D	YWQZM66
2 weeks	YWQZM4L	YWQZM5E	YWQZM67
1 month	YWQZM4M	YWQZM5F	YWQZM68
3 months	YWQZM4N	YWQZM5G	YWQZM69
6 months	YWQZM4O	YWQZM5H	YWQZM6A

9 months	YWQZM4P	YWQZM5I	YWQZM6B
1 year	YWQZM4Q	YWQZM5J	YWQZM6C
Total	YWQZM4R	YWQZM5K	YWQZM6D
Average daily value of transactions outstanding over the past quarter, in pound sterling			
Overnight	YWQZM4S	YWQZM5L	YWQZM6E
Tom next	YWQZM4T	YWQZM5M	YWQZM6F
2 weeks	YWQZM4U	YWQZM5N	YWQZM6G
1 month	YWQZM4V	YWQZM5O	YWQZM6H
3 months	YWQZM4W	YWQZM5P	YWQZM6I
6 months	YWQZM4X	YWQZM5Q	YWQZM6J
9 months	YWQZM4Y	YWQZM5R	YWQZM6K
1 year	YWQZM4Z	YWQZM5S	YWQZM6L
Total	YWQZM52	YWQZM5T	YWQZM6M