

The Bank of England’s Asset Purchase Facility

APF Operating Procedures

Corporate Bond Purchase Scheme

Gilt Purchases

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1 Introduction

- 1.1 These Asset Purchase Facility (APF) Operating Procedures govern participation in the APF Corporate Bond Purchase Scheme and Gilt Purchases (the 'APF Purchase Schemes') and explain the operational procedures involved. The Bank of England Asset Purchase Facility Fund Limited (BEAPFF) is a wholly-owned subsidiary of the Bank and is the legal counterpart to market transactions. The Bank acts as agent for BEAPFF.
- 1.2 All capitalised terms have the meaning defined in the Glossary in Clause 2 'Interpretation' of the APF Terms and Conditions¹.
- 1.3 These APF Operating Procedures should be read together with the other parts of the legal APF Documentation – comprising the Terms and Conditions for Counterparties in the Bank of England's Asset Purchase Facility, the Admission Letter, the Application Form, any Market Notice and any other documentation or procedures issued by the Bank in connection with the APF, each as supplemented and amended from time to time.
- 1.4 In the event of a conflict between these APF Operating Procedures and the APF Terms and Conditions, the APF Terms and Conditions shall prevail. In the event of any conflict between any Market Notice and these APF Operating Procedures or the APF Terms and Conditions, the Market Notice shall prevail.
- 1.5 The Bank may amend these APF Operating Procedures generally or in particular circumstances from time to time, with any such amendment taking effect at a time specified by the Bank. A link to copies of the Documentation as amended will be posted on the Bank's website² and significant amendments will be circulated to Counterparties in the APF.
- 1.6 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 timetable³ or vary or omit any of the procedures described on any particular day.
- 1.7 All transactions or planned transactions by individual Counterparties as part of the APF should be treated as confidential (in accordance with Clause 15 'Confidentiality' of the APF Terms and Conditions).
- 1.8 All references to times are to London time, unless stated otherwise.
- 1.9 The Bank may vary or omit any of the procedures on any particular day.
- 1.10 References in these APF Operating Procedures to Euroclear should be taken to refer to the Euroclear settlement system operated by Euroclear Bank SA/NV. References to Clearstream should be taken to refer to the Clearstream settlement system operated by Clearstream Banking S.A. References to CREST should be taken to refer to the CREST settlement system operated by Euroclear UK & International Limited.

¹ <https://www.bankofengland.co.uk/-/media/boe/files/markets/asset-purchase-facility/terms-and-conditions.pdf>

² <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/our-tools#APF>

³ The calendar of operations is available on the Bank's website at <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

2 Counterparties

2.1 Counterparties in the APF Purchase Schemes must conform to the following eligibility criteria, set out in Table 1 below:

Table 1 Eligibility criteria for APF Purchase Schemes

| Criterion | Condition | Corporate Bond Purchase Scheme | Gilt Purchases – competitive auctions | Gilt Purchases – non-competitive auctions |
|--|---|--------------------------------|---------------------------------------|---|
| Market maker in corporate bonds | | ✓ | | |
| Participant in the SMF for Open Market Operations ⁴ | | ✓ | | |
| Authorised for the purposes of the Financial Services and Markets Act | | | | ✓ |
| Gilt-Edged Market Maker ⁵ | | | ✓ | ✓ |
| Participant in the SMF for gilt-purchase Open Market Operations ⁵ | Only one counterparty per group may participate in competitive auctions | | ✓ | X |

✓ = criterion must be met X = criterion must not be met

2.2 Counterparties must have access to the Bank’s electronic tendering system, Btender, to participate in the APF Purchase Schemes, unless they are only eligible to submit non-competitive offers in the Gilt Purchases scheme.

2.3 If any counterparty abuses, or seeks to abuse, the auctions or the APF Purchase Schemes more generally, the Bank retains the discretion immediately to exclude the Counterparty from the APF Purchase Schemes and take up the issue with the Senior Management of the organisation.

2.4 Firms which meet the above eligibility criteria who wish to participate in the APF Purchase Schemes should complete the relevant application form and ancillary documentation, available on the Bank’s website.⁶ The Bank reserves the right to reject applications or to exclude Counterparties after admission to the APF Purchase Schemes without explanation.

