STATUTORY INSTRUMENTS

# 2018 No. 633

# BANKS AND BANKING

## The Cash Ratio Deposits (Value Bands and Ratios) Order 2018

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| *Made - - - -* | *24th May 2018* |
| *Coming into force - -* | *1st June 2018* |

The Treasury, in exercise of the powers conferred by paragraph 5 of Schedule 2 to the Bank of England Act 1998(**1**), make the following Order.

In accordance with section 40(2) of the Bank of England Act 1998(**2**), a draft of this Order was laid before Parliament and approved by a resolution of each House of Parliament.

In accordance with paragraphs 10 and 11 of Schedule 2 to the Bank of England Act 1998, the Treasury have consulted the Bank of England, such persons as appear to them to be representative of persons likely to be materially affected by this Order and such other persons as they think fit, and, in making this Order, have had regard to the financial needs of the Bank of England.

### Citation and commencement

**1.** This Order may be cited as the Cash Ratio Deposits (Value Bands and Ratios) Order 2018 and comes into force on 1st June 2018.

### Interpretation

**2.** In this Order—

"the Act" means the Bank of England Act 1998;

"the Bank" means the Bank of England;

"call notice period" means the six-month period covered by a call notice issued by the Bank under paragraph 3 of Schedule 2 to the Act;

"gilt" means UK government sterling denominated bonds issued by or on behalf of the Treasury; and

"relevant date" means the thirteenth working day of the month immediately prior to the commencement of each call notice period.

(**1**) 1998 c.11.
(**2**) Section 40(2) was amended by paragraph 3 of Schedule 1 to the Financial Services Act 2012 (c.21) and paragraph 18 of Schedule 2 to the Bank of England and Financial Services Act 2016 (c.14).

**Revocation of the 2013 Order**

**3.** The Cash Ratio Deposits (Value Bands and Ratios) Order 2013(**3**) is revoked.

**Value bands**

**4.** The value bands specified for the purposes of paragraph 4 of Schedule 2 to the Act are—

(a) up to and including £600 million; and

(b) over £600 million.

**Ratios**

**5.**—(1) For the purposes of paragraph 4 of Schedule 2 to the Act, the ratio applicable to each value band shall be as follows.

(2) For the value band referred to in article 4(a), the ratio, expressed as a percentage, shall be 0%.

(3) For the value band referred to in article 4(b), the ratio, expressed as a percentage, for each call notice period is calculated by applying the following formula—

$$\frac{i}{el \times py}$$

(4) For the purposes of the formula in paragraph (3)—

(a) "i" equals £169,000,000;

(b) "el" equals £2,837,817,500,000; and

(c) "py" represents the portfolio yield on the investments made by the Bank under the cash ratio deposit scheme and is calculated by applying the following formula—

$$(0.55 \times a) + (0.42 \times b) + (0.03 \times c)$$

where—

(i) "a" is the arithmetic mean of the yield on 8-year gilts over the period of 13 years ending with the relevant date;

(ii) "b" equals—

(aa) for the first call notice period following the coming into force of this Order, the arithmetic mean of the yield on 8-year gilts over the period of six months ending with the thirteenth working day of the month prior to the commencement of that period; and

(bb) for each subsequent call notice period, the arithmetic mean of the yield on 8-year gilts over the period of six months ending with the thirteenth working day of the month prior to the commencement of the second call notice period following the coming into force of this Order; and

(iii) "c" is the arithmetic mean of the yield on 8-year gilts over the period of six months ending with the relevant date.

(5) The ratio referred to in paragraph (3) shall be rounded to three decimal places.

**Review**

**6.**—(1) The Treasury shall from time to time—

(**3**) S.I. 2013/1189.