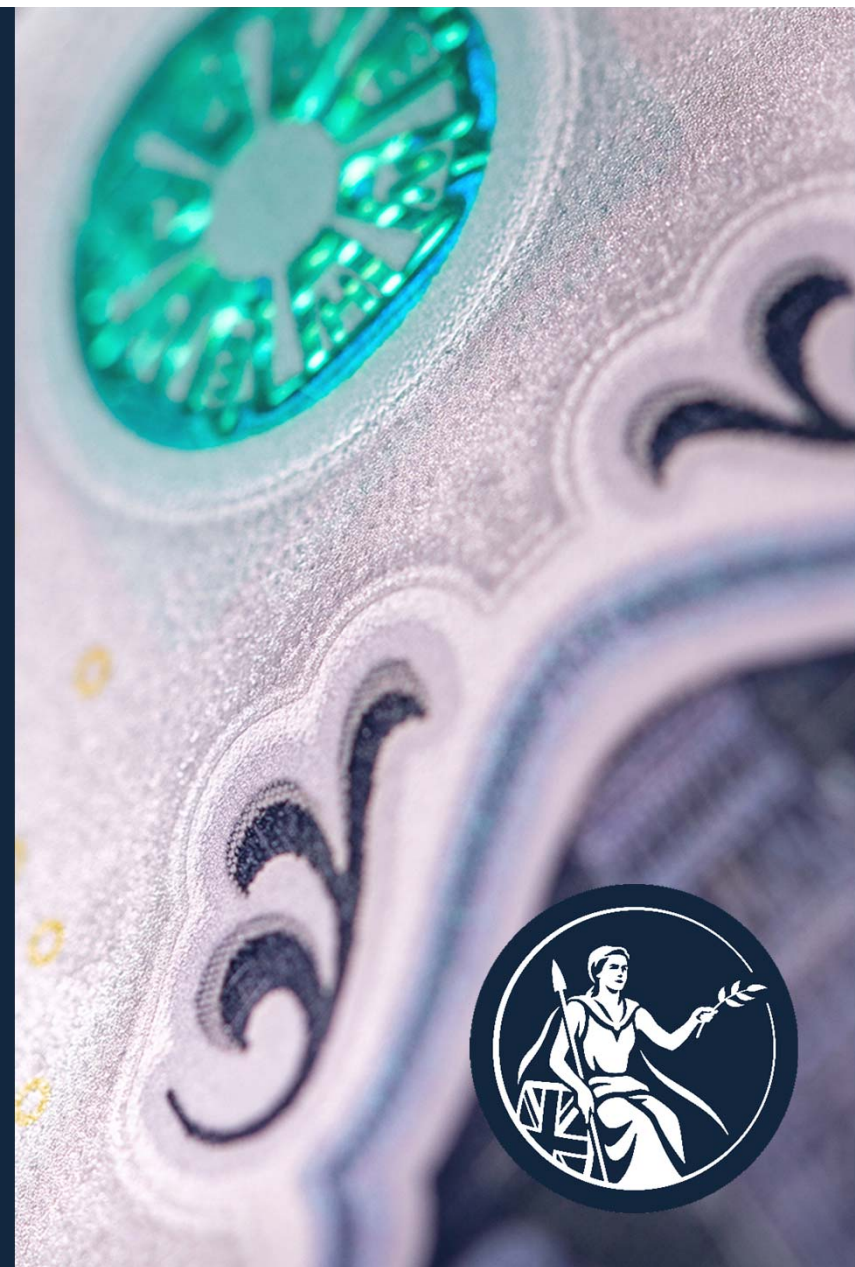


**Bank of England**

# Short-Term Repo (STR) Process Guide

September 2022

**Sterling Markets Division**





# Agenda

- Technical Information
  - Bank's mission
  - How we use our balance sheet
  - Purpose of the Short-Term Repo (STR)
  - PRA Statement of Short-Term Repo Facility
  - Key features of the Bank's STR operation
  - Illustration of STR Operation – Reserves Flows
- Operational Information
  - How to apply to the Bank's OMOs (STR & ILTR)
  - Btender STR Operation Walkthrough
  - Live Test Trade Programme
  - ILTR Changes