Corporate Bond Purchase Scheme

2.5 As a condition of participation in the APF Purchase Schemes, Counterparties will be asked to send to the Bank quotes on eligible securities that are sent in the normal course of their business (‘dealer runs’) as well as indications of bonds which they would like to sell or take a position in (‘dealer axes’). Dealer runs should be sent via Bloomberg. Dealer axes should be submitted by close of business on the first working day of the week, using the template available on the Bank’s website.⁷ See Appendix A for details of the addresses to which these should be submitted.

⁴ See www.bankofengland.co.uk/markets/the-sterling-monetary-framework for Documentation in relation to the Bank of England’s Sterling Monetary Framework.

⁵ As listed in the website of the UK Debt Management Office: <https://www.dmo.gov.uk/responsibilities/gilt-market/market-participants/>

⁶ Details on how to apply for each APF Purchase Scheme are available at <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-applicants>

⁷ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

3 Conducting APF operations via Btender

- 3.1 The timetable for the Bank's APF operations is published on the Bank's website.⁸
- 3.2 The Bank conducts APF operations via its electronic trading system, Btender.⁹
- 3.3 It is the responsibility of Counterparties using Btender to ensure that access rights to Btender are assigned appropriately within their organisations. The Bank does not accept any Loss resulting from the use of, or inability to use, Btender.
- 3.4 The start and end times for each APF operation are set out in the Btender system shortly ahead of the operation and are available, for information, in the Bank's wire services announcements. Offers may be submitted once the operation begins in Btender. Offers must be received by the Bank prior to the close time for the operation.
- 3.5 The time stamp applied to any offer in accordance with these APF Operating Procedures is final and binding. Counterparties should note that it may take some seconds for offers to be received at the Bank's server after being input. A countdown timer is provided in the Btender system to assist users. Users should be aware that this operates off the local time as set on their relevant electronic device and therefore should ensure the time on their electronic device is accurate.
- 3.6 Counterparties may cancel or amend offers using the Btender system at any point up to the close of the operation. Offers which are submitted as at the close of the operation are irrevocable. By submitting an offer a Counterparty is committed, if its offer is accepted, to entering into APF transactions up to the amount specified in the offer, the details of those transactions being determined in accordance with the procedures described below.
- 3.7 Counterparties may neither offer through, nor discuss their offers with, any third parties, except where such offer or discussion is in accordance with Clause 15 'Confidentiality' of the Terms and Conditions.
- 3.8 Counterparties should access their individual allocations via the results screen in the Btender system to confirm whether the full value of their offer has been accepted or, if not, what amount of their offer has been accepted.
- 3.9 In the event of a dispute, reference may be made to the Btender system archive or recordings of telephone conversations.
- 3.10 Notwithstanding any provision in these APF Operating Procedures, the Bank reserves the right to accept individual offers in full, in part and in any amounts determined by the Bank at its sole discretion, and to reject individual offers, for any reason, including, but not limited to, in the light of other offers received.
- 3.11 For security and contingency purposes, the Bank recommends that APF Counterparties have access to the relevant Bank CBPS Bloomberg Chat, as well as install and maintain a designated direct line into the Bank's sterling dealing desk from their APF trading desks. If it does not, the Counterparty would need to provide assurance that it accepts the risk that its participation in APF operations may be restricted in the event that access to Btender is not available, and must provide a telephone number, pre-authorised on behalf of the Counterparty by one or more authorised signatories, which the Bank will use to authenticate telephone offers. The caveats associated with telephone offers more generally are further explained in section 7.

⁸ The APF operational timetable is available at <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

⁹ The Btender User Guide is available at <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

