United Kingdom: Extended Collateral Term Repo Facility

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Abstract

In a precautionary measure as the European debt crisis worsened in 2011, the Bank of England created a contingent liquidity insurance facility, the Extended Collateral Term Repo (ECTR) facility. This facility would swap sterling cash for eligible collateral on a short-term basis and could be implemented by the Bank's governor, if liquidity pressures emerged. Under the initial framework, banks and building societies submitted their bids as a spread to the Bank Rate, subject to a minimum spread of 125 basis points, and paid the lowest accepted spread. In 2013, the Bank changed the name of the facility to the Contingent Term Repo Facility (CTRF). The Bank has activated the facility twice, in 2012 and 2020. During these activation periods, the Bank deviated from the framework's pricing and fixed supply structures. In total, the Bank has lent more than GBP 22 billion through the facility during the two activation periods.

Keywords: Bank of England, Contingent Term Repo Facility, CTRF, ECTR, Extended Collateral Term Repo, United Kingdom

[1] This case study is part of the Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering broad-based emergency lending programs. Cases are available from the *Journal of Financial Crises* at https://elischolar.library.yale.edu/journal-of-financial-crises/.

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Overview

In 2011, recovery from the Global Financial Crisis (GFC) began to stagnate in the United Kingdom (UK) as well as in the rest of the euro zone. In the second half of 2011, funding markets for UK banks became stressed, with spreads on credit default swaps rising higher than during the GFC for some banks. However, the stress felt by the UK banking sector paled in comparison to that of other states in the euro zone, although fears of contagion amplified (IMF 2012).

In response to the growing concern about crisis in the euro zone, on December 6, 2011, the Bank of England ("the Bank") announced the creation of a new contingent liquidity insurance facility, the Extended Collateral Term Repo (ECTR) facility, (Bank of England 2011a). The Bank released the framework for the facility, while noting that the Bank would not be activating the facility since no widespread shortages of short-term liquidity existed at the time (Bank of England 2011b). However, the governor of the Bank of England retained the ability to implement the facility if conditions warranted (Winters 2012).

Under this initial framework, the ECTR facility would swap sterling cash for a wide set of eligible collateral at a term of 30 days. Participants expressed their bids as spreads to the Bank Rate, paid the lowest accepted spread, and were subject to a minimum bid spread of 125 basis points above the Bank Rate (Bank of England 2011a).

In June 2012, the Bank activated the ECTR facility for the first time because of worsening liquidity pressures in the euro zone. While this activation ("first activation") kept a variable rate and uniform price structure, the Bank lowered the minimum bid spread to 25 basis points above the Bank Rate and

Key Terms

Purpose: "Allows the Bank to provide liquidity against the widest collateral at any time, term and price it chooses, in response to actual or prospective exceptional market-wide stress" (Bank of England 2013)

Launch Dates	December 6, 2011 (framework) June 15, 2012 (first activation) March 24, 2020 (second activation)
Expiration Dates	December 19, 2012 (first activation) June 26, 2020 (second activation)
Legal Authority	Pre-existing authority
Peak Outstanding	First activation: GBP 10.8 billion (total) Second activation: GBP 11.5 billion (total)
Participants	Banks and building societies signed up for the Discount Window Facility.
Rate	Initially variable rate and uniform price, but switched to a fixed rate
Collateral	The widest set of collateral eligible in the Sterling Monetary Framework
Loan Duration	Initially 30 days, then six months, finally one and three months
Notable Features	Contingent facility
Outcomes	More than GBP 22 billion lent during 30 auctions

increased the term to six months. The Bank planned to hold monthly auctions of 5 billion pounds sterling (GBP) each until no longer necessary (Bank of England 2012b). During the first activation, the Bank held seven auctions from June to December 2012 and lent a total of approximately GBP 10.8 billion (Bank of England n.d.b).

