

# Bank of England

## Contingent Non-Bank Financial Institution Repo Facility (CNRF)

### Operating Procedures

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## 1 Introduction

- 1.1 These Contingent Non-Bank Financial Institution Repo Facility (CNRF) Operating Procedures (the CNRF Operating Procedures) govern participation in the CNRF and explain the operational procedures involved.
- 1.2 These CNRF Operating Procedures should be read together with the other Documentation relating to the CNRF, including the Terms and Conditions (including any relevant Annexes) (the CNRF Terms and Conditions<sup>1</sup>), the Eligibility Criteria, the Admission Letter, the Commencement Letter, any Market Notice, any Representative Appointment Letter, and any other documentation or procedures issued by the Bank in connection with the CNRF, each as supplemented and amended from time to time, and by which all Transactions referred to in these CNRF Operating Procedures are governed. For links to these documents, and further information on the CNRF, please see the [Bank's CNRF webpage](#).
- 1.3 In the event of a conflict between these CNRF Operating Procedures and the CNRF Terms and Conditions, the CNRF Terms and Conditions shall prevail. In the event of any conflict between any Market Notice and these CNRF Operating Procedures or the CNRF Terms and Conditions, the Market Notice shall prevail. In the event of any conflict between the terms of the CNRF Operating Procedures or the CNRF Terms and Conditions and any Representative Appointment Letter, these CNRF Operating Procedures or the CNRF Terms and Conditions shall prevail as provided above.
- 1.4 The Bank may amend these CNRF Operating Procedures generally or in particular circumstances from time to time. Any such amendment will take effect from such time as specified by the Bank and, unless otherwise specified in respect of any Transaction outstanding at the relevant time. A link to the Documentation as amended will be posted on the [Bank's CNRF webpage](#) and significant amendments will be circulated to Participants or (where applicable) their Representatives.
- 1.5 The Bank will endeavour to give reasonable notice of any amendment but reserves the right to introduce any amendment with immediate effect. The Bank may also vary the operational schedule or vary or omit any of the procedures described on any particular day.

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<sup>1</sup> Available here: [CNRF Terms and Conditions](#)

- 1.6 All Transactions or planned Transactions should be treated as confidential (in accordance with clause 14 of Part A of the CNRF Terms and Conditions).
- 1.7 All references to times are to London time, unless stated otherwise.
- 1.8 This document uses terms like “repo” in the context of the CNRF for simplicity. Notwithstanding that, transactions under these operations constitute, under English law, loan advances by the Bank to the Participant and a title transfer financial collateral arrangement in respect of Collateral provided by or on behalf of the Participant to the Bank.
- 1.9 Reference is made in these CNRF Operating Procedures to a ‘coupon’ being payable during the life of a security; this word has the same meaning as ‘income payments’, as used in clause 3 of Part D of the CNRF Terms and Conditions.
- 1.10 All capitalised terms in these CNRF Operating Procedures have the meaning given in the CNRF Terms and Conditions and in any Market Notice unless otherwise defined herein.

## 2 Participation

### Participant

- 2.1 All Participants must be eligible under, and comply with, the applicable Eligibility Criteria detailed in the CNRF Terms and Conditions and any Market Notices published by the Bank from time to time.<sup>2</sup>
- 2.2 The Bank may waive, add to, or vary the eligibility requirements in relation to any Participant. Eligibility and continued access to the CNRF will be dependent upon a Participant acting, in the opinion of the Bank, in good faith and in a manner consistent with the objectives of the CNRF.
- 2.3 Eligible institutions wishing to apply for access to participate in the CNRF should complete the CNRF application process (see 2.15).
- 2.4 Applications may be made for multiple institutions in the same Group, pension schemes with the same employer or sponsor, sub-funds in the same umbrella fund, common contractual funds with the same manager or related investment funds, provided that each applicant meets the relevant Eligibility Criteria.

### Representative

- 2.5 A Participant may participate in the CNRF either directly or by appointing a Representative to act on its behalf. A Representative must be a legal person and may be an existing or new agent, delegate or manager of the Participant (or its a sub-agent, sub-delegate or sub-manager). An LDI Fund Participant may choose to appoint its third-party Fund Manager or a different entity as its Representative.
- 2.6 A Representative appointed by a Participant must be eligible under, and comply with, the Representative Eligibility Criteria set out in the CNRF Terms and Conditions and any Market Notice published by the Bank from time to time.
- 2.7 Where a Participant chooses to appoint a Representative, the Representative's details and supporting signatory evidence must also be provided in the Application Form. Prior to admission to the CNRF, the Participant and the

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<sup>2</sup> [Bank of England | CNRF](#)

Representative will be required to execute a Representative Appointment Letter<sup>3</sup>.

