

Think Money welcomes Bank of England move



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Press Release Summary: Financial solutions provider Think Money has welcomed the Bank of England's recent move to enhance liquidity by accepting a broader range of loans and other assets as collateral for loans to banks.

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Press Release Body: Responding to the Bank of England's recent changes to its policy regarding collateral, mortgage provider **Think Money** welcomes the move and looks forward to the increased levels of liquidity it should provide.

On 3rd October 2008, the Bank of England announced that it would expand the range of assets it deems acceptable collateral for the loans it grants to financial institutions. The range, according to the Bank of England website, now includes 'AAA-rated asset-backed securities of some corporate and consumer [loans](#); and approved highly-rated, asset-backed commercial paper programmes, where the underlying assets would be eligible if securitised'.

This action, the website continues, 'is addressed to the ongoing strains in term funding markets, and adds highly-rated corporate securitisations to the residential [mortgage](#) securities that are already eligible'.

"At **Think Money**, we welcome this change," said a spokesperson for the financial solutions provider. "While some may feel alarmed that the Bank of England felt such a move necessary, it's nonetheless reassuring to note that the institution is taking such action before the financial situation deteriorates further.

The current lack of liquidity is a cause of great concern for everyone in the UK, from individuals to banks, mortgage providers and other institutions. "Without a constant, reliable flow of credit, it can be difficult – if not impossible – to carry out their plans, whether it's a case of a company pursuing a business opportunity or an individual securing a mortgage, remortgage or loan.

"So we're encouraged to see the Bank taking decisive steps such as this. Banks and other financial institutions own massive amounts of debt these days, from mortgage debt to overdraft debt, so it's both limiting and frustrating when they can't use them as collateral, as it's one of the cornerstones of today's lending activities."

According to the Market Notice published on October 3rd, The Bank of England 'will continue to hold extended collateral three-month long-term repo open market operations (OMOs) weekly up to and including the scheduled long-term repo operation on 18 November', which suggests that it sees no immediate end to today's unusual market conditions.

Furthermore, it states that 'The size of the funds offered at the Bank's extended collateral long-term repo operation on Tuesday 7 October will be £40 billion'.

Yet despite the size of the operation, the spokesperson for the financial solutions company stressed, it's important to note that this is no act of desperation. "In the light of the 'bailout' recently approved in the USA, it's important to realise that this move by no means invites lenders to put forward 'toxic' mortgage debts as collateral. The Bank of England may have broadened the range of assets it sees as acceptable, but it is not prepared to accept any form of collateral which isn't of sufficiently high quality."

Furthermore, the Bank of England is exercising a suitable degree of caution: "The Bank may be accepting a greater variety of assets as collateral," the **Think Money** spokesperson concluded, "but it's also valuing them correspondingly and offering, to quote the Financial Times, 'as little as 60p in the pound for some foreign currency mortgage-backed securities'."

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