4 Corporate Bond Purchase Scheme

4.1 Purchases of corporate bonds are undertaken by the Bank, acting on behalf of BEAPFF, to impart monetary stimulus.

Table 2 Parameters applicable for the Corporate Bond Purchase Scheme

| Parameter | Description |
|--|--|
| Timing | Two purchase operations per week, on Wednesdays and Thursdays between 11:00 and 11:30 |
| Size | In each purchase operation, the Bank will stand ready to purchase up to £20 million nominal of each bond. |
| Announcement | List of eligible securities in each operation published on wire services pages ¹⁰ and on the Bank's website ¹¹ together with the reference gilt for each security, at: <ul style="list-style-type: none"> - 16:00 on Friday, for operations to take place the following week; and - 09:00 on the day of the auction, when the operation will be available to view in Btender |
| Operation type | Variable price |
| Allotment method | Uniform spread basis |
| Reference gilt yields | Reference gilt yields will be set for each bond as the market mid yields as published by Tradeweb at 11:45 |
| Duration of operation | 30 minutes |
| Minimum offer | £1 million nominal for each individual security |
| Minimum offer increment | £0.1 million nominal |
| Minimum allocation | £0.1 million nominal |
| Minimum allocation increment | £0.1 million nominal |
| Maximum total offers per Counterparty | <ul style="list-style-type: none"> • Unlimited for offers submitted <u>via Btender</u>; or • Three offers for an individual security in a single operation and no more than fifteen offers in total in a single operation for <u>proxy offers</u> |
| Settlement | T+2 days |

Size of operation and limits

4.2 The Bank will structure each auction around bonds issued by firms from certain sectors and will include each eligible security from those sectors in an auction at least once a week.

4.3 The Bank will look to purchase, via the Corporate Bond Purchase Scheme (CBPS) operations, a balanced portfolio of up to the target set by the Monetary Policy Committee (MPC). The purchase pace is intended over time to be consistent with this target, but may fluctuate above or below it depending on factors such as seasonality, market conditions and the pattern of offers received in operations.

4.4 Successful offers above the Bank's minimum spread will be allocated based on their attractiveness across bonds within each auction until the quantity that the Bank is willing to purchase has been reached.

4.5 In order to aim for a balanced portfolio, the Bank will adjust the minimum spread it sets in order to increase or decrease the pace of purchases.

¹⁰ Reuters BOE/Markets 1; Bloomberg BOEO 1.

¹¹ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

Transaction process

- 4.6 The Bank will participate in the secondary market by holding reverse auctions. The Bank reserves the right to modify the structure of its purchase operations or to carry out secondary market purchases via other methods, such as bilateral purchases, should it be deemed necessary.
- 4.7 The Bank will reserve the right to reject any offers, for any reason, including in the light of other offers received. The MPC will keep under review the case for participating in the primary market.
- 4.8 Auctions will be undertaken on a uniform spread basis so that all successful transactions for any individual bond will be allotted at the same spread. In a uniform format, every successful offer is allocated at the highest accepted price for that bond. Offers at the clearing spread may be pro-rated.
- 4.9 In each purchase operation, the Bank will privately set a minimum spread to the yield on a specified reference gilt, for each security. It will not purchase securities at offers below this spread. Successful offers above the Bank's minimum spread will be ranked and allocated based on their attractiveness across bonds within each auction until the quantity that the Bank is willing to purchase has been reached.
- 4.10 The Bank will keep under review the level of the spreads and the size of transactions in the light of the pattern of participation in the CBPS, market conditions, and the delivery of the objectives of the CBPS. It will also keep under review the auction mechanism.

Submission of transactions

- 4.11 Offers must be expressed as a basis point spread to the specified reference gilt, in increments of whole basis points.
- 4.12 The Bank may, at its discretion, take offers submitted by phone (via a designated direct line or pre-authorised number), Bloomberg IB, or via e-mail to the Bank's Sterling dealing desk¹², using the phone number and email address provided to Counterparties by the Bank. In this event, Counterparties:
- i) must provide the specified ticker of the security; the nominal amount offered; and a spread to the reference gilt;
 - ii) should make no more than three offers for an individual security in a single operation and no more than fifteen offers in total in a single operation; and
 - iii) submitting multiple offers across the operation, should also provide the weighted average spread of those offers to 3 decimal places. That is, the sum across all offers of the nominal offer size multiplied by the spread for each offer, divided by the total nominal value of offers.
- 4.13 The Bank will reveal to Counterparties in Btender their allocation of offers as soon as possible following 11:45.

¹² Contact details for the Bank are available at Appendix A.

Published information

- 4.14 The Bank currently publishes the aggregate total stock of APF corporate bonds (the sum of corporate bonds purchased, less redemptions and non-operation based transactions since operations began in September 2016, reported on a settlement date basis) as at the first Thursday of each month at 15:00 on the Bank's website¹³ and wire services pages¹⁴.
- 4.15 These data are published weekly during periods where the Bank is conducting purchases, and monthly outside of these times. Purchase are reported in terms of the amount paid to the sellers.