- 2.8 The Documentation sets out in detail the duties and obligations of a Representative and the terms on which it transacts with the Bank. The Representative Appointment Letter summarises the roles and responsibilities that the Representative will perform on behalf of the relevant Participant. These includes, for example, requesting and receiving advances from the Bank, and transferring collateral to and from the Bank.
- 2.9 Representatives may delegate certain settlement-related duties to third party delegates but this must be notified to the Bank in the Collateral Management and Custody Client Data Collection Document (the SSIs)<sup>4</sup>. However, third party delegates are not permitted to perform other functions of Representatives such as agreeing to, amending or waiving Transaction terms (see also 3.5 and 3.12). A Representative will at all times remain responsible for the acts and omissions of its delegate(s).
- 2.10 Once admitted to the CNRF, a Participant that has appointed a Representative must promptly notify the Bank if for whatever reason its Representative has resigned, if it intends to replace its Representative or if any Representative Replacement Event has occurred. The Representative Replacement Events are set out in the CNRF Terms and Conditions and include failure to make any transfer of securities when required to do so, failure to make any payment when due or if the Representative is subject to an insolvency-related event.
- 2.11 A Participant that has appointed a Representative must notify the Bank if it intends to terminate the appointment of the Representative. The Participant must not terminate the appointment without first (i) appointing a replacement Representative which meets the Representative Eligibility Criteria and taking such steps as the Bank may require or (ii) providing such information required by the Bank to satisfy it that the Participant itself has the operational capability to settle transactions and perform its obligations under the Documentation without a Representative in place.

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<sup>3</sup> Available here: [Bank of England | CNRF](#)

<sup>4</sup> Available here: [SSI Data Collection Form](#)

- 2.12 If a Representative Replacement Event has occurred and a Transaction with a Participant is outstanding or pending, a Participant must also within two Business Days from the date of such event (or such later date as the Bank may agree) terminate the appointment of the Representative and either (i) appoint a replacement which satisfies Representative Eligibility Criteria or (ii) provide such information required by the Bank to satisfy it that the Participant can perform its obligations without a Representative in place.
- 2.13 The Bank strongly encourages Participants that have appointed a Representative and/or (where applicable) their Representatives to inform the Bank as soon as possible if they anticipate that a Representative Replacement Event may occur. In these circumstances, Participants are encouraged to discuss their plans and (where relevant) provide details of the proposed replacement representative with the Bank as soon as possible in order to assist in any representative eligibility assessment. The Bank will need sufficient time to process such information and takes no responsibility for any resulting failure by the Participant to replace its Representative in accordance with the terms of the Documentation.

## Fund Manager

- 2.14 Certain eligibility criteria for LDI Fund Participants (other than Self-Managed LDI Fund Participants) relate to their Fund Managers. These eligibility criteria include that Fund Managers are regulated or authorised. Relevant Participants also give certain representations and undertakings in respect of their Fund Manager. It is the responsibility of the relevant Participant to ensure that its Fund Manager complies with those requirements.

## Admission to the CNRF

- 2.15 To apply for admission to the CNRF, an institution or (where applicable) a proposed Representative should complete the Application Form and supporting documentation, including the Bank of England CNRF Know Your Customer Questionnaire, the CNRF Financial Data Form and the CNRF Financial Data Form Certificate, all available on the [Bank's CNRF webpage](#) and submit them to [CNRFApplications@bankofengland.co.uk](mailto:CNRFApplications@bankofengland.co.uk).
- 2.16 Where an institution wishes to appoint a Representative to participate in the CNRF, the Application Form must be signed by both the applicant and the proposed Representative.

- 2.17 As part of the application process, applicants and (where applicable) proposed Representatives will be required to participate in operational test trades. Further information on the CNRF application process is available on the Bank's website, together with the authorised signatory evidence forms and the pro forma documentation.
- 2.18 In order to meet the Eligibility Criteria, applicants are also required to provide certain legal documentation. Further information on which documentation may be required (and relevant timing details) can be found in the CNRF Guide to Legal Documentation.<sup>5</sup>

## Access Fees

- 2.19 Participants will be required to pay an Access Fee to have access to participate in the CNRF (the **Access Fee**).
- 2.20 The Access Fee will initially be £8,000 for each Participant and will be payable annually. The Bank will review the level of the Access Fee from time to time and amend it, with any such amendment taking effect at a time specified by the Bank. The Access Fee must be paid by the Participant or (where applicable) its Representative via CHAPS into an account designated by the Bank. Details of the account will be notified by the Bank to the Participant or (where applicable) its Representative in writing.
- 2.21 The Access Fee for the initial annual period in which a Participant is admitted to the CNRF is payable in advance and will be pro-rated to reflect the Participant's date of admission.
- 2.22 Any payment made in respect of an Access Fee is non-refundable, including in the event that a Participant merges or amalgamates with another entity, ceases to be a Participant, or in the event of its participation in the CNRF being suspended or terminated in accordance with clause 9.3 of Part A of the CNRF Terms and Conditions. Where a Participant or (where applicable) its Representative fails to pay the Access Fee, the Bank reserves the right to suspend or terminate the Participant's access to the CNRF.