In 2013, the Bank renamed the ECTR facility the Contingent Term Repo Facility (CTRF) in order to better differentiate the names of its liquidity insurance facilities (Bank of England 2013). The Bank activated the CTRF in 2020 as a response to the financial panic caused by the spread of the COVID-19 pandemic ("second activation"). Removing the variable rate auction format of the initial framework and the first activation, the Bank reoriented the CTRF in the second activation to supply an unlimited amount of liquidity to the banking system at a fixed rate of 15 basis points above the Bank Rate. CTRF operations offered terms of either one or three months (Bank of England 2020a; 2020c). The Bank administered 23 operations and lent more than GBP 11.5 billion, with more than 96% of this occurring in the first operation, which coincided with the implementation of legal lockdown measures related to the pandemic (Bank of England n.d.b).

Since the facility's name changed after the first activation, descriptions of the first activation use the ECTR name and explanations of the second activation utilize CTRF.

Summary Evaluation

In a 2013 evaluation of its liquidity provision, the Bank wrote about the perceived success of the ECTR activation in 2012:

> Use of this facility successfully helped to bring down short-term sterling funding costs in 2012 at a time of heightened uncertainty in the euro area. It will remain in the Bank's toolkit as a flexible way to respond to unexpected market developments. The terms of the facility will be determined each time it is deployed, in light of prevailing market conditions (Bank of England 2013).

The Monetary Policy Committee (MPC) within the Bank found that the three-month LIBOR fell by 10 basis points and the market expectations of the three-month LIBOR in six months fell almost 20 basis points after the announcement of the ECTR activation. The MPC also noted that the Financial Policy Committee recommended that the Financial Services Authority consider adjusting microprudential liquidity guidance as a result of the ECTR's success (MPC 2012).

In analyzing the same activation period of the ECTR, the International Monetary Fund (IMF) found that the announcement of the activation in 2012 led to an almost 20 basis point decline in UK credit default swap spreads when comparing the spreads five days before and after the announcement. However, the IMF could not quantify the impact of the actual program outside of its announcement (IMF 2012).

However, the Winters Review found that a common criticism of the first activation period focused on the six-month maturity, stating that this term was too short and did "too little to arrest a contraction in banks' ability and willingness to provide meaningful maturity transformation" (Winters 2012).

There have not been any complete analyses of the facility's second activation because of its recency.

Context: United Kingdom 2010–2011	
GDP (SAAR, Nominal GDP in LCU converted to USD)	$2.482 trillion in 2010 $2.662 trillion in 2011
GDP per capita (SAAR, Nominal GDP in LCU converted to USD)	$39,436 in 2010 $42,039 in 2011
Sovereign credit rating (five-year senior debt)	Data for 2010: Moody's: Aaa S&P: AAA Fitch: AAA Data for 2011: Moody's: Aaa S&P: AAAu Fitch: AAA
Size of banking system	$4.635 trillion in 2010 $4.708 trillion in 2011
Size of banking system as a percentage of GDP	186.72% in 2010 176.83% in 2011
Size of banking system as a percentage of financial system	Data not available for 2010 Data not available for 2011
Five-bank concentration of banking system	76% in 2010 76% in 2011
Foreign involvement in banking system	15% in 2010 15% in 2011
Government ownership of banking system	26% in 2010
Existence of deposit insurance	100% insurance on deposits up to GBP 85,000 in 2010 100% insurance on deposits up to GBP 85,000 in 2011
Sources: Bloomberg; World Bank Global Financial Development Database; World Bank Deposit Insurance Dataset; Cull et al. "Bank Ownership—Trends and Implications."	

Key Design Decisions

1. **Purpose: The Bank of England implemented the ECTR facility as a contingent liquidity facility that the Bank could use in times of market-wide stress to provide sterling cash liquidity to the banking system against a wide set of collateral.**

The initial framework for the ECTR facility provided the purpose for the new operation created by the Bank of England:

> The ECTR Facility is a contingency liquidity facility that can be used to provide additional sterling liquidity to the banking system when required against collateral pre-positioned for use in the Bank's Discount Window Facility (DWF). ECTR operations will be announced at the discretion of the Bank to respond to actual or prospective market-wide shortages of short-term sterling liquidity (Bank of England 2011a).