Eligible issuers

- 4.16 The Bank will purchase bonds issued by companies (including their finance subsidiaries) that make a material contribution to economic activity in the UK, subject to the restrictions set out below.¹⁵ The Bank will consider a number of factors in making its eligibility decisions. Companies with significant employment in the UK or with their headquarters in the UK will normally be regarded as meeting this requirement, but the Bank will also consider whether the company generates significant revenues in the UK, serves a large number of customers in the UK or has a number of operating sites in the UK.
- 4.17 Corporate bonds issued by banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority will not be eligible. Bonds will also not be eligible if issued by leveraged investment vehicles or from companies within groups which are predominantly active in businesses subject to financial sector regulation.

Our approach to Greening

- 4.18 As part of greening the CBPS¹⁶, the Bank, for the first time, will take into account the climate impact of the issuers of bonds. Firms will now also need to satisfy climate-related eligibility criteria for their bonds to be purchased by the CBPS.
- 4.19 The Bank modified the standard eligibility requirements (described in the previous section) to introduce new climate-related eligibility requirements. The Bank reserves the right to amend existing or incorporate additional climate-specific eligibility criteria in the future.
- 4.20 The additional climate-related eligibility requirements imposed at this time are as follows:
- i) Firms in higher-emitting sectors (energy, electricity, gas and water) must have published a decarbonisation target in order to be eligible for purchase;
 - ii) Firms that generate any revenue from mining thermal coal will be ineligible; and
 - iii) Additionally, firms that generate any revenue from using thermal coal will be ineligible for purchase by the CBPS, unless they meet all of the following criteria:
 - No investment in new unabated thermal coal plants, with commitments to eliminate existing activity in the UK by 2025 and globally by 2030
 - Emissions falling over time consistent with appropriate sectoral net zero pathways
 - Over 20% of energy mix comprised of renewable energy.

¹³ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

¹⁴ Reuters BOE/Markets1; Bloomberg BOEO 1

¹⁵ Further details can be found in the CBPS news release, here:

www.bankofengland.co.uk/news?NewsTypes=09f8960ebc384e3589da5349744916ae&Taxonomies=0c5f35ac433e430a86d4b4844603e1ef&InfiniteScrolling=False&Direction=Latest

¹⁶ <https://www.bankofengland.co.uk/paper/2021/options-for-greening-the-bank-of-englands-corporate-bond-purchase-scheme>

Eligible securities

- 4.21 The Bank will offer to purchase sterling corporate bonds of eligible issuers, with the following characteristics:
- i) Conventional senior unsecured or secured, unsubordinated debt;
 - ii) Bonds rated investment grade by at least one major rating agency and subject to the Bank's assessment process;
 - iii) Cleared and settled through Euroclear and/or Clearstream;
 - iv) Minimum amount in issue of £100 million;
 - v) Minimum residual maturity of twelve months; no perpetual debt
 - vi) At least one month since the security was issued; and
 - vii) Securities will need to be admitted to official listing on the London Stock Exchange (LSE) or an EU stock exchange or, in the Bank's discretion, on a multi-lateral trading facility operated by the LSE or by a recognised stock exchange regulated in the EEA.
- 4.22 Bonds with complex or non-standard structures will not be eligible. Convertible or exchangeable bonds will not be eligible.
- 4.23 Corporate bonds that contain a "Spens clause"¹⁷ will normally be eligible. Bonds with standard par call options within 3 months of maturity and those containing modified Spens or make-whole clauses will also normally be eligible provided the size of early repayment margin applicable is within the Bank's risk tolerance. Other corporate bonds that contain callable features will not normally be eligible, though the Bank will keep this under review and may – in its sole discretion – include corporate bonds with standard par call options within 3 months of maturity.
- 4.24 Securities issued by a finance subsidiary will normally require a guarantee from within the issuer's group. The Bank reserves the right to require a parent company guarantee in a form and substance satisfactory to the Bank. If the guarantor is incorporated overseas, the Bank will require a legal opinion to be provided.
- 4.25 The Bank publishes a list of eligible securities for the CBPS on the Bank's website¹⁸. This list will be updated at least monthly, and CBPS counterparties may submit requests to the Bank to consider the eligibility of additional issues¹⁹.
- 4.26 In order to ensure purchases are representative of issuance, the Bank has allocated each bond that is currently eligible for purchase to a sector, using a common sector classification, as indicated in the published eligibility list. The Bank's approach continues to involve aiming to purchase bonds such that the Scheme's holdings are representative of each sector's share – in terms of the face value of bonds outstanding – of the list of eligible bonds. The Bank will also seek to avoid over-concentration in particular sectors or issuers and may choose not to make purchases of particular sectors or issuers for any reason at any time, including where the Bank is unable to make a purchase owing to applicable law and regulation.²⁰
- 4.27 The Bank will keep its approach to targeting these sector shares under review in light of general