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<sup>5</sup> Available here: [CNRF Guide to Legal Documentation](#)

## Ongoing Participation

### Data Submission

- 2.23 Participants or (where applicable) their Representatives are required to submit financial information regarding the Participant to the Bank using the pro-forma CNRF financial data form on the Bank website (the **CNRF Financial Data Form**).<sup>6</sup>
- 2.24 Section A of the CNRF Financial Data Form requires financial information, including information in relation to the Participant's holding of gilts and the Participant's current and prospective financial health. The data reported in Section A must use financial information from the Participant's most recent financial year-end, unless otherwise specified.
- 2.25 Section B of CNRF Financial Data Form requires the submission of supporting documentation in relation to the Participant, such as financial statements and annual reports. The most up-to-date versions of the supporting documentation must be provided.
- 2.26 Participants or (where applicable) their Representatives are also required to submit a certificate to confirm that the data provided in Section A of CNRF Financial Data Form is, in all material respects, accurate and complete as at the date referenced (the **CNRF Financial Data Form Certificate**).<sup>7</sup> The CNRF Financial Data Form Certificate should be signed by a relevant authorised signatory of the Participant or (where applicable) its Representative.
- 2.27 Applicants wishing to become Participants in the CNRF, or (where applicable) their Representatives, must complete and submit the CNRF Financial Data Form (including the relevant supporting documentation) and the CNRF Financial Data Form Certificate (signed by a relevant authorised signatory) to [CNRFapplications@bankofengland.co.uk](mailto:CNRFapplications@bankofengland.co.uk) alongside their CNRF Application Form.
- 2.28 Once admitted to the CNRF, Participants or (where applicable) their Representatives must update and resubmit the CNRF Financial Data Form (including the relevant supporting documentation, unless otherwise specified) and the CNRF Financial Data Form Certificate (signed by a relevant authorised

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<sup>6</sup> Available here: [CNRF Financial Data Form](#)

<sup>7</sup> Available here: [CNRF Financial Data Form Certificate](#)



signatory) on an annual basis. These should be sent to [CNRFdata@bankofengland.co.uk](mailto:CNRFdata@bankofengland.co.uk) before the last working day of July each year, or as otherwise requested by the Bank.

- 2.29 The Bank expects Participants and (where applicable) their Representatives to take due care and attention over the submission and certification of data. Data revisions must be discussed with the Bank, including an explanation of which data have changed and the reasons for any changes. The Bank may require Participants and/or Representatives to resubmit and recertify the CNRF Financial Data Form in these cases.
- 2.30 If a Participant or (where applicable) its Representative fails to update and resubmit the CNRF Financial Data Form and CNRF Financial Data Form Certificate in accordance with paragraph 2.28, the Bank reserves the right to suspend or terminate the Participant's access to the CNRF.
- 2.31 The Bank will review the pro-forma CNRF Financial Data Form and the CNRF Financial Data Form Certificate from time to time, and may amend them, with any such amendment taking effect at a time specified by the Bank.
- 2.32 Further information is available on the [Bank's CNRF webpage](#).

### **Annual Test Trades**

- 2.33 Participants or (where applicable) their Representatives are required to participate in an annual test trade with the Bank, in order to remain a CNRF Participant. Details of these test trades will be communicated to Participants or (where applicable) their Representatives at the relevant time.

### 3 CNRF Operations

- 3.1 The CNRF is a contingent liquidity facility that can be activated at the Bank's discretion in episodes of severe gilt market dysfunction that threaten UK financial stability. The CNRF allows the Bank to provide liquidity against eligible gilts (usually conventional and index-linked, including unconventional gilts such as strips) to Participants that have been admitted to the CNRF. The Bank may do this by way of an operation at any time, term and price it chooses, in response to actual or prospective exceptional market-wide stress in the gilt market.
- 3.2 The contingent nature of the CNRF means the Bank will announce timings for its activation and further details, including the term, timing, frequency of the operations, and interest rate, via a Market Notice. The sections below provide summary information only. Key parameters are set out in Table 1.

**Table 1 – Parameters applicable for the CNRF**

PARAMETER	DESCRIPTION
Announcement	The Bank will announce the CNRF's activation in advance via a Market Notice. This will include the timetable of any planned operation and full terms. This information will also be available on the Bank's wire services pages.
Size	Full allocation with individual borrowing limits.
Collateral	Gilts (both conventional and index-linked, including unconventional gilts such as strips).
Rate	Bank Rate plus a spread for the life of the Transaction.
Minimum bid	£1,000,000
Minimum bid increment	£1,000,000 (i.e. bids must be whole numbers of £millions)
Maximum bid	No restriction, subject to a Participant's aggregate drawings remaining within their individual borrowing limit. The Bank reserves the right, at its discretion, to limit the size of a Participant's allocation in any operation.
Maximum number of bids from a Participant per operation	1 (either entered directly by a Participant or by their Representative).

## Interest

- 3.3 The interest charged on each Transaction will be calculated on a daily basis, using the applicable interest rate that day. The interest rate will be the sum of Bank Rate (which, for the avoidance of doubt, may be a negative rate) at close of business that day plus a spread to Bank Rate. The spread to Bank Rate will be announced by the Bank via a Market Notice containing all the supporting operational details.
- 3.4 The total interest payable over the life of any Transaction will be the sum of these daily interest accruals. If the applicable interest rate on a given day is negative, then the interest accrual for that day would be in favour of the Participant.