An important aspect of that purpose is the ability for the Bank to activate the ECTR facility if there are "prospective" liquidity strains, allowing the Bank to act preemptively rather than being reactive to the market.

First Activation

The Bank activated the ECTR facility for the first time on June 15, 2012. The Bank stated that the ECTR would "mitigate prospective risks to financial stability arising from a market-wide shortage of sterling liquidity by lending to the banking system" (Bank of England 2012b). Euro area turmoil related to the European debt crisis caused financial market stress, with the average credit default swap spread for UK banks reaching near record levels. The IMF noted that there was a "medium" likelihood of both an intensification of the euro area crisis and a deterioration of banks' asset quality. In response to such a situation, the IMF noted that an appropriate policy response would be to provide longer-term liquidity to the banking sector (IMF 2012).

Second Activation

The Bank reactivated the renamed CTRF on March 24, 2020, in response to the financial stress created by the COVID-19 pandemic (Bank of England 2020a). As panic spread, financial market asset prices decreased significantly, leading to margin calls on derivative exposures. As institutions needed to post additional collateral, systemic demand for liquidity increased dramatically (Hüser, Lepore, and Veraart 2021). The Bank noted that even typically safe and highly liquid assets, such as government bonds, faced little demand as a system-wide "dash for cash" occurred with investors only interested in holding cash (Bank of England 2020h). Therefore, the Bank activated the CTRF 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" (Bank of England 2020g).

2. **Legal Authority: The Bank held pre-existing authority to implement facilities that would ensure the banking system maintained an adequate level of liquidity.**

Authority for creating the ECTR facility fell under the Bank's pre-existing capabilities. In 2006, the Bank, the Financial Services Authority (FSA), and HM Treasury signed a memorandum that stated, "the Bank is to seek to ensure the orderly functioning of the UK's financial markets, including the maintenance of adequate liquidity" (HMT, BOE, FSA 2006).

Signed in 2012, the Memorandum of Understanding on Financial Crisis Management between the Bank of England, the Financial Services Authority, and HM Treasury specifies that the Bank has the responsibility to offer "liquidity insurance to the financial system on terms that safeguards the Bank's capital, as described in the Bank's published frameworks" (Bank of England 2015).

3. **Part of a Package: The Bank of England announced the ECTR as a standalone measure.**

The Bank did not announce the ECTR facility with other facilities. In the press release describing the initial framework of the facility, the Bank noted that there was not a shortage of short-term liquidity at the moment despite international stresses in financial markets, which meant the ECTR did not need to be activated upon creation (Bank of England 2011b).

During the first activation of the ECTR, in 2012, the Bank also acted in other ways to address market conditions. Specifically, the Bank increased its asset purchase program and launched the Funding for Lending Scheme (FLS), which offered funding to banks and building societies for an extended period to incentivize credit supply growth (Bank of England 2012c). This should not be considered an exhaustive list of the Bank's response in 2012.

In the midst of the COVID-19 pandemic, the Bank also announced several programs related to asset purchases and lending facilities, such as creation of the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) and the Covid Corporate Financing Facility (CCFF), while increasing the Bank's asset purchases by GBP 300 billion. The TFSME offered long-term funding to banks that increased lending, especially to small and medium-sized enterprises. The CCFF purchased commercial paper of up to 1-year maturity at rates close to pre-COVID spreads (Haas, Neely, and Emmons 2020). These are only a select few of the actions undertaken by the Bank of England in response to the COVID-19 crisis.