¹⁷ These provide that on early redemption, a cash payment is made to the bond holders that is the higher of the outstanding principal and the foregone interest and principal payments discounted at a rate equal to the redemption yield of a gilt of comparable maturity.

¹⁸ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

¹⁹ <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>

²⁰ Further details can be found in the CBPS news release, here: www.bankofengland.co.uk/news?NewsTypes=09f8960ebc384e3589da5349744916ae&Taxonomies=0c5f35ac433e430a86d4b4844603e1ef&InfiniteScrolling=False&Direction=Latest

market conditions and its experience of operating the Scheme, including the liquidity of individual sectors.

- 4.28 The Bank will keep the eligibility criteria under review. The Bank will reserve the right in its sole discretion to deem any security ineligible for any reason, including deeming securities ineligible, or ceasing purchase of securities, that it has previously offered to purchase. Updates to the eligibility criteria to permit securities listed on multilateral trading facilities do not change the Bank's policy on requiring all payments from issuers to be made without withholding or deduction for or on account of tax. Thus, securities must continue to come within the scope of the quoted Eurobond exemption from UK withholding tax.

5 Gilt Purchases

5.1 Gilt purchases are undertaken as part of the implementation of monetary policy by the Bank, acting as agent for the BEAPFF.

Table 3 Parameters applicable for Gilt Purchases

| Parameter | Description |
|--|---|
| Timing | Normally three auctions per week, on Mondays, Tuesdays and Wednesdays. Competitive auctions are held between 14:15 and 14:45. Non-competitive offers must be submitted by 11am on the day of the auction. |
| Announcement | The size of the auctions and the stocks to be purchased will ordinarily be announced on the Bank's wire services pages ²¹ : <ul style="list-style-type: none"> - each Thursday at 16:00, for auctions to be held during the following week, and - at 9:00 on the morning of each operation, for that day's operations. |
| Gilts purchased | Gilts with the residual maturity set out below will usually be purchased as follows:- <ul style="list-style-type: none"> - Mondays : Between 3 and 7 years - Tuesdays: Greater than 20 years - Wednesdays: Between 7 and 20 years²² |
| Duration of auctions | 30 minutes |
| Minimum offer | Competitive offers: £5 million Non-competitive offers: £1 million |
| Minimum offer increment | £1 million (for competitive and non-competitive offers) |
| Minimum allocation increment | £0.1 million |
| Maximum total offers per counterparty | Unrestricted |
| Settlement | T+1 |

Purchase process

- 5.2 The Bank will offer to purchase gilts in reverse-auctions. In each auction, the Bank will offer to purchase a fixed total value of gilts, based on total proceeds, including any accrued interest. Each auction will have both a competitive and a non-competitive element.
- 5.3 Non-competitive offers will be invited, and the aggregate amount allocated to non-competitive offers announced, ahead of the start of the competitive auctions.
- 5.4 In the competitive auctions, purchases will be undertaken at prices determined in a variable rate auction on a discriminatory-price basis. Offers in the non-competitive element of the auctions will be allocated at the weighted average price at which the relevant stock was allocated in the competitive auction.
- 5.5 In any individual auction, the Bank intends to offer to purchase gilts divided into three maturity sectors, defined as:
- i) gilts with a residual maturity of between 3 and 7 years;

²¹ Reuters BOE/Markets 1; Bloomberg BOEO 3.

²² A gilt with exactly 7 years (measured at settlement date for the auction) residual maturity would be included in the 7-20 year maturity sector, and a gilt with exactly 20 years (measured at settlement date for the auction) residual maturity would be included in the over 20 years maturity sector..

- ii) gilts with a residual maturity between 7 and 20 years; or
- iii) gilts with a residual maturity greater than 20 years only.