## Conducting CNRF Operations via Btender

- 3.5 The Bank will conduct CNRF operations using the Bank's electronic tendering system, Btender. Where a Participant appoints a Representative to bid on its behalf, only the Representative will be permitted access to Btender (and not the Participant or any third party delegate).
- 3.6 It is the responsibility of Participants or (where applicable) their Representatives, to maintain access to Btender and to ensure that user access rights to Btender are assigned appropriately within their organisation. The Bank does not accept any Loss resulting from the use of, or inability to use, Btender.
- 3.7 The schedule, including start and end times for each CNRF operation, will be set out in the Bank's wire services announcement shortly ahead of the operation. Operation details will also be visible in the Btender system. Bids may be submitted once the operation begins in Btender. Bids must be received by the Bank prior to the close time for the operation.
- 3.8 The time stamp applied to any bid in accordance with these Operating Procedures is final and binding. Participants and Representatives should note that it may take some seconds for bids to be received by the Bank after being input. A countdown timer is provided in the Btender system to assist users.
- 3.9 Participants or (where applicable) Representatives should bid in Btender by submitting a nominal amount of sterling to borrow against gilt collateral. Where a Representative is acting on behalf of multiple Participants, individual bids

must be submitted in Btender for each Participant for which that Representative has been appointed.

- 3.10 Participants or (where applicable) Representatives may cancel or amend bids using the Btender system at any point up to the close of the operation. Bids which are submitted as at the close of the operation are irrevocable. Once a bid is submitted, the Participant is committed, if the bid is accepted, to entering into a CNRF transaction for the amount specified in the bid.
- 3.11 Participants that participate directly in the CNRF may neither bid through, nor discuss their bids with, any third parties.
- 3.12 Representatives may not bid through any third party delegate, nor can they discuss their bids with any third parties except for the Participant they are bidding on behalf of.
- 3.13 Bids should be submitted via Btender where possible. Section 7 ‘Contingencies’ of these CNRF Operating Procedures sets out actions in the event of Btender being unavailable (for an individual bidder or more widely).
- 3.14 Participants or (where applicable) Representatives, should access their individual allocations via the results screen in the Btender system.
- 3.15 In the event of a dispute, reference may be made to the Btender system archive or recordings of telephone conversations.
- 3.16 Notwithstanding any provision in these CNRF Operating Procedures, the Bank reserves the right to accept individual bids in full, in part and in any amounts determined by the Bank at its sole discretion, and to reject individual bids.
- 3.17 For security and contingency purposes, the Bank requires pre-authorised telephone number(s) to be provided on behalf of Participants or (where applicable) Representatives.<sup>8</sup> Representatives must not include telephone numbers for third party delegates. Participants must accept the additional risks associated with bidding via telephone – namely that their participation in the CNRF may be restricted in the event that access to Btender is not available. The caveats associated with telephone bids more generally are further explained in Section 7 ‘Contingencies’ of these CNRF Operating Procedures.

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<sup>8</sup> Telephone numbers must be provided via the Front Office Contact Form within the CNRF Application Form.

## Borrowing Limits

- 3.18 A Participant will be subject to a borrowing limit equal to 50% of its total gilt holdings, rounded up to the nearest £1bn. The borrowing limit applies to the Participant's aggregate outstanding borrowing under all CNRF Advances (including interest which will accrue during the lifetime of each CNRF Advance).
- 3.19 The Bank reserves the right to amend a Participant's borrowing limit, including where a Participant is admitted to the CNRF in accordance with clause 1.4 of the Eligibility Criteria CNRF Terms and Conditions.
- 3.20 The Bank will notify the Participant or (where applicable) its Representative, of that Participant's borrowing limit on admission to the CNRF, and then approximately annually thereafter.
- 3.21 Operational aspects of borrowing limits:
- i) Participants or (where applicable) their Representatives will not be able to see their borrowing limits in Btender when they bid;
  - ii) If a Participant or (where applicable) its Representatives bids over the Participant's limit in Btender, the relevant bid will be rejected and will not be allocated. In that case, the Participant or (where applicable) its Representative, will need to re-submit a new bid that is under their borrowing limit.

## Allocation

- 3.22 The Bank intends to fully allocate all valid bids in CNRF operations, subject to the Participant's aggregate outstanding exposure being within their individual borrowing limit, and subject to the Bank's discretion to limit the size of a Participant's allocation in any operation.

## Results

- 3.23 The Bank aims to announce the result of each CNRF operation on the Bank's wire services pages as soon as possible after each operation, detailing the amount allocated in the operation in aggregate.

## 4 Collateral Delivery and Maintenance

### Collateral Eligibility and Delivery

- 4.1 The Bank will accept gilts (both conventional and index-linked, including unconventional gilts such as strips) as collateral for the CNRF.
- 4.2 A Participant or (where applicable) its Representative should advise the Bank if at any time they become aware of information that may affect the eligibility of any collateral delivered to the Bank by or on behalf of that Participant.
- 4.3 The Bank forms its own independent view of the risks in the collateral it takes in its operations and reserves the right to reject any gilts offered as collateral, for any reason, at any time.
- 4.4 Collateral must be delivered to the Bank's CREST account. Details of the account can be found on the Bank's website.<sup>9</sup>
- 4.5 The trade and settlement date specified in collateral security movement instructions should be the Business Day on which that instruction is given.
- 4.6 Deliveries in CREST to the Bank should be instructed as member-to-member free of payment (FoP).

