

BANK OF ENGLAND MARKET NOTICE: CHANGES TO THE ELIGIBILITY CRITERIA FOR ACCESS TO RESERVES ACCOUNTS AND OTHER STERLING MONETARY FRAMEWORK FACILITIES

1. The Bank is today announcing a widening in the population of institutions eligible to apply for Reserves Accounts.
2. Prior to this Market Notice, only firms required to place cash ratio deposits (CRDs) with the Bank - that is, institutions with an average level of Eligible Liabilities of £500 million or more - were eligible to apply for Reserves Accounts. Henceforward, all institutions that are subject to the statutory CRD regime - that is, all institutions reporting their Eligible Liabilities to the Bank - will be eligible to apply for a Reserves Account. The Bank is widening eligibility to apply for access to Reserves Accounts in order to assist smaller institutions to manage their liquidity.
3. Newly eligible institutions will also be able to apply to access the other Sterling Monetary Framework (SMF) facilities: the Operational Standing Facilities, the Discount Window Facility and the Bank's Open Market Operations.
4. If granted access to an SMF facility, newly eligible institutions will be required to place a non-interest bearing deposit with the Bank set at the same proportion of their Eligible Liabilities as for CRD-payers, subject to a minimum deposit amount of £200,000.
5. Institutions interested in accessing the SMF facilities, and which are now eligible under the terms of this Market Notice, should in the first instance contact the Bank at smfapplications@bankofengland.co.uk
6. This Market Notice forms part of the Documentation for the SMF and should be read in conjunction with the rest of the Documentation. Other than as varied in this Market Notice, the Bank's current eligibility requirements for the SMF facilities continue to apply. Further details on non-interest bearing deposits required by newly eligible institutions granted access to one or more of the SMF facilities will be made available by the Bank in due course.

Notes

The group of institutions subject to the CRD regime are defined as ‘deposit-takers’ for the purposes of Schedule 2 of the Bank of England Act 1998, and are required to report their Eligible Liabilities to the Bank on a monthly or quarterly basis (as advised by the Bank). The Bank calculates average Eligible Liabilities, for six-month calculation periods, ending in April and October. Broadly speaking, Eligible Liabilities consist of sterling deposit liabilities, excluding deposits with an original maturity of over two years, plus net foreign currency liabilities. Interbank liabilities (excluding cash ratio and special deposits with the Bank of England) are also included on a net basis. The precise definition of eligible liabilities is available at: http://www.bankofengland.co.uk/statistics/reporters/defs/def_els.pdf.

Institutions with reported Eligible Liabilities in excess of the statutory CRD threshold (currently set at £500 million) are required to place non-interest bearing deposits with the Bank equivalent to a fixed proportion of their Eligible Liabilities, currently set at 0.11%. Institutions with Eligible Liabilities below the threshold are not required to place a deposit with the Bank (i.e. they are non-CRD payers).