# Technical Information



# The Bank's Mission

## Our objectives

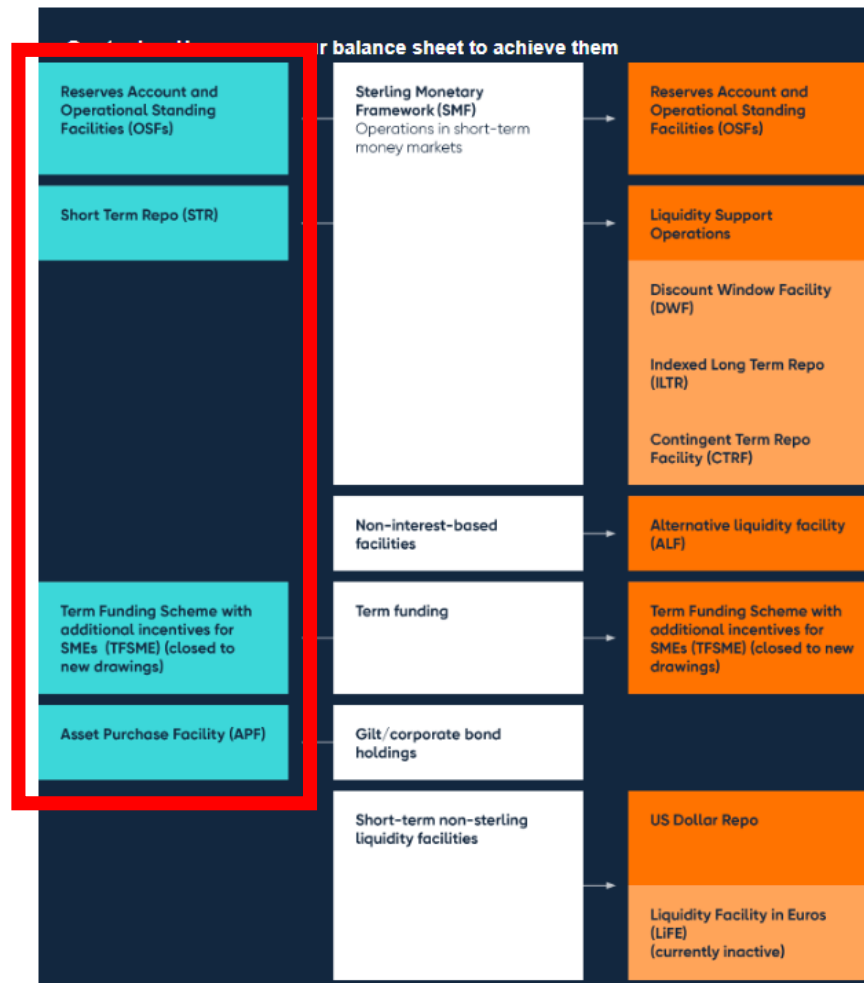
### Monetary stability

Influencing market interest rates to deliver the Monetary Policy Committee's decision

### Financial stability

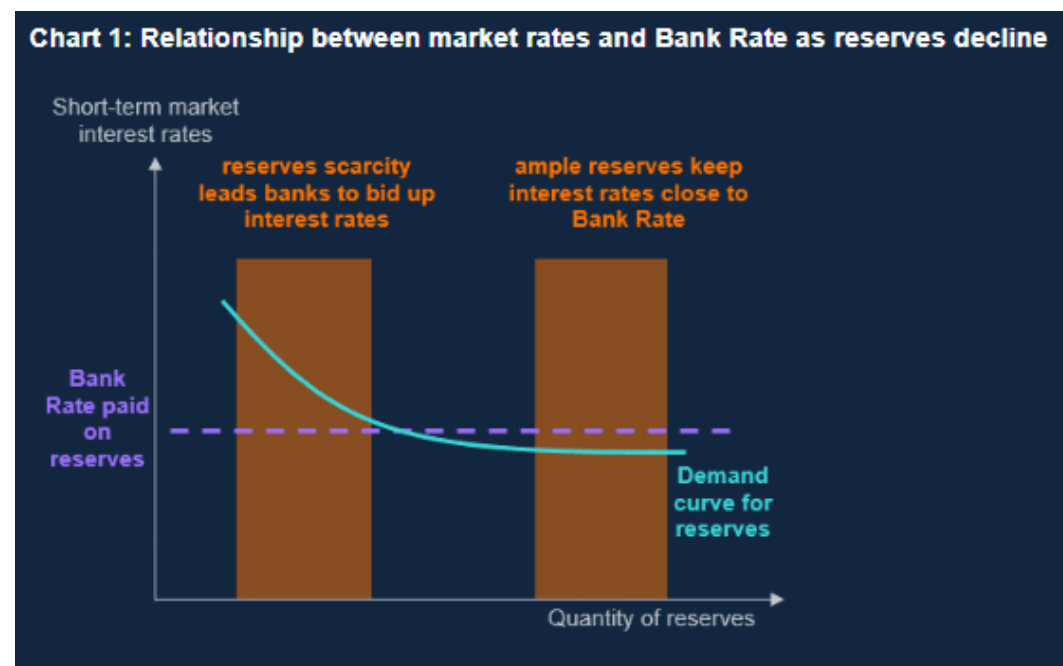
Providing liquidity insurance, to reduce the cost of disruption to critical financial services

# How we use our balance sheet – Monetary stability



## Purpose of the Short-Term Repo (STR)

- **Ensure that short-term market interest rates remain close to Bank Rate as level of sterling central bank reserves reduce.**
- As the Asset Purchase Facility (APF) unwinds and Term Funding Scheme with additional incentives for SMEs (TFSME) loans mature, reserves balances will fall.
- This will at some point put upward pressure on short-term market interest rates.
- There is uncertainty around when this might kick in. Therefore the STR will be ready from the outset of active APF sales.





