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### Sterling Monetary Framework

Bank of England/Central Bank of the United Kingdom

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# The Sterling Monetary Framework

The framework for how we operate in the sterling money markets is called the Sterling Monetary Framework.







BANK OF ENGLAND

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The Red Book (PDF)

Annual Report on the Bank's official market operations 2017–18

Liquidity Insurance at the Bank of England: developments in the Sterling Monetary Framework (PDF)

Sterling Monetary Framework Operating Procedures (PDF)

In August 2018 the Bank published a discussion paper on the Bank of England's future balance sheet and framework for controlling interest rates. The Bank intends to engage a wide range of market practitioners and experts in this dialogue, including participants in the Sterling Monetary Framework (SMF participants), to learn more about the demand for reserves over time and plans to update on the findings from this initial stage of work in publications and speeches.

The Bank of England's future balance sheet and framework for controlling interest rates

The number of firms participating in the Sterling Monetary Framework (as at 21 March 2019) are:

Sterling Monetary Framework	209
Reserves accounts and Operational Standing Facilities	199
Open market operations	100
Discount Window Facility	154

## Schedule of Sterling Monetary Framework operations

The table below outlines when our Sterling Monetary Framework market operations will normally take place.

We reserve the right to change the dates or frequency of these operations in light of bank holidays or developments in market conditions or for operational reasons.

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Repos	per month)	
Operational Standing Facilities	Monday to Friday (on demand)	Until 6.10pm (6.20pm on the last day of the maintenance period)
Discount Window Facility	Monday to Friday (on demand)	Participants are advised to contact us by noon if they wish to make a drawing on the same day

[Full calendar of open market operations for 2018 \(PDF\)](#)

[Full calendar of open market operations for 2019 \(PDF\)](#)

[Latest operational announcements](#)

## Reserves accounts

Reserves accounts at the Bank of England are effectively instant-access accounts for firms that participate in the Sterling Monetary Framework. We pay interest at [Bank Rate](#) on these reserves. This means that overnight market rates stay close to Bank Rate, as there is no incentive for banks to borrow from or lend to each other at rates much different from Bank Rate.

The reserves accounts are held in our [Real Time Gross Settlement system](#). Whenever payments are made between customers at different banks, they are ultimately settled by transferring central bank money (reserves) between the reserves accounts of those banks.

Reserves balances can be varied freely to meet day-to-day liquidity needs, for example to accommodate unexpected payment flows. In this way, reserves balances can be used as a liquidity buffer. The funds held in reserves accounts are therefore considered 'liquid assets' for the purpose of the Prudential Regulation Authority's liquidity requirements.

[Reserves accounts quick reference guide](#)

For technical/operational inquiries call +44 (0) 20 3461 5999 or email [PSCreservesteam@bankofengland.co.uk](mailto:PSCreservesteam@bankofengland.co.uk)

## Operational Standing Facilities

Our Operational Standing Facilities (OSFs) allow firms to deposit reserves with or borrow reserves directly from us. Currently we apply the following rates to these two facilities:

- borrowing through OSF lending: 1.0%
- placing reserves with us through OSF deposits: 0.5%.

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reserves via the OSFs, the loan is collateralised by Level A collateral. The deposit facility is uncollateralised.

We do not publish data on individual Operational Standing Facilities transactions. We publish aggregate data on OSFs drawings on the third Wednesday of the following maintenance period on the Bank of England Database.

[Operational Standing Facilities quick reference guide](#)

## Discount Window Facility

Our Discount Window Facility (DWF) is a bilateral on-demand service for firms experiencing either a firm-specific or market-wide shock. It allows firms to borrow highly liquid assets in return for less liquid collateral. This lending can be large in size and for a variable term.

[DWF quick reference guide \(PDF\)](#)

[Indicative pricing spreadsheet \(PDF\)](#)

[DWF transaction notice \(PDF\)](#)

[DWF termination notice \(PDF\)](#)

We do not publish data on individual transactions within the Discount Window Facility. We update aggregate data on DWF drawings on the first Tuesday following the final working day of the calendar quarter, five quarters ahead.

## Indexed Long-Term Repo operations

We offer funds to firms via an Indexed Long-Term Repo operation on a regular basis, usually once a calendar month. Normally, we offer funds with a six-month maturity. The rates charged on lending are indexed to Bank Rate. Participants are able to borrow against three collateral sets: levels A, B and C. The operation takes place as an auction in which firms bid for the size of borrowing they want.

