

**Bank of England**

# Short-Term Repo (STR) Process Guide

September 2022

**Sterling Markets Division**



# Agenda

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



# Technical Information

# The Bank's Mission

## Our objectives

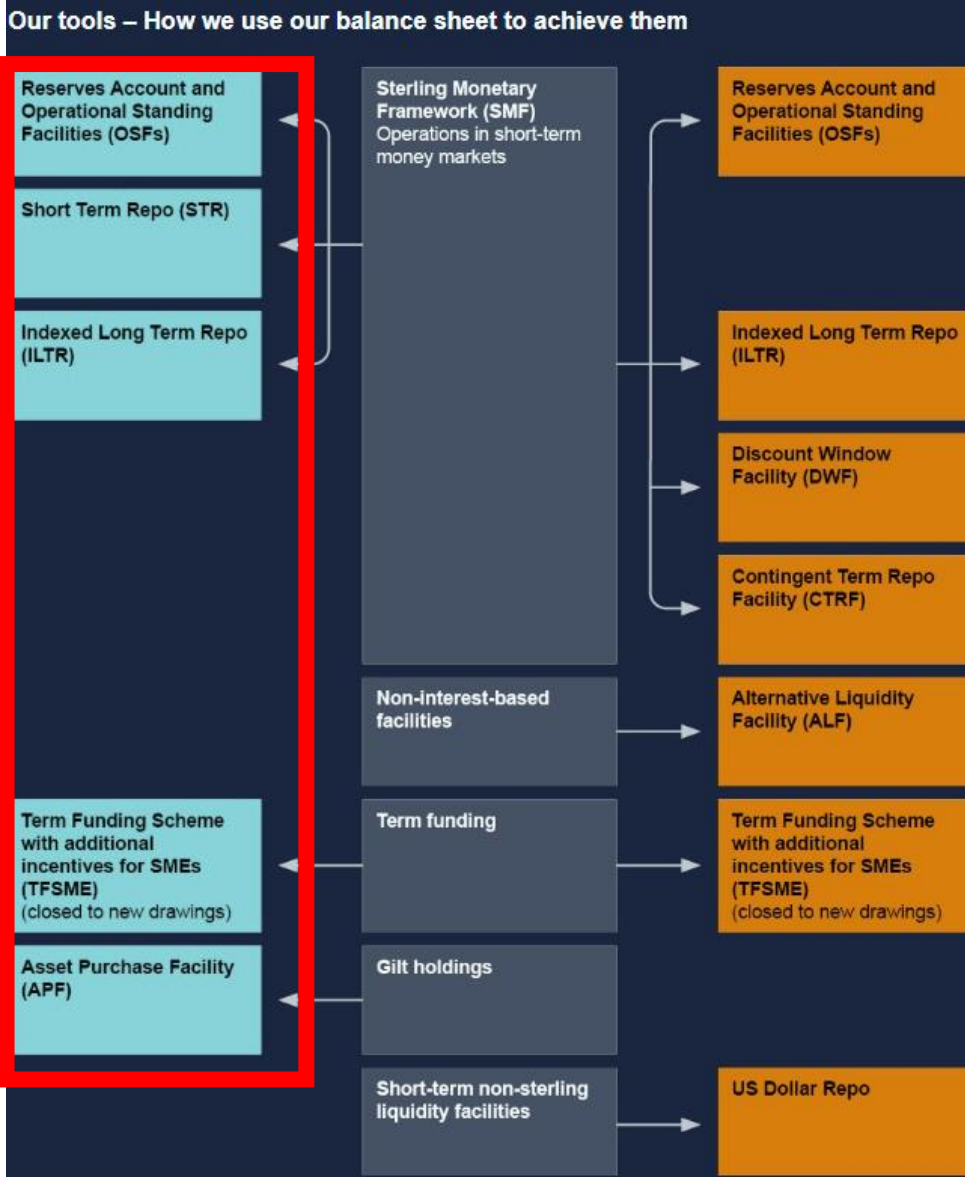
### Monetary stability

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

### Financial stability

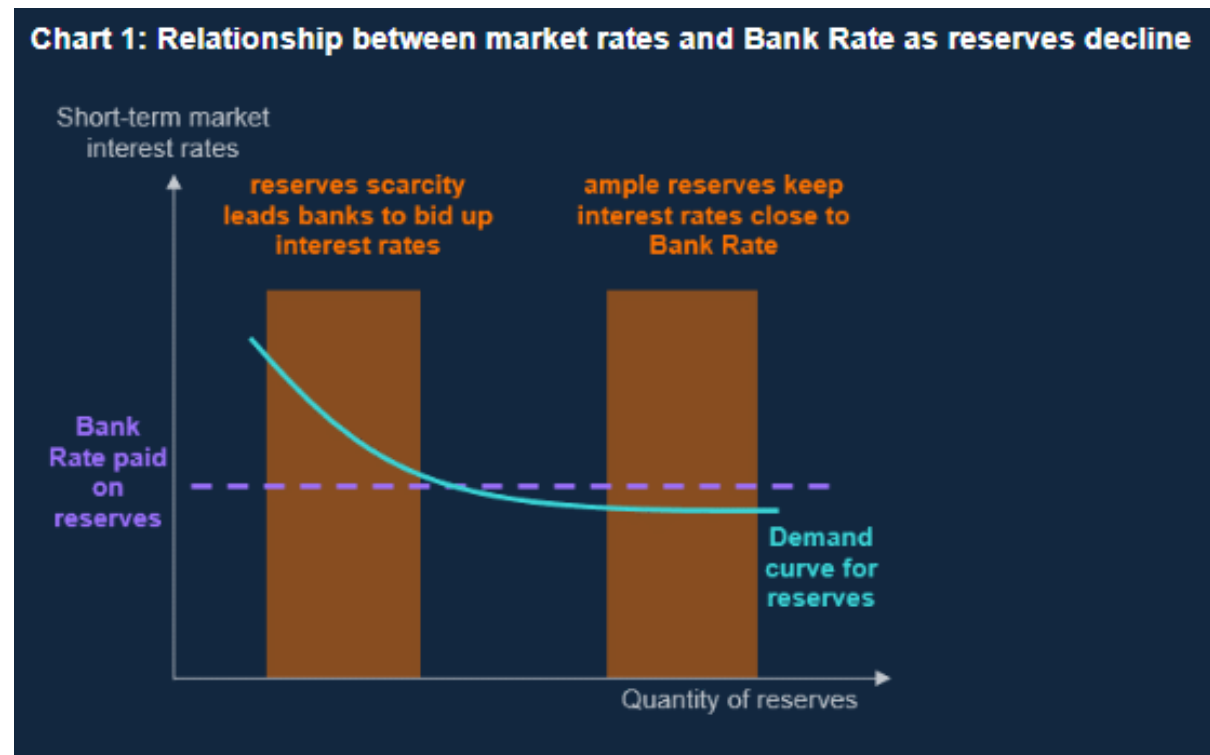
Providing liquidity insurance, to reduce the cost of disruption to critical financial services

# How we use our balance sheet – Monetary stability



# Purpose of the Short-Term Repo (STR)

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



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

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

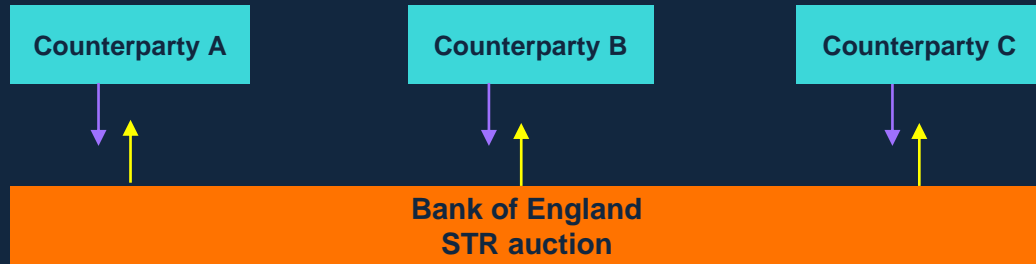
## Key Features of the Bank's STR operation