### Gilt Conversion, Switch Auctions, Coupons and Redemptions

- 4.7 Amounts equivalent to coupon payments received by the Bank in respect of any gilts (or which would have been received if the Bank continued to hold the gilts in question) are paid to the Participant or (where applicable) its Representative, according to the SSIs provided to the Bank. Such payments are normally made on the coupon payment date, but only once the Bank has verified actual receipt of funds into its account in CREST.
- 4.8 In accordance with clause 1.10 of Part A of the CNRF Terms and Conditions, the Bank is under no obligation to pay a coupon to the Participant: if an Event of Default or Potential Event of Default has occurred and is continuing with respect to the Participant involved in the Transaction; if a Representative Replacement Event has occurred and is continuing in respect of that

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<sup>9</sup> Available here: [Securities Settlement Instructions](#)

Representative; if a collateral shortfall exists or will arise as a result of the performance of the Bank's obligation; or if any obligation by the Participant, or (where applicable) its Representative to the Bank under the Terms and Conditions is outstanding.

- 4.9 Where the Participant or (where applicable) its Representative, has delivered gilts to the Bank and any rights become exercisable in relation to those gilts, - such as in relation to a conversion offer or 'switch' auction - the Bank will inform the Participant or (where applicable) its Representative of the relevant event and options via email when the Bank receives notification from CREST. The Participant or (where applicable) its Representative should instruct the Bank to execute an option via encrypted email or SWIFT authenticated message. In accordance with clause 10.10 of Part A of the CNRF Terms and Conditions, the Bank is under no obligation to arrange for the exercise of any voting rights of any kind in accordance with the instructions of the Participant or (where applicable) its Representative and it is the Participant's responsibility to ensure that at all time it maintains sufficient collateral with the Bank to cover its exposures under the CNRF – see Section 5 'Daily Management of Positions' below for further details.
- 4.10 Where coupon payments are reclaimed, reversed or amended by the settlement system, issuer of any securities or depository, the Participant or (where applicable) its Representative undertakes immediately to repay any excess payment as requested by the Bank. The Participant or (where applicable) its Representative will also be responsible for meeting any associated costs, including without limitation overdraft charges, claims or other fees.
- 4.11 The Participant or (where applicable) its Representative must provide any and all documentation as required by the Bank to allow for receipt of coupons and equivalent amounts free of withholding tax, or any other tax or charge. Failure to complete such documentation, or to do so correctly, could lead to withholding tax or other charges being applied. The Bank is under no obligation to take any steps to reduce or avoid any withholding tax or other charges in respect of actual coupons received or paid by the Bank. Nor is the Bank required to gross up for such taxes or charges. If the Participant or (where applicable) its Representative, fails to provide the relevant tax documentation at least ten Business Days before the tax document expires, the gilts will be given zero value in the relevant pool. Gilts may not be accepted

by the Bank if there is no record that the Participant or (where applicable) its Representative, has completed the relevant tax documentation.

### **Liability for charges**

- 4.12 The Participant is liable in accordance with clause 6 of Part A of the CNRF Terms and Conditions to pay the Bank's charges and to reimburse the Bank on demand for all fees, costs, charges, penalties and other expenses (including, without limitation, amounts incurred in connection with any third party custody or settlement or clearing system or depository arrangement with respect to any collateral, amounts incurred in connection with checking that collateral is Eligible Collateral and valuing collateral, internal costs and expenses (including staff salary costs), legal expenses, transfer taxes, value added tax, registration charges and other similar taxes and charges) incurred by the Bank in connection with CNRF and any Transaction thereunder.
- 4.13 The Bank will send a monthly fee invoice for such amounts. Such invoices must be paid by Participants or (where applicable) their Representatives within ten Business Days.



## 5 Daily Management of Positions

- 5.1 The Bank operates a collateral pooling model to support its official operations. Under this model, each Participant maintains one collateral pool, to cover the exposures the Bank has to that Participant. Where a Representative is acting on behalf of multiple Participants, a separate collateral pool will be maintained for each Participant.
- 5.2 The collateral is not earmarked against individual Transactions. Instead, subject to the application of the Bank's risk controls, the aggregate Adjusted Value of the Eligible Collateral held for each Participant will be used to collateralise the aggregate value of that Participants' Relevant Exposure.
- 5.3 Security settlement movements and the associated back-office processes are reduced to those instances where more Eligible Collateral is needed to cover the Relevant Exposure in the pool (e.g. in the case of a valuation change leading to a call for additional collateral), or where the return of individual gilts is requested (e.g. when there is excess collateral which is over and above the value of exposures).
- 5.4 A Participant or (where applicable) its Representative is able to add or remove collateral from its collateral pool at any time, subject to the deadlines of CREST, and subject to any exposures being covered and there being no cash amounts owing to the Bank.
- 5.5 To ensure Participants or (where applicable) their Representatives can participate efficiently in the Bank's operations, Participants are strongly encouraged to hold Eligible Collateral with an Adjusted Value sufficient to back all existing and any new exposures that they expect to arise as a result of current and planned participation in the CNRF.