## PRA statement on Short-Term Repo (STR) facility

- The Bank intends that the STR should be used freely from the point of introduction, as a way for counterparties to access reserves as necessary.
- The PRA will judge use of the STR as routine participation in sterling money markets and intends that it should be seen as such by bank boards and overseas regulators.



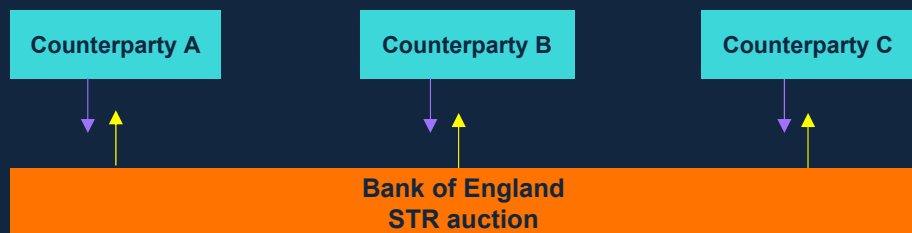
## Key Features of the Bank's STR operation

- The STR offers to supply central bank reserves with **a one-week maturity**.
- Participants may borrow against **Level A collateral**.
- The rate charged on STR lending is **fixed at Bank Rate** and is indexed, so participants do not have to take a view on the path of Bank Rate.
- The operation will be held weekly on Thursdays at 10:00am except on days when a MPC announcement is scheduled, in which case the operation will commence at 12:30pm. The operation will remain live for 30 minutes.
- Participants should submit one bid, minimum £5mn as a **nominal amount**.
- The Bank will **fully allocate** all bids.



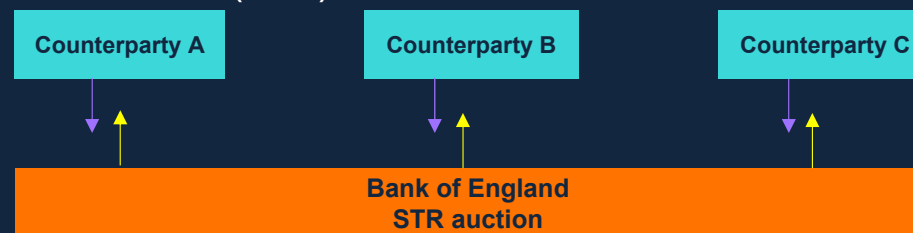
# Illustration of STR Operation – Reserves Flows

## 1. STR auction



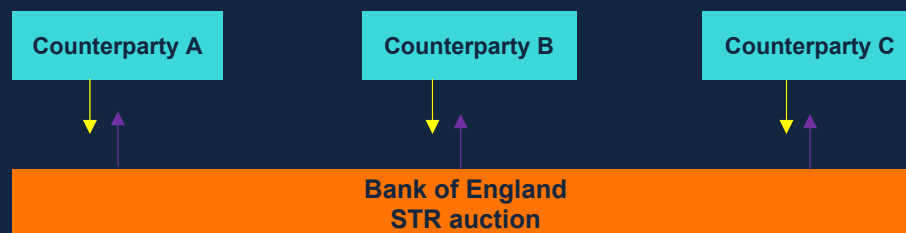
—▶ Bids  
—▶ Bids allocated in STR auction

## 2. Settlement (T+0)



—▶ Collateral  
—▶ Reserves

## 3. Maturity



—▶ Collateral  
—▶ Reserves



# Operational Information



## How to apply to the Bank's OMOs (STR & ILTR)

- For money market participants, the STR may be of particular relevance to you.
- OMOs is a subset of facilities in the SMF, which includes ILTR and STR
- In addition, only participants with access to OMOs are eligible to participate in the Bank's short-term non-sterling liquidity facilities (USD Repo).

### Application Process

- Submit an application via the Applications Team
- Install Btender (via SWIFT) and complete a dummy operation
- Internal governance which may include a credit assessment
- Admission and Commencement letters executed

# Btender STR Operation Walkthrough



Type	Date	Start	End	Amount (£mn)	Status
ST OMO	07/09/2022	11:45	12:15	999,999.00	Setup Complete

- Log into Btender
- The STR operation (described under its original name – ST OMO) will be listed in the operation timetable with the date, start time and end time for the operation.
- Please note the date, start and end time shown above are for test purposes only. Live operation parameters will be as published in the Market Notice.