5.6 The amount of each stock that the Bank will buy in each competitive auction will not be pre-determined, subject to the overall size of the operation. Offers for different stocks will be allocated based on the attractiveness of offers for each stock relative to market mid yields for the stocks, as published by Tradeweb, at the close of the auction. There will be no minimum allocation to a particular stock.

Non-competitive offers

- 5.7 Non-competitive offers must be submitted on the day of the auction by an authorised person via email using the pro-forma provided by the Bank. Such offers must be received by the Bank no later than 11am, after which time they are irrevocable, and receipt should be confirmed by the Counterparty by telephone to the Bank's sterling dealing desk.²³ Offers should state the nominal amount of each stock offered for sale on a non-competitive basis.
- 5.8 The Bank reserves the right to restrict the aggregate amount of BEAPFF's purchases of a stock that is allocated to non-competitive offers. If the total of non-competitive offers in the relevant stock were to exceed the amount allocated by the Bank, they would be scaled down on a pro rata basis. Scaled offers would be rounded to the nearest allocation increment.
- 5.9 The amount allocated to non-competitive offers and the degree of any scaling will be announced on the Bank's wire services pages at 12:00. In the event that there is scaling, the Bank will confirm individual allocations by telephone.
- 5.10 Counterparties whose offers are accepted will be paid the weighted average clean price, plus accrued interest, at which the relevant stock was allocated in the competitive auction.
- 5.11 In the event that none, or only a small amount, of a particular stock were allocated in the competitive auction, the Bank reserves the right to cancel relevant non-competitive offers, notwithstanding any earlier announcement.

Competitive offers

- 5.12 The size of the competitive auctions will be announced at 12.00, reflecting the amount allocated to non-competitive offers.
- 5.13 Counterparties must input the nominal sterling amount in millions for each specific gilt they wish to sell and the clean price they wish to offer. The number of decimal places allowed for the price is currently 3.
- 5.14 Offers are submitted by counterparties using a clean price. When offers are received in Btender they are also converted to a yield using the standard gilt market conversion calculation available on the DMO's website, and the yield is also displayed for information to counterparties.
- 5.15 The Bank reserves the right to set a maximum offer price/minimum yield. Offers will be allocated in descending yield order, based on the attractiveness of offers for different stocks relative to market yields. Offers that are accepted at the lowest yield may be scaled down on a pro rata basis and will be rounded down to the nearest allocation increment.
- 5.16 Offers are accepted in full or in part at the Counterparty's offer price. The amount of each accepted offer in total proceeds will be paid to the Counterparty.

²³ Contact details for the Bank are included in Annex A.

5.17 Confirmation of the amount allocated will be available in Btender.

Published information

5.18 The results of each competitive auction will be announced on the Bank's wire services pages²⁴ as soon as possible after its end. The Bank will publish, for each stock offered, the amount purchased, in terms of the total proceeds; the total size of offers received; the weighted average price; the highest accepted price; and the lowest accepted price.

5.19 From 6 October 2016, the Bank will publish each Thursday at 15:00 the total amount of gilts purchased in operations, in terms of the total proceeds, from the previous Thursday up until the previous day, reported on a trade date basis. At the same time, the Bank will also publish the sum of gilts purchased, less maturities, to date, reported on a settlement date basis.

Eligible securities

5.20 BEAPFF purchases conventional gilts with a minimum residual maturity of greater than three years in the secondary market.

5.21 The Bank does not currently intend to purchase index-linked gilts; or rump stocks; or stocks with an outstanding issue size below £4 billion.

5.22 The Bank does not currently intend to purchase gilts where the Bank holds more than 70% of the "free float", i.e. the total amount in issue minus government holdings. The Bank will, however, continue to keep the identity of gilts eligible for purchase in the APF under review.

5.23 BEAPFF will not offer to purchase gilts newly-issued by the DMO within one week of their issue; and will not offer to purchase gilts which the DMO has announced it will re-open, including via a mini-tender, during the period one week either side of the re-opening. If DMO announces a re-opening, including via a mini-tender, within that period, of a stock that the Bank had previously announced it would offer to purchase on a particular day, the Bank will remove the stock from those to be purchased.

²⁴ Reuters BOE/Markets 1; Bloomberg BOEO 3.