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



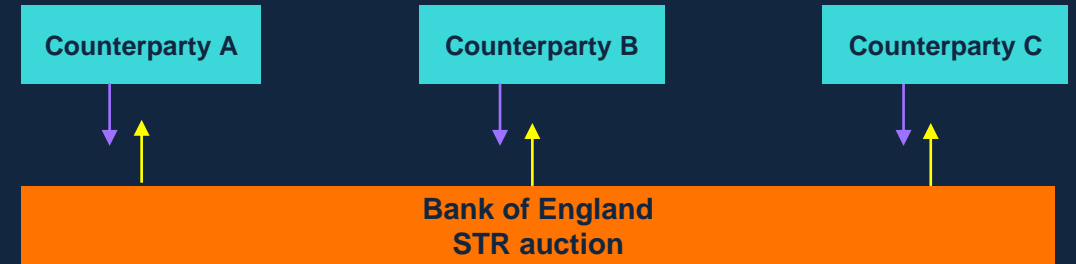
# Illustration of STR Operation – Reserves Flows

## 1. STR auction



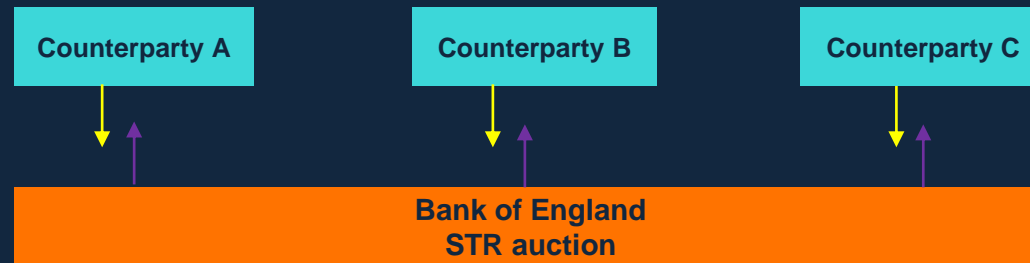
→ Bids  
→ Bids allocated in STR auction

## 2. Settlement (T+0)



→ Collateral  
→ Reserves

## 3. Maturity



→ Collateral  
→ Reserves



# Operational Information

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

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

### Application Process

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

# Btender STR Operation Walkthrough

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

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

# Btender STR Operation Walkthrough

**BANK OF ENGLAND**

Btender

Test7 1

>> Operation Timetable

Operation Timetable

Today's or Next Operation

Last Operation

>> ST OMO 07/09/2022

Bids/Offers

Allocation & Results

>> Static Defaults

Configuration

Operation: (CounterpartyViewer,CounterpartyDealer) Logout

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

Time to go: 07:05

Active Bids Cancelled Bids

Maturity: (All) Bid Amt (£mn) Bid Rate (%) Status: (All)



Undo all Re-submit all

Add Bids

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

Submit All

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

# Btender STR Operation Walkthrough

The screenshot shows the Bank of England Btender interface for an ST OMO (1879) Liquidity Providing operation. The interface includes a sidebar with navigation options, a main header with operation details, and a table of active bids. A red circle highlights the 'Rejected' status of a bid with a bid amount of £2m. Another red circle highlights a trash bin icon for deleting a bid.

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

**Active Bids** | Cancelled Bids

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

**Add Bids**

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

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Build version: 4.2.8283.30787  
Deployed: 05 September 2022 18:39  
Environment: BTEND-UW-WEB01

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

# Btender STR Operation Walkthrough

**BANK OF ENGLAND**

Btender

Test7 1

- » Operation Timetable
- Operation Timetable
- Today's or Next Operation
- Last Operation
- » ST OMO 07/09/2022
- Bids/Offers
- Allocation & Results
- » Static Defaults
- Configuration

Results of Operation (CounterpartyViewer, CounterpartyDealer) [Logout](#)

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

Overall Tender Results [Download](#)

Total Amount of Bids Received <b>£1,325.00mn</b>	Total Amount of Bids Accepted <b>£1,325.00mn</b>
Weekly	
Amount on Offer (£mn)	999,999
Total Bids Received (£mn)	1,325.00
Amount Allotted (£mn)	1,325.00
% Omo Bid Allocated	100.00

Allocation Results [Download](#)

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

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

## Live Test Trades Programme

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



**If you have any further questions, please contact your Sterling Monetary Framework Relationship Manager or contact Markets-SMDDealers@bankofengland.co.uk**