### Methods for moving collateral to or from pools

- 5.6 Three methods can be used when instructing the Bank to effect movements of collateral in and out of the pool:
- i) The Collateral Management Portal (CMP). The CMP can be used to instruct the delivery or removal of gilts to or from the collateral pool. A Participant or (where applicable) its Representative or a third party delegate is able to monitor positions of collateral through the CMP. A

description of the full functionality of the CMP can be found in the CMP User Guide.<sup>10</sup> The CMP is free to use.

- ii) SWIFT: The Bank has adopted a range of ISO 15022 compliant messages to allow Participants or (where applicable) their Representatives or third party delegates to instruct deliveries of collateral to or from the collateral pool. Any party wishing to use this option should contact [cmc.scp@bankofengland.co.uk](mailto:cmc.scp@bankofengland.co.uk) to discuss the preparation and testing required, including formatting requirements to include the Securities Account number as the destination collateral pool at the Bank.
- iii) Secure email. Participants or (where applicable) Representatives or third party delegates that have not signed up to the CMP or do not have access to SWIFT may move collateral by submitting a confirmation form<sup>11</sup> via secure email.

5.7 It is the responsibility of Participants or (where applicable) Representatives or third party delegates using the CMP to ensure that access rights to the CMP are assigned appropriately within their organisations. The Bank does not accept any liability for loss or damage, whether direct, indirect or consequential resulting from the use of, or inability to use, the CMP.

## Regulatory reporting and encumbrance

5.8 Gilts delivered to the Bank are held under the terms of a collateralised loan structure between the Bank and Participants, with collateral provided by way of outright title transfer.

5.9 Participants must ensure that the treatment of any such collateral is compliant with any applicable legal or regulatory framework applicable to them. The Bank takes no responsibility to Participants, their Representative or any other party for ensuring that any collateral delivered to the Bank is held in accordance with any legal or regulatory applicable to Participants.

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<sup>10</sup> Available here: [CMP User Guide](#)

<sup>11</sup> Available here: [CNRF Collateral Settlement Confirmation Template](#)

## Daily Valuation Process, including Haircuts

- 5.10 On a daily basis, a Participant or (where applicable) its Representative should ensure that the Adjusted Value of Transferred Collateral in the CNRF collateral pool is equal to or greater than the Bank's Relevant Exposure to that Participant being managed in that pool.
- 5.11 In calculating its Relevant Exposure, the Bank will take into account the principal and any interest arising over the lifetime of each CNRF Advance.
- 5.12 Gilts transferred to the Bank will be valued daily by the Bank, using the Haircuts applicable to the CNRF. These will be confirmed via a Market Notice prior to activation of the CNRF and determined by the Bank in its sole discretion including, for example in the light of developments in financial markets and the financial system.
- 5.13 Gilts are valued by the Bank using observed market prices that are independently and routinely publicly available or reference prices published by FTSE Russell Tradeweb. If, in the Bank's judgement, an independent market price is unavailable, the Bank will use its own calculated price and apply a higher Haircut. The Bank's valuation is binding.
- 5.14 The value of gilts will include the aggregate amount of income owed to the Bank which, as of the relevant record date, has accrued but not yet been paid. During any ex-dividend period for those gilts, the value of accrued income will be excluded.
- 5.15 Any valuations of gilts notified by the Bank to the Participant or (where applicable) its Representative are only indicative, are provided purely for information purposes, and do not necessarily reflect the default market values of the gilts following an event of default.
- 5.16 The Bank will stop giving value to a gilt once it reaches a set point prior to its redemption or repayment date. This is currently set at ten Business Days before redemption date. The Bank may change this at its discretion.

## Concentration limits

- 5.17 The Bank will apply a concentration limit to cap the Adjusted Value of gilts with the same International Securities Identification Number (ISIN) when considering if there is sufficient Adjusted Value to meet the Relevant Exposures. The Bank will apply concentration limits to each Participant's collateral pool. The concentration limit will be announced by the Bank via a Market Notice at the relevant time.
- 5.18 The Bank monitors compliance with its concentration limit policy intra-day. The Bank would not prevent receipt of collateral which would be in breach of concentration limits. However, any collateral in excess of concentration limits would not count towards a Participant's aggregate collateral position when assessing if the aggregate exposure to the Participant was covered. If concentration limits are breached leading to the Bank's Relevant Exposure exceeding the Adjusted Value of any Transferred Collateral, the Bank will require the Participant to deliver additional Eligible Collateral in accordance with 5.21 below.