6 Settlement

Corporate Bonds

- 6.1 As part of the sign up process for the APF, Counterparties must provide the Bank with:
- i) their authorised signatory list;
 - ii) settlement area contact details, including telephone numbers, fax numbers and settlement group email addresses;
 - iii) Standard Settlement Instructions (SSIs)²⁵ (for settlement accounts to be used); and
 - iv) where the Counterparty operates via an agent or custodian, contact details for the agent or custodian should also be provided in case of settlement issues.
- 6.2 Where Counterparties use multiple accounts in the settlement systems for different products, they should detail which asset types are delivered from each individual account.
- 6.3 These settlement and SSI details can only be changed with 24 hours' notice, either by authenticated signed instruction or by SWIFT instruction (sent to our SWIFT BIC BKENGB2LXXX fao MST, BU 5).
- 6.4 Where Counterparties have submitted offers via Btender, the agreed transaction record will be held in Btender.
- 6.5 For all other transactions entered into, the Bank (as settlement agent for BEAPFF) will send transaction confirmations by email to the nominated contact address on the day of the transaction. Any differences must be highlighted by the Counterparty within 24 hours. Otherwise this transaction confirmation will be deemed to be the agreed version.
- 6.6 The Bank will not accept written or electronic transaction confirmations sent by Counterparties.
- 6.7 All trades should be input and matched, and ready for settlement at 17:00 on the day prior to settlement.
- 6.8 The pricing used on all trades should be rounded to 3 decimal points.
- 6.9 Where trades are to settle in real time, it is the Counterparty's responsibility to attach a daylight indicator (if settling via Euroclear or Clearstream) to enable such trades to settle.
- 6.10 Where APF corporate bond purchase trades do not settle on value date because Counterparties lack stock or for any other failure on their part, or the part of their agent, Counterparties may be charged a failed trade charge which is the greater of either: the RTGS overdraft rate on the cash proceeds for the period of the fail; or the minimum failed settlement charge of £500. Such a charge to be paid within 10 days of notification being sent.
- 6.11 Counterparties are liable, in accordance with Clause 9 'Costs, expenses and indemnity' of the APF Terms and Conditions, to pay or reimburse to the Bank or BEAPFF all of their costs, charges fees, penalties and other expenses. These include in particular (and without limitation) amounts incurred in connection with any third party custody arrangement or settlement or clearing system or depository arrangement with respect to securities and any transfer taxes, registration charges and value added taxes incurred in connection with the transfer of securities.

²⁵ SSIs can be submitted using forms which are available on the Bank's website at www.bankofengland.co.uk/markets/quantitative-easing-and-the-asset-purchase-facility. See Appendix A for all Bank contact details.

- 6.12 For reference the following account is used by BEAPFF:
- i) Fee payments should be made via CHAPS to Clearing System Member ID 10-00-00 account 50002422 (sent to our SWIFT BIC BKENGB33XXX).

Gilts

- 6.13 As part of the sign up process for the APF, Counterparties must provide the Bank with:
- i) their authorised signatory list;
 - ii) settlement area contact details, including telephone numbers, and settlement group email addresses;
 - iii) Standard Settlement Instructions (SSIs)²⁶ (for the CREST settlement account to be used); and
 - iv) where the Counterparty operates via an agent or custodian, contact details for the agent or custodian should also be provided in case of settlement issues.
- 6.14 Where Counterparties use multiple accounts in the settlement systems for different products, they should detail which asset types are delivered from each individual account.
- 6.15 These settlement and SSI details can only be changed with 24 hours' notice, either by authenticated signed instruction or by SWIFT instruction (sent to our SWIFT BIC BKENGB2LXXX fao CMC, BU 5).
- 6.16 Where Counterparties have submitted offers via Btender, the agreed transaction record will be held in Btender.
- 6.17 All trades should be input and matched and ready for settlement at 17:00 on the day prior to settlement.
- 6.18 All trades settling in CREST must be settled without transaction splitting. Partial / fractional deliveries will not normally be allowed. Where a Counterparty wishes to split a trade, prior permission must be sought from the Bank.
- 6.19 The Counterparty must exactly match the Bank's cash settlement proceeds for trades settling in CREST. There is no tolerance matching on the Bank's CREST account.
- 6.20 Where APF gilt purchase trades do not settle on value date because Counterparties lack stock or for any other failure on their part, or the part of their agent, Counterparties may be charged a failed trade charge at the RTGS overdraft rate on the cash proceeds for the period of the fail. Such a charge to be paid within 10 days of notification being sent.
- 6.21 It is a requirement of Clause 13 'Payments and deliveries' of the APF Terms and Conditions, that transactions should be free of any transfer taxes or other charges. When entering transactions to settle in CREST, this should be done with Stamp Duty Reserve Tax (SDRT) status set to not apply.
- 6.22 Counterparties are liable, in accordance with Clause 9 'Costs, expenses and indemnity' of the APF Terms and Conditions, to pay or reimburse to the Bank or BEAPFF all of their costs, charges fees, and other expenses. These include in particular (and without limitation) any transfer taxes, registration charges and value added taxes incurred in connection with the transfer of securities.
- 6.23 For reference the following accounts are used by BEAPFF:
- i) CREST account – MGOAD.

