



Bank of England launches Contingent Term Repo Facility

In response to financial market conditions the Bank of England is today activating the Contingent Term Repo Facility (CTRF) – a temporary enhancement to its sterling liquidity insurance facilities.

Related links

> [Activation of the Contingent Term Repo Facility \(CTRF\) - Market Notice 24 March 2020](#)

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News release

This step is designed to help alleviate frictions observed in money markets in recent weeks, both globally and domestically, as a result of the economic shock caused by the outbreak of Covid-19.

The CTRF is a flexible liquidity insurance tool that allows participants to borrow central bank reserves (cash) in exchange for other, less liquid assets (collateral).¹

The Bank's liquidity insurance facilities support financial market functioning by providing market participants with predictable and reliable sources of liquidity. The Bank's liquidity insurance facilities support financial stability by reducing the cost of disruption to critical financial services.

Holding additional CTRF operations over the next two weeks complements the Bank's existing liquidity facilities. The CTRF will run alongside the Bank's regular sterling market operations - the Indexed Long-Term Repo (ILTR) and Discount Window Facility (DWF). The Bank is also able to lend in all major currencies through its participation in the central bank swapline network.

The CTRF will lend reserves for a period of three months. This will also allow participants to use the CTRF as a way to bridge beyond the point at which drawings can be made from the Term Funding Scheme with additional incentives for SMEs (TFSME) – helping to support lending to the real economy as quickly as possible.

An accompanying Market Notice provides additional detail and the terms of this operation.

¹ As described in the [Bank's Market Operations Guide](#).

Notes to editors

1. The Bank can activate the CTRF in response to any actual or prospective market-wide event, allowing the Bank to respond to a market stress in a flexible way. Prevailing market conditions are taken into account when setting the terms of the CTRF. As such, market participants will be able to borrow central bank reserves for a term of three months.

2. The CTRF was established in 2014, when it replaced the Extended Collateral Term Repo (ECTR) facility. This change was a part of a broader set of changes to the Bank's liquidity insurance facilities. More detail is available on the [Indexed Long-Term Repo operations and Contingent Term Repo Facility Market Notice](#).

3. The ILTR is the Bank's standing, regular market-wide sterling operation and forms part of the Bank's broader liquidity insurance framework. ILTRs allow market participants to borrow central bank reserves (cash) for a six-month period in exchange for other, less liquid assets (collateral).

4. The Bank will only accept collateral of sufficient quality and quantity to protect itself fully from counterparty credit risk.

5. See further information about the [Bank's liquidity insurance facilities](#).

6. Participants in the Sterling Monetary Framework are eligible to participate in the Bank of England's liquidity insurance facilities. More detail on the eligibility criteria is set out on the [Bank of England Market Operations Guide: Our tools page](#).

7. The Bank of England, the Bank of Canada, the European Central Bank, the Federal Reserve, the Bank of Japan and the Swiss National Bank have an established network of standing bilateral swap lines. These allow liquidity to be provided in each jurisdiction in any of the five currencies foreign to that jurisdiction, if the two central banks in a particular bilateral swap arrangement judge that market conditions warrant such action in one of their currencies. Further information is available at the bottom of the [Bank of England Market Operations Guide: Our tools page](#).

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