4. **Management: The governor of the Bank held the ultimate power to activate the ECTR facility, although the Monetary Policy Committee and Financial Policy Committee provided feedback.**

The Bank of England operated the ECTR facility in its Sterling Monetary Framework. On June 15, 2012, then Governor of the Bank Mervyn King announced the first activation of the facility (Bank of England 2012b). The Winters Review noted that the governor of the Bank must approve any decision to activate the ECTR facility (Winters 2012).[3]

The two policy-making committees at the Bank do not have control over the ECTR facility. The Bank did consult with the Monetary Policy Committee (MPC) about the size of the ECTR operations, as they would be adding reserves to the banking system. Additionally, the Financial Policy Committee (FPC) recommended that the Financial Services Authority lessen microprudential liquidity guidance as a result of the ECTR operations (MPC 2012). However, the Winters Review noted that internal discussions with staff and members of the committees revealed a lack of clarity on the roles of the two committees as it relates to the Bank's liquidity facilities (Winters 2012). Therefore, the review recommended that the Bank clearly define the roles and responsibilities of the committees, as well as ensure information sharing between the governor and the committees. This would allow the committee to register their nonbinding opinions on liquidity operations with the governor.

In 2013, the Bank created the Operations Committee, which allowed the deputy governors of the Bank to formally consult on the Sterling Monetary Framework. However, the Bank disbanded this committee in 2014 and reassigned its outstanding responsibilities to the Governors' Committee. Then, in 2017, the Bank established frameworks for engaging with the MPC and FPC on the design and implementation of new and pre-existing facilities (Independent Evaluation Office 2018).

The FPC framework stated that the Bank's governor held authority over the design and implementation of facilities, subject to the approval of the FPC over the scope and principles that determined the facilities' design. The governor also must consult the FPC if a material change to a liquidity insurance facility is planned (Bank of England 2017).

Meanwhile, the MPC framework required the governor to inform and consult with the MPC regarding prospective changes to the facilities in the Sterling Monetary Framework, as far as they may affect monetary conditions (which the CTRF did through the supply of reserves). The framework tasked the MPC with approving facilities "primarily designed to deliver monetary policy aims," but the CTRF was primarily a liquidity insurance facility, leaving the MPC without a substantive role in activating the CTRF (Bank of England 2018).

5. Administration: The ECTR facility could be activated in times of stress, and the terms for the facility would be set by the Bank when activated.

The ECTR facility was a contingency liquidity facility, meaning that the governor of the Bank could activate ECTR operations if market-wide shortage of short-term sterling liquidity emerged and set the terms of the offerings (Bank of England 2011a). Otherwise, ECTR operations did not happen.

[3] The Winters Review was an independent review requested by and presented to the Bank of England in 2012. It assessed the Bank's capabilities for providing liquidity to the banking system, especially during the Global Financial Crisis (Winters 2012). Bill Winters was an executive at JP Morgan Investment Bank during the GFC and later served as a member of the Independent Commission on Banking in the United Kingdom in 2010-2011.

During the first activation, the Bank offered ECTR auctions on a monthly basis. Banks had 30 minutes to bid, which had to be expressed as a spread to the Bank Rate. These ECTR operations had a minimum bid size of GBP 5 million, with GBP 1 million bid increments (Bank of England 2012a).

The Bank did not activate the facility for the European Union referendum in 2016 or the resulting turmoil when the UK officially left the EU in 2020 ("Brexit").

When activated in 2020, the CTRF became a noncompetitive auction, with an unlimited supply and a fixed rate. The Bank initially announced only two auctions, which were a week apart (Bank of England 2020a). However, the Bank continuously extended the weekly operations until the final auction on June 26 (Bank of England 2020d; 2020e; 2020f). In total, the Bank offered 10 weekly auctions from March 26 to May 28 with a three-month maturity and 13 weekly auctions from April 3 to June 26 with a one-month maturity. The one- and three-month auctions did not always occur on the same day (Bank of England n.d.b).

