

TERMS AND CONDITIONS OF STANDING REPO FACILITY: 16 DECEMBER 2021

The UK Debt Management Office (DMO) is today announcing changes to the Terms and Conditions of its overnight Standing Repo Facility (the “Facility”), which will be reflected in the provisions of its Operational Notice in due course. This document provides the updated details of the Terms and Conditions under which the Standing Repo Facility will operate, and supersedes those set out in the most recently published Terms and Conditions document (dated 21 September 2021).

With immediate effect, repo trades conducted under this Facility will be executed at a rate of zero basis points (0.00%), and the operation will normally also involve an overnight, back-to-back, cash-neutral reverse repo general collateral (“GC”) trade executed at the Bank of England’s Bank Rate (currently 0.25%). Other previously announced Terms and Conditions remain unchanged.

Eligible Gilts

The Facility is available in any conventional (including green) or index-linked gilt, with the exception of principal and coupon STRIPS.

Eligible counterparties

The Facility is available to any Gilt-edged Market Maker that has signed the relevant legal documentation with the DMO.

Maturity of repo

Repos under this Facility will be for maturities of one day at a time. The Facility may be rolled from day to day by counterparties, although the DMO does not anticipate accommodating a continuous roll for a period of more than two weeks.

Price

Repo trades conducted under this Facility will be executed at a rate of zero basis points (0.00%), and the operation will normally also involve an overnight, back-to-back, cash-neutral reverse repo general collateral (“GC”) trade executed at the Bank of England’s Bank Rate (currently 0.25%), where the counterparty will post other acceptable conventional gilts as collateral.

Initial haircut

Repo trades conducted under this Facility will be subject to the application of a 5% ‘haircut’, which will be confirmed with the counterparty at the point of trade.

Source of Gilts

In making gilts available to the market under this Facility, the DMO may create gilts, on a temporary basis, from the National Loans Fund (“NLF”), or it may borrow gilts from the Bank of England’s portfolio of holdings acquired under its Asset Purchase Facility (“APF”).

Size limitations

The minimum amount of any request to borrow gilts under this Facility will be £5 million nominal. Normally, there will be no maximum on the amount of an individual request; however, the DMO reserves the right in certain circumstances to limit calls on the Facility at its discretion, including (among other things) by limiting the total call on the Facility in any stock(s) by an individual counterparty or in aggregate. Subject to bilateral agreement, larger individual trades may be booked in smaller sizes to facilitate delivery on return as there will be no scope to accept partial deliveries.

Timings

Requests to borrow or create gilts under this Facility must be made to DMO cash or gilt dealers between the hours of 12:30pm on the preceding business day and 11:30am on the day of settlement (London times).

Other limitations

The Facility exists to support, but not substitute for, normal market activity. The DMO reserves the right to reject applications to borrow (or roll over a borrowing) where it judges that the counterparty has not taken adequate steps to cover its position in the market.

Announcements to the market

The DMO will announce on its wire services pages* and on its website the details (size and identity) of any gilts borrowed under this Facility, as soon as practicable after 11:30am on the day of the operation. The counterparty(ies) using the Facility shall remain anonymous, although the DMO reserves the right to share such information with other official regulatory bodies, including the Bank of England, where appropriate.

Returns

Gilts borrowed under this Facility should be returned to the DMO on the following business day. If any counterparty is unable or unlikely to meet this obligation, it may roll some or all of its original trade for a further day at the Standing Repo rate (0.00%), subject to the conditions and limitations outlined above.

Fails

Any counterparty failing to return gilts lent under the Facility, for whatever reason, will be required to execute a reverse repo GC trade at the Bank Rate, with the agreed ‘haircut’, in order to neutralise the effect of the fail on the DMO’s cash position. Where timing

restrictions render this impossible (eg. after the GC close in CREST) the DMO may request a delivery-by-value (“DBV”) substitute trade, which will also be subject to a ‘penalty haircut’ of 10%. Counterparties will not be permitted to ‘roll’ the Facility as the result of a fail to the DMO.

Inclusion in gilt indices

None of the gilts created under this Facility shall be eligible for inclusion, temporary or otherwise, in the calculation of FTSE or iBoxx/Markit gilt indices.

Future revisions

The DMO reserves the right to revise further the Terms and Conditions of this Facility at any time, in the light of changes in prevailing interest rates, market conditions and/or market practices.

**UK Debt Management Office
16 December 2021**

* Relevant DMO wire services pages
Bloomberg - DMO17
Reuters - DMO/REPO01