## Calls for additional Eligible Collateral

- 5.19 On a daily basis, the Bank calculates both its Relevant Exposure to a Participant and the Adjusted Value (i.e. after applying the appropriate Haircuts) of the available Eligible Collateral in the pool. Each Participant undertakes to ensure that, subject to the Bank's risk controls, the aggregate Adjusted Value of the Eligible Collateral in its pool will at all times be at least equal to the Relevant Exposure to the Participant being managed in that pool.
- 5.20 The Bank encourages Participants to hold an excess of collateral to cover collateral valuation changes.
- 5.21 The Bank will raise a call for additional Eligible Collateral if there is a collateral shortfall or breach of concentration limit (i.e. where the aggregate Adjusted Value of Transferred Collateral is less than the Relevant Exposure(s) being managed in that pool). This will usually occur at 10.00 am or as soon thereafter as possible.
- 5.22 If the Bank has made a call for additional Eligible Collateral on the Participant or (where applicable) its Representative, the Bank will prevent payment of any funds or return of collateral until the call is satisfied. The Participant or (where applicable) its Representative must deliver the greater of the amount of the

shortfall and the Minimum Transfer Amount (MTA). The MTA is determined by the Bank and is currently set at £25,000.

- 5.23 The Participant or (where applicable) its Representative should seek to satisfy a call for additional Eligible Collateral within three hours of the call being made.
- 5.24 The Bank reserves the right to make unlimited calls for additional Eligible Collateral intra-day and to reject the composition of any proposed collateral transfer.
- 5.25 The Bank may in its absolute discretion transfer equivalent gilts back to the Participant or (where applicable) its Representative if they subsequently deliver collateral to the Bank in satisfaction of the call for additional Eligible Collateral.
- 5.26 A request from a Participant or (where applicable) its Representative for the return of collateral will be processed by the Bank in a timely manner subject to there being no Relevant Exposure and will be returned subject to the deadlines of CREST.
- 5.27 Where the Bank meets a call for the return of excess collateral, it will return gilts equivalent to the gilts previously transferred to it.

### **New exposures**

- 5.28 When a Participant has entered into a Transaction with the Bank, a new exposure is created in its collateral pool. Providing there is sufficient excess Eligible Collateral in the relevant pool to cover this exposure, the exposure will be automatically 'activated', and funds paid to the Participant or (where applicable) its Representative. The value of excess collateral will reduce correspondingly.
- 5.29 If there is not sufficient excess collateral in the relevant pool to cover the new exposure, the Participant or (where applicable) its Representative should seek to deliver or transfer Eligible Collateral, at least equal to the adjusted value of the shortfall, into that pool. When the Bank is satisfied the Eligible Collateral has settled and is equal to or greater than the exposure and that it satisfies concentration limits (where applicable), it will release the relevant funds according to the SSIs provided to it.
- 5.30 If the Bank is not satisfied of this, it will not release any funds, even if some excess collateral is available.

## 6 Settlement, Maturity and Termination

### Payment of funds

- 6.1 When requested by the Bank, Participants or (where applicable) their Representatives should provide information required for settlement purposes. This includes SSIs for payments, which must be provided to the Bank's Collateral Management and Custody Team (CMC)<sup>12</sup>. The Bank will only accept one set of SSIs and will need at least 24 hours' notice to implement any changes. Participants or (where applicable) Representatives wishing to change their SSIs should request a form from CMC. This SSI form should be completed, signed by the relevant authorised signatory and returned to CMC.
- 6.2 All funds, including interest payable to the Participant or (where applicable) Representative or the Bank, will be paid or received via CHAPS.

### Maturing exposures

- 6.3 On the day the Bank's exposure to the Participant matures, providing all morning system processing checks have completed and as soon as the Participant or (where applicable) its Representative has returned principal funds, with interest if applicable, the Adjusted Value of gilts previously used to cover this exposure will become available to the Participant in the collateral pool. In the event that both principal and interest are due to be repaid, such amounts should be aggregated into one payment where the Participant has selected to net funds but kept as separate payments if the Participant has elected not to net.
- 6.4 For exposures where interest has accrued in favour of the Participant, the Bank will pay interest to the Participant or (where applicable) its Representative following return of the principal funds.

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<sup>12</sup> See Appendix A of these Operating Procedures.

## Netting of funds

6.5 Subject to the Bank's consent, cash to be returned as part of a maturing exposure (principal and interest) can be offset against cash to be paid as part of a new exposure, resulting in a single net payment, or no payment (where the amounts net off exactly). This netting of payments will occur once a day at the configured time. An SSI data collection form<sup>13</sup> must be completed and returned to the Bank at least 3 days in advance of an operation for netting to be activated.

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<sup>13</sup> Available here: [SSI Data Collection Form](#)

## 7 Contingencies

- 7.1 This section sets out the Bank's specific operational contingency plans in relation to several contingency scenarios. The Bank would endeavour to inform all affected Participants or (where applicable) Representatives as soon as possible by wire services announcement, telephone or email of the response it had decided to adopt in a contingency situation.