6. Eligible Participants: All banks and building societies eligible for participation in the Discount Window Facility could access the facility.

In its initial market notice for the ECTR facility, the Bank made all banks and building societies that were signed up for the Bank's Discount Window Facility (DWF) eligible for participation (Bank of England 2011a). To be eligible for the DWF, the Bank required that institutions report their eligible liabilities to the Bank, place Cash Ratio Deposits at the Bank, and meet the Bank's prudential standards (Bank of England n.d.a).[4]

Both activations of the facility used this criteria to determine eligible institutions (Bank of England 2012a; 2020a).

7. Funding Source: The Bank funded the facility on its balance sheet.

Since the facility swapped eligible collateral for central bank reserves (sterling cash), the Bank funded the facility on its balance sheet.

8. Program Size: The ECTR facility initially had a fixed supply of funds on offer per auction, but the CTRF became an unlimited program in March 2020.

The initial framework for the ECTR did not provide a set size, only noting that the size of auctions would be announced the day before the auction (Bank of England 2011a). This implies that the Bank initially designed the ECTR facility to offer fixed amounts of liquidity. In the first activation period, the Bank announced that each auction would be at least GBP 5 billion (Bank of England 2012a).[5] All seven auctions during this period had a supply of

[4] Cash Ratio Deposits are non-interest-bearing deposits lodged with the Bank to fund its operations.

[5] The Bank did consult the Monetary Policy Committee over the size of the ECTR auctions since they would inject reserves into the banking system (MPC 2012).

exactly GBP 5 billion, for a total supply of GBP 35 billion. However, the Bank allocated only GBP 10.8 billion, owing to limited demand (Bank of England n.d.b).[6]

The second activation, of the CTRF, removed the fixed supply aspect of the initial framework and the first activation. Instead, the Bank announced that the CTRF operations would be "fixed price, full allotment, in unlimited size" (Bank of England 2020a). In total, the Bank lent GBP 11.5 billion during the second activation period. The first operation on March 26 (the day lockdown measures legally came into force) lent GBP 11.1 billion, or more than 96% of the facility's total usage during the second activation (Bank of England n.d.b).

9. Individual Participation Limits: The Bank initially put a limit on the maximum size of bids from participants but removed the limit when the CTRF began to award full allotment in 2020.

Under the initial announced framework, participants could not submit more than 10 bids, with a maximum total size of bids set at 40% of the funds on offer (Bank of England 2011a). The first activation of the ECTR followed this framework (Bank of England 2012a). However, the activation of the CTRF during the COVID-19 crisis allowed only one bid per participant, with the full amount of the bid allocated. Since the Bank switched to providing an unlimited amount of liquidity at a fixed rate in this iteration, there was no need to submit additional bids (Bank of England 2020a).

10. Rate Charged: In both the initial framework and the first activation, the Bank used a variable rate and uniform price structure, but the second activation implemented a fixed rate.

Initial Framework

The ECTR auction utilized a variable rate and a uniform price format. Bidders submitted a nominal amount and a spread to the Bank Rate expressed in whole basis points. The Bank implemented a minimum bid spread of 125 basis points. Every successful bidder paid the lowest accepted spread, which is known as the "clearing spread" (Bank of England 2011a).

The Winters Review noted that this was an extreme step-up in pricing to obtain liquidity insurance compared with short-term open market operations and the Operational Standing Facilities (against narrow collateral) (Winters 2012).

During an auction, the Bank sorted the bids in descending order by spread. The Bank accepted the bids at the highest spread first and then bids at successively lower spreads until either the entire auction volume was allocated or bids were exhausted. Bids at the clearing spread received a pro rata allocation depending on the demand (Bank of England 2011a).