Additional Indexed Long-Term Repo operations were announced by the Bank on 26 February 2019. For more details please see the below Market Notice.

[Market Notice, 2 April 2019](#)

More information on our Indexed Long-Term Repo operations is available in the Red Book.

[Red Book \(PDF\)](#)

[Indexed Long-Term Repo process guide \(PDF\)](#)

### Indexed Long-Term Repo results

[Indexed Long-Term Repo OMOs by operation \(XLSX\)](#)

[Indexed Long-Term Repo OMOs by operation \(Jun-10 - Jan-14\) \(XLS\)](#)

<https://www.bankofengland.co.uk/markets/the-sterling-monetary-framework>

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## Contingent Term Repo Facility

Our Contingent Term Repo Facility (CTRF) is a contingency liquidity facility that we can activate in response to exceptional actual or prospective market-wide stress. The CTRF enables us to provide additional sterling liquidity to the market, against the full range of collateral. We set the terms of the CTRF each time it is deployed, via a market notice including the size, term, frequency and price.

[Contingent Term Repo Facility Market Notice](#)

[Contingent Term Repo Facility quick reference guide for securities \(PDF\)](#)

[Contingent Term Repo Facility quick reference guide for loans \(PDF\)](#)

[Contingent Term Repo Operations results \(PDF\)](#)

## Gilt Purchase Open Market Operations (Currently suspended)

A time series of the results of all the gilt purchase open market operations (OMOs) is found below. Summary data can also be found on a separate tab, which groups the purchases into short, medium or long maturity buckets.

[Gilt OMOs by operation](#)

## Apply to participate in the Sterling Monetary Framework

The following types of institution can apply to take part in the Sterling Monetary Framework (SMF):

- banks and building societies that are authorised to take deposits in the UK
- investment firms designated for prudential supervision by our [Prudential Regulation Authority](#) (referred to as 'broker-dealers')
- central counterparties operating in UK markets, which are authorised under the European Market Infrastructure Regulation (EMIR) or recognised by the European Securities and Markets Authority (ESMA).

More information is available in the [Sterling Monetary Framework Eligibility Criteria and Terms and Conditions](#).

We also have [guidance for new banks](#) on access to the Sterling Monetary Framework.

Each applicant for SMF facilities should complete the following application form, and provide the additional information requested on page one.

[Sterling Monetary Framework application form](#)

### Sterling Monetary Framework documentation:

[Sterling Monetary Framework Eligibility Criteria and Terms and Conditions \(PDF\)](#)

[Sterling Monetary Framework Operating Procedures \(PDF\)](#)

<https://www.bankofengland.co.uk/markets/the-sterling-monetary-framework> 

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[Front office contact form \(PDF\)](#)

[Guidance for the authorised signatory evidence form \(PDF\)](#)

We may need you to provide a capacity opinion or a capacity and country opinion in connection with your application:

[Pro forma legal opinion \(capacity issues only\) \(DOCX\)](#)

[Pro forma legal opinion \(country and capacity issues\) \(DOC\)](#)

If the applicant is not the primary entity in its group, we may require a guarantee and an associated legal opinion to be provided:

[Pro forma Guarantee \(DOCX\)](#)

[Pro forma legal opinion on the Guarantee \(DOCX\)](#)

[Loan Transactions Annex: Assignment \(PDF\)](#)

[Loan Transaction Annex: Declaration of Trust \(PDF\)](#)

The legal documentation governing participation in our operations under the Sterling Monetary Framework also includes:

- The [Admission Letter](#) we send to participants as part of the application process, containing details of information that you need to send us.
- The Commencement Letter we send to participants once we have accepted them into the SMF.
- Any relevant Market Notice, which we publish from time to time.

For queries on applying to participate in the Sterling Monetary Framework, contact the applications team on +44 (0) 20 3461 5928 or email [applications@bankofengland.co.uk](mailto:applications@bankofengland.co.uk).

## How are market operations carried out?

Our electronic tendering system, Btender, is used to carry out all open market operations. All counterparties that sign up to Indexed Long-Term Repo operations must use Btender. You will also require access to SWIFTnet.

[User guide for Btender \(PDF\)](#)

[Btender quick reference guide \(PDF\)](#)

To contact the Sterling desk, call +44 (0) 20 3461 5000 or email [Markets-SMDDealers@bankofengland.co.uk](mailto:Markets-SMDDealers@bankofengland.co.uk).