### 7A Contingencies arising from localised issues

#### Btender Unavailable

- 7.2 In the event that Btender is unavailable prior to the start of a CNRF operation, it may be postponed or cancelled. Further information would be published on the Bank's wire services page. In the event that an operation is postponed or cancelled and Btender becomes operational later in the day, the operation may be run later that day if the Bank determines that it is able to do so. Participants or (where applicable) their Representatives would normally be given 30 minutes' notice of the start time via a wire services announcement. If the operation could not be run on the same day, the Bank would announce as soon as practicable an alternative date on which the operation would take place.
- 7.3 If one or more Participants or (where applicable) Representatives is/are unable to participate via Btender due to local technical problems, but Btender is still generally available, Participants or (where applicable) their Representatives may send an email to the Bank's sterling dealing desk ([proxybids@bankofengland.co.uk](mailto:proxybids@bankofengland.co.uk)) followed by a telephone call to the Bank's sterling dealing desk on +44 (0)20 3461 5000, from its pre-authorized telephone number. Where an operation has already started, Participants or (where applicable) Representatives should call the Bank's sterling dealing desk as a priority; the Bank may then request an email or call back to confirm the bid.
- 7.4 The Bank would seek to enter bid details manually into Btender for any bids received by phone. The Bank would only be able to answer calls and enter bids to the extent practicable in the circumstances, and then on the basis of its reasonable endeavours and at the risk of the Participant. The Bank would not amend bids received by telephone, but would cancel bids where, in the Bank's opinion, it is reasonable and practicable to do so if the request was received



with sufficient notice before the close of the operation. The Bank would contact each Participant or (where applicable) its Representative either via telephone or wire services to confirm allocations as soon as reasonably practicable once the relevant operation had closed

- 7.5 If the number of Participants or (where applicable) Representatives seeking to bid by calling the Bank's sterling dealing desk was greater than the number that the Bank could manage operationally, the CNRF operation may be postponed or cancelled. If the Bank was satisfied that the local technical problems had been resolved, the operation could be run later in the day. The Bank will aim to give Participants or (where applicable) their Representatives 30 minutes' notice of the start time via wire services announcement. If an operation could not be run on the same day the Bank would announce as soon as practicable an alternative date upon which the operation would take place. The Bank may refuse to accept telephone bids from Participants or (where applicable) Representatives that persistently fail to use Btender.
- 7.6 If SWIFT were not operational more widely, or at the Bank, the operation may be conducted via telephone or may be cancelled.
- 7.7 The Bank reserves the right to cancel a CNRF operation at any time before the results are published.

### **Internal Systems Unavailable**

- 7.8 In the event of a disruption to the Bank's internal systems which renders them unavailable prior to the start of a CNRF operation, the Bank may choose to postpone or cancel the operation. In this situation, the Bank would communicate more details on its wire services pages and, where practical, directly to Participants or (where applicable) their Representatives.

### **Contingency details for communicating with CMC**

- 7.9 In the event that the CMP or SWIFT is unavailable, Participants or (where applicable) Representatives or third party delegates may use secure email to send an instruction template to the Bank. Instruction templates can be found on the Bank's website.<sup>14</sup> Where requested, the Bank will send Participants or (where applicable) Representatives or third party delegates any statement or

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<sup>14</sup> Available here: [CNRF Collateral Confirmation Template](#)

reports usually accessed via the CMP or sent via SWIFT to the email address provided.

## **7B Contingencies arising from widespread issues**

### **Disruption to market-wide payment infrastructure**

7.10 In the event of a disruption to market-wide payment infrastructure, the Bank would attempt to make any payments due on that Business Day. If this is not possible, then the Bank would attempt to make payments, once practicable, on the Business Day following the conclusion of the disruption.

## Appendix A – Communication with the Bank

- A.1 Telephone numbers and email addresses, including for both front and back offices, are set out in the table below.
- A.2 Participants and Representatives should understand that email (whether encrypted or unencrypted) is not a secure method of communication and that messages so delivered may be intercepted, lost, destroyed, corrupted, or delayed in transmission. The Bank encourages all Participants and Representatives who communicate with the Bank by email to use encrypted email only.
- A.3 All key electronic communications with the Bank are securely archived. Furthermore, all telephone conversations with the Bank’s sterling dealing desk and back office are recorded. In the event of a dispute, reference will be made to the archive and recordings.
- A.4 Participants or (where applicable) their Representatives must supply the Bank’s sterling dealing desk with contact names, email addresses and telephone for their front and back offices, and for any contingency sites.
- A.5 The table below summarises contact details for specific queries and actions:

**Table A: Telephone numbers and email addresses for contacting the Bank**

ACTION	CONTACT
Application submission and queries about admission to CNRF	CNRF Applications Team: <a href="mailto:CNRFapplications@bankofengland.co.uk">CNRFapplications@bankofengland.co.uk</a> ;
Queries during a CNRF operation	Sterling Dealing Desk: <a href="mailto:proxybids@bankofengland.co.uk">proxybids@bankofengland.co.uk</a> ; via +44 (0)20 3461 5000
Securities settlement, calls for additional collateral and returns of collateral	Collateral Management and Custody Team: <a href="mailto:cmccustody@bankofengland.co.uk">cmccustody@bankofengland.co.uk</a> ; via +44 (0)20 3461 5399
Coupons or other corporate actions	Collateral Management and Custody Team: <a href="mailto:cmc.asset servicing@bankofengland.co.uk">cmc.asset servicing@bankofengland.co.uk</a> ; via +44 (0)20 3461 5477
Annual CNRF data submission	<a href="mailto:CNRFdata@bankofengland.co.uk">CNRFdata@bankofengland.co.uk</a>