The interest charged on the sterling cash provided through the ECTRs was calculated daily using the sum of the Bank Rate at the close of business plus the clearing spread. The total

[6] The Winters Review reported that the first activation, of the ECTR, lent at least GBP 11.6 billion, leading to a discrepancy (Winters 2012). This case uses the official results from the Bank of England.

interest payable over the duration of the operation was equal to the sum of the daily interest accruals, with the interest payable in arrears at maturity (Bank of England 2011a).

First Activation

When the Bank activated the ECTR facility in June 2012, it established a minimum spread of 25 basis points, a significant decrease from the minimum spread in the initial framework (Bank of England 2012a). There were no additional adjustments to the rate mechanism of the initial framework. In the four auctions that allocated funds, the clearing spread was equal to the minimum bid (Bank of England n.d.b).

Second Activation

During the COVID-19 crisis, the Bank removed the variable-rate aspect of the CTRF and instead implemented a fixed rate of the Bank Rate plus 15 basis points (Bank of England 2020a). Every CTRF auction had a clearing spread of 15 basis points, meaning that no participant paid above the minimum spread (Bank of England n.d.b).

11. Eligible Collateral: The ECTR facility accepted the same collateral as the Discount Window Facility, which was the widest range of eligible collateral eligible in the Sterling Monetary Framework.

In the initial framework, the ECTR facility would swap central bank reserves (sterling cash) for the collateral also eligible in the Discount Window Facility, which is the widest set of collateral eligible under the Sterling Monetary Framework (Bank of England 2011a; Winters 2012). There were four sets of collateral eligible for the DWF and the ECTR facility:

- Level A (or “narrow”)—High-quality sovereign debt
- Level B (or “wider”)—High-quality securities that normally trade in liquid markets
- Level C—Illiquid but transferable securities (included commercial mortgage-backed securities, asset-backed commercial paper, and securitized portfolios of corporate bonds)
- Level D—Own-name securities and loans (included residential mortgage-backed securities, covered bonds, and consumer, commercial real estate, and corporate loans) (Winters 2012)

Counterparties had to pre-position collateral in the Discount Window Facility prior to bidding in an auction. The Bank applied the standard Sterling Monetary Framework haircuts to the eligible collateral, which varied depending on the type of security, its rate, and maturity (Bank of England 2011a; 2014).[7] The Bank used this eligible collateral criteria and haircut structure for the first activation (Bank of England 2012a).

In between the first and second activation of the facility, the Bank simplified the sets of eligible collateral by merging Levels C and D (Bank of England 2013). The facility accepted all three levels in its operations in its second activation, given that participants pre-positioned the collateral. The second activation also applied the standard Sterling Monetary Framework haircuts to eligible collateral (Bank of England 2020a).

12. Loan Duration: Initially, the Bank designed the ECTR facility to provide liquidity at a 30-day term, but the first activation of the facility offered a term of six months, and the reactivation offered both a one-month and a three-month maturity.

In its initial market notice establishing the ECTR operations, the Bank stated that the term of borrowing would be for 30 days (Bank of England 2011a). The first activation of the ECTR facility in June 2012 instead utilized a term of six months (Bank of England 2012a). The Winters Review found that this maturity length was the subject of "common criticism," as banks would have preferred access to liquidity at a much longer maturity (Winters 2012).

The second activation, of the CTRF, initially offered liquidity at a term of three months (Bank of England 2020a). The press release announcing the CTRF stated that this term would allow participants to use the CTRF as a bridge until they could draw from the Term Funding Scheme, which offers much longer term financing (Bank of England 2020g). On March 30, the Bank announced the CTRF would be conducting weekly operations with a term of one month, in conjunction with the three-month operations (Bank of England 2020c).

13. Other Conditions: There did not appear to be any notable other conditions of the facility.

The flexibility of the ECTR facility could be considered a valuable addition to the liquidity provision framework of a central bank. The facility began with a framework detailing the ECTR operations if activated, but the Bank deviated from that initial framework in both activation periods in order to properly respond to the crisis at hand. However, eligible counterparties should have an awareness and understanding of the general framework of the facility so that, when activated in times of stress, the Bank can quickly provide liquidity without completely constructing a new facility.

