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Central Bank Measures to Address Elevated Pressures in Short-term Funding Markets

Bank of England/Central Bank of the United Kingdom

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News Release

Central Bank Measures to Address Elevated Pressures in Short-term Funding Markets

12 December 2007

Today, the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve, and the Swiss National Bank are announcing measures designed to address elevated pressures in short-term funding markets.

Bank of England Actions

The Bank of England has already scheduled long-term repo open market operations (OMOs) on 18 December and 15 January. In those operations reserves will, as usual, be offered at 3, 6, 9 and 12-month maturities against the Bank's published list of eligible collateral. But the total amount of reserves offered at the 3-month maturity will be expanded and the range of collateral accepted for funds advanced at this maturity will be widened.

The total size of reserves offered in the operations on 18 December and on 15 January will be raised from £2.85 billion to £11.35 billion, of which £10bn will be offered at the 3-month maturity.

The Bank will accept a wider range of high quality securities as collateral against funds advanced at the 3-month maturity. The additional categories of eligible collateral are:

- Bonds issued by sovereigns rated Aa3/AA- or above (in addition to those currently eligible), subject to settlement constraints.
- Bonds issued by G10 government agencies guaranteed by national governments, rated AAA.
- Conventional debt security issues of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Corporation and the Federal Home Loan Banking system, rated AAA.
- AAA-rated tranches of UK, US and EEA asset-backed securities (ABS) backed by credit cards; and AAA-rated tranches of UK and EEA prime residential mortgage-backed securities (RMBS).
- Covered bonds rated AAA.

Securities must be denominated in sterling, euro, US dollars, Australian dollars, Canadian dollars, Swedish krona, Swiss francs, and, in the case of Japanese Government Bonds only, yen; and must be capable of being delivered via a settlement channel specified by the Bank.

There will be no further changes to the scheduled operations on 18 December and 15 January. As usual, those eligible to bid in the operations will be the Bank's OMO counterparties and the operations will be conducted as variable rate tenders with funds offered to successful bidders at the rate(s) that they tender.

Consistent with the Bank's objective of keeping overnight market interest rates in line with Bank Rate, the Bank intends to offset the additional reserves taken up in the long-term repo operations in December and January in its other operations.

The Bank will review whether to make any changes to operations scheduled after January in the light of market conditions at the time.

The Bank will announce further operational details, including details of collateral and settlement arrangements, in a Market Notice on Friday 14 December (see link below).

Information on related actions being taken by other Central Banks

Information on the actions that will be taken by other central banks is available at the following websites.

Bank of Canada (<https://web.archive.org/web/20120212181406/http://www.bankofcanada.ca/>)

European Central Bank (<https://web.archive.org/web/20120212181406/http://www.ecb.int/>)

[Federal Reserve System \(https://web.archive.org/web/20120212181406/http://www.federalreserve.gov/\)](https://web.archive.org/web/20120212181406/http://www.federalreserve.gov/)

[Swiss National Bank \(https://web.archive.org/web/20120212181406/http://www.snb.ch/\)](https://web.archive.org/web/20120212181406/http://www.snb.ch/)

Statements by Other Central Banks

[Bank of Japan \(https://web.archive.org/web/20120212181406/http://www.boj.or.jp/\)](https://web.archive.org/web/20120212181406/http://www.boj.or.jp/)

[Swedish Riksbank \(https://web.archive.org/web/20120212181406/http://www.riksbank.com/\)](https://web.archive.org/web/20120212181406/http://www.riksbank.com/)

Key Resources

	Long-Term Repo Operations: Market Notice Download PDF (http://www.bankofengland.co.uk/web/20120212181406/http://www.bankofengland.co.uk/markets/money/documentation/statement071214.pdf) (28k) 14 December 2007
	Long-Term Repo Operations: Results Download PDF (http://www.bankofengland.co.uk/web/20120212181406/http://www.bankofengland.co.uk/markets/money/documentation/statement071218.pdf) (13k) 18 December 2007

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