

*Draft Order laid before Parliament under section 40(2) of the Bank of England Act 1998, for approval by resolution of each House of Parliament.*

---

DRAFT STATUTORY INSTRUMENTS

---

**2018 No.**

**BANKS AND BANKING**

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

*Made* - - - - *\*\*\**  
*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

---

(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).

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

### 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—
- (a) carry out a review of this Order; and
  - (b) publish a report setting out the conclusions of the review.
- (2) The first report shall be published before the end of the period of five years beginning with 1st June 2018.
- (3) Subsequent reports shall be published at intervals not exceeding five years.

Date

*Name*  
*Name*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

## EXPLANATORY NOTE

*(This note is not part of the Order)*

Schedule 2 to the Bank of England Act 1998 (c.11) makes provision concerning the maintenance by certain institutions of cash ratio deposits with the Bank of England (“the Bank”). The institutions covered by these arrangements are those defined as “deposit-takers” by section 17(7) of, and paragraph 1(1A) to (1C) of Schedule 2 to, that Act. The Bank is empowered by paragraph 3 of that Schedule to give such an institution a call notice specifying an amount the institution is expected to have on deposit with the Bank during a specified period. Under paragraph 4 of that Schedule, the depositable amount is to be calculated by multiplying so much of an institution’s average liability base as falls into each of the different value bands by the ratio applicable to that band, and adding up these amounts.

This Order specifies the value bands and the ratios applicable to them, and revokes the Order which specified previous value bands and ratios. The Order specifies two value bands. For the value band up to and including £600 million, the ratio, in the form of a percentage, is 0%. For the value band over £600 million, the ratio, in the form of a percentage, is calculated for each call notice period applying the formula contained in the Order.

A full impact assessment of the effect that this Order will have on the costs of business and the voluntary sector is available from Her Majesty’s Treasury, 1 Horse Guards Road, London SW1A 2HQ or on [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk) and is published alongside the Order on [www.legislation.gov.uk](http://www.legislation.gov.uk).