14. Impact on Monetary Policy Transmission: The facility swapped central bank reserves (sterling cash) for eligible collateral, which increased the supply of reserves to the system.

The ECTR facility swapped sterling cash for eligible collateral. This means that the ECTR operations added reserves to the market and thereby affected monetary policy (Winters 2012). During the first activation, the Bank did consult the MPC over the size of the ECTR

[7] An example of these haircuts in November 2014 can be found in "Summary of haircuts for securities eligible for the Bank's lending operations" (Bank of England 2014).

auctions, so that the Bank and the MPC could coordinate monetary policy operations in a manner that did not oversupply the market (MPC 2012). The MPC minutes in March 2020, while noting the announcement of the CTRF by the Bank, do not mention a specific consultation or briefing regarding the activation (Bank of England 2020b).

15. Other Options: The Bank considered merging the ECTR facility with another liquidity facility in 2012, but instead renamed it the Contingent Term Repo Facility.

In 2012, the Winters Review suggested that the Bank merge the ECTR facility with the Indexed Long-Term Repo (ILTR) operations, to account for both the lower price of the ILTR operations and the wider set of eligible collateral for the ECTR. However, the review did note that there could be merit in keeping a separate ECTR facility in order to respond to extreme financial instability shocks (Winters 2012).

The Bank ended up expanding and refining the ILTR operations in 2014, while retaining the ECTR facility in case of a market-wide shock. However, the Bank renamed it the Contingent Term Repo Facility (CTRF) in order to differentiate it from the expanded ILTR operations (Bank of England 2013).

16. Similar Programs in Other Countries: There did not appear to be any similar programs as the ECTR released at the same time.

Research did not find any evidence of similar programs created at the same time as the ECTR with international coordination.

17. Communication: The Bank of England announced the creation and activation of the facility with a press release and market notice, with additional market notices advising of changes.

The Bank announced the ECTR facility with both a press release and a market notice detailing the basic framework (Bank of England 2011a; 2011b). The Bank similarly released a press release and market notice for the two activations, of the ECTR and the CTRF, with further market notices advising of changes (Bank of England 2012a; 2020a).

18. Disclosure: The Bank did not report individual usage of the facility, only the total volume and closing spread.

Thirty minutes after each auction, the Bank published the total value of funds allocated in the auction and the clearing spread to the Bank Rate, without any further disaggregation (Bank of England 2011a). In the second activation, the Bank had to release only the total value of funds allocated, since the CTRF used a fixed rate for all participants (Bank of England 2020a).

19. Stigma Strategy: While the facility did not suffer from stigma, the Winters Review noted that the pricing structure of the initial framework and first activation could generate stigmatization.

The Winters Review noted that the ECTR facility was not stigmatized at the time. However, Winters did raise the concern that it could become stigmatized in the future if banks fear retribution from the market or that their participation signals weakness. Additionally, Winters criticized the step-ups in pricing between the short-term liquidity facilities and the ECTR, which would have been much larger under the initial framework. If there is too much of a step-up in pricing, it effectively disincentivizes participation in the ECTR (Winters 2012).

Since the second activation switched to a fixed rate, stigma could occur if the fixed rate is set too high for participants. However, there has been no mention of stigma related to the second activation.

20. Exit Strategy: The Bank created the facility as a permanent feature of the Sterling Monetary Framework.

The CTRF, formerly the ECTR facility, remains a permanent contingent facility in the Sterling Monetary Framework. The governor of the Bank of England can activate the facility if needed in the future. During the two activations, the Bank provided a general timeframe, while allowing for the possibility of extensions (Bank of England 2012b; 2020g).

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Documents cited in the text are introduced with a parenthetical author-date citation. Documents that are relevant to this case but have not been cited in text do not include this parenthetical reference.

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