# Btender STR Operation Walkthrough

The screenshot shows the Bank of England Btender interface for an ST OMO (1879) Liquidity Providing operation. The top right corner displays a timer: "Time to go: 07:05". The main content area has tabs for "Active Bids" and "Cancelled Bids". Below these are filters for "Maturity" and "Status". The "Add Bids" section contains a table with columns for "Description", "Bid Amt (£mn)", and "Bid Rate (%)". A single bid is shown with a description of "Weekly", a bid amount of 250, and a bid rate of 1.750. The "Submit All" button is located at the bottom right of the table.

Description	Bid Amt (£mn)	Bid Rate (%)	Bid Amt (£mn)	Bid Rate (%)	Bid Amt (£mn)	Bid Rate (%)	Bid Amt (£mn)	Bid Rate (%)
Weekly	250	1.750		1.750		1.750		1.750

- When you click on ST OMO, you will enter the operation as shown above.
- Using the 'Add Bids' box, you can enter your desired bid amount. The rate is fixed to Bank rate.
- Click 'Submit All' to submit your bids. Please note only a single bid will be accepted
- The timer in the top right hand corner shows the amount of time remaining to submit your bids using traffic lights to warn when <2 mins (amber ) and <1 min (red ) remain.

# Btender STR Operation Walkthrough

The screenshot displays the Bank of England Btender interface for an ST OMO (1879) Liquidity Providing operation. The main table shows active bids with columns for Maturity, Bid Amt (£mn), Bid Rate (%), and Status. A bid for £2m at 1.75% is highlighted as 'Rejected', while a bid for £250m at 1.75% is 'Valid'. A red circle highlights the 'Status' column header and the 'Rejected' status of the £2m bid. Another red circle highlights a trash bin icon on the far right of the table row. Below the main table is an 'Add Bids' section with a table for entering new bids.

Maturity	Bid Amt (£mn)	Bid Rate (%)	Status
Weekly	250	1.75	Valid
Weekly	2	1.75	Rejected

Description	Bid Amt (£mn)	Bid Rate (%)	Bid Amt (£mn)	Bid Rate (%)	Bid Amt (£mn)	Bid Rate (%)	Bid Amt (£mn)	Bid Rate (%)
Weekly		1.750		1.750		1.750		1.750

- Once submitted, the bid will appear as an active bid in the screen.
- The status column will show if the bid is valid. The bid for £2m shown above has been rejected as it is smaller than the minimum bid size of £5m.
- Click on the rubbish bin icon on the far right to delete a bid.

# Btender STR Operation Walkthrough

**BANK OF ENGLAND** Results of Operation (CounterpartyViewer, CounterpartyDealer) Logout

ST OMO (1879) Liquidity Providing £999,999mn 07-09-2022 11:45 Complete

Overall Tender Results [Download](#)

Total Amount of Bids Received	Total Amount of Bids Accepted
<b>£1,325.00mn</b>	<b>£1,325.00mn</b>

Weekly

Amount on Offer (£mn)	999,999
Total Bids Received (£mn)	1,325.00
Amount Allotted (£mn)	1,325.00
% Omo Bid Allocated	100.00

Allocation Results [Download](#)

Maturity Date	Bid Rate	Bid Amt. (£mn)	Alloc. Amt. (£mn)	Status
<a href="#">14/09/2022</a>		1.750	250	250.00 VFA
<a href="#">14/09/2022</a>		1.750	2	0.00 REJ

- Once the auction has ended, the Bank will allocate the bids.
- The total auction results appear on screen.
- Your results appear in the lower section (VFA – Valid Fully Allocated or REJ – Rejected)
- Aggregate results are published shortly after on the wire service and are also published on the Bank website weekly.



## Live Test Trades Programme

- All STR participants will be required to complete a test trade periodically to ensure ongoing operational readiness.
- The STR test trade programme will commence later this year. Relevant firms will be contacted in due course.
- An ILTR test trade programme is also in development. Further details to follow.





## ILTR Changes

- Because the STR will provide access to reserves against Level A collateral, at Bank Rate and in unlimited quantities for a 7-day term, the Bank judges it appropriate to adjust the minimum spread for bids against Level A collateral for a 6-month term in the ILTR.
- **The minimum spread to Bank Rate on bids against Level A collateral in the ILTR will change from 0 basis points to 3 basis points.**
- The date at which this change will take effect will be confirmed in due course. It will be no earlier than the first ILTR operation following the commencement of STR operations.
- **All other ILTR operation parameters remain unchanged.**



If you have any further questions, please contact your Sterling Monetary Framework Relationship Manager or contact [Markets-SMDDealers@bankofengland.co.uk](mailto:Markets-SMDDealers@bankofengland.co.uk)