²⁶ SSIs can be submitted using forms which are available on the Bank's website. See Appendix A for all Bank contact details.

- ii) Fee payments should be made via CHAPS to Clearing System Member ID 10-00-00 account 50002422 (sent to our SWIFT BIC BKENGB33XXX).

7 Contingencies

- 7.1 In the event that Btender is unavailable prior to the start of an operation, the operation may be postponed or cancelled. If Btender were to become operational later in the day, the operation would be run later on the scheduled day if the Bank determined that it was able to do so. Counterparties 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.
- 7.2 If one or more Counterparties are unable to participate in an operation via Btender due to local technical problems, but Btender is still generally available, Counterparties may contact the Bank on the relevant Bank Bloomberg IB or telephone the Bank on their designated direct line to request to place an offer. Alternatively, Counterparties can email the Bank's sterling dealing desk (proxybids@bankofengland.co.uk), followed by a call to the Bank's sterling dealing desk on 0203 461 5000 from a pre-authorized telephone number. Where an operation has already started, firms should call the Bank's sterling dealing desk on 0203 461 5000 as a priority; the Bank may then request an email or call back to confirm the validity of the bid. The Bank would enter offer details manually into Btender.
- 7.3 The Bank would only be able to answer calls and enter offers to the extent practicable in the circumstances, and then on the basis of its reasonable endeavours and at the risk of the Counterparty. The Bank would not amend offers received by telephone, but would cancel offers 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.
- 7.4 If the number of Counterparties seeking to offer using a designated direct line or by calling the Bank's sterling dealing desk, was greater than the number that the Bank could manage operationally, the auction would 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. Counterparties would be given 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 offers from Counterparties that persistently fail to use Btender.
- 7.5 Should Btender not be available at the end of an operation, the Bank would call each Counterparty by telephone to confirm acceptance of their offers.
- 7.6 If SWIFT were not operational more widely, or at the Bank, the auction may be conducted via telephone or may be cancelled.
- 7.7 The Bank reserves the right to cancel an operation at any time before the results are published.

Appendix A – Communication with the Bank

- A.1 Telephone numbers and email addresses, including for front and back offices and the Bank’s contingency site, are available on the Bank’s website.²⁷
- A.2 Counterparties 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 Counterparties 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 Counterparties must supply the Bank’s sterling dealing desk with contact names, email addresses and telephone numbers for their front and back offices, and for their 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 |
|--|---|
| Queries on admission to the APF | Sterling dealing desk: applications@bankofengland.co.uk , via direct line or 0203 461 5000 |
| Queries during a live APF Operation | Sterling dealing desk: proxybids@bankofengland.co.uk via direct line or 0203 461 5000 |
| Queries regarding corporate bond settlement | Market Settlements Team: BPIMSTSettlement@bankofengland.co.uk |
| Queries regarding gilt settlement | Collateral Management and Custody Team: CMCCUSTODY@bankofengland.co.uk via 0203 461 5399 |
| Eligibility of corporate bond issuers and securities | Middle Office: eligible.securities@bankofengland.co.uk |
| Dividends or other corporate actions | Collateral Management and Custody team: CMCAST@bankofengland.co.uk via 0203 461 5477 |
| Submission of dealer runs | BOE CORPBONDS, bcorpbonds@bloomberg.net |
| Submission of dealer axes | APF_CorporateBond_DealersInfo@bankofengland.co.uk |

²⁷ The contact list is available at <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/information-for-participants>