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**SONIA OVERSIGHT COMMITTEE:  
CONFLICTS OF INTEREST CODE OF PRACTICE**

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**1. INTRODUCTION**

- 1.1 The Code, approved by the Court of the Bank (“**Court**”), applies to all the members of the Committee (“**Committee Members**”), regardless of whether the member is on the Committee by virtue of office or appointment by the Bank.
- 1.2 Independent members appointed by the Bank are appointed on the basis of having knowledge or experience which is likely to be relevant to the Committee’s functions. Such a need raises the possibility that individuals will be considered for appointment, and may be able to remain members of the Committee, when they have an existing interest or have acquired a new interest which may give rise to an actual or potential conflict of interest and/or duty.
- 1.3 The principal purpose of this Code is to set out principles, guidelines and procedures for identifying, monitoring and managing actual or potential conflicts of interest with a view to:
- (a) ensuring the independence, integrity and impartiality of the Committee’s deliberations in the performance of its functions; and
  - (b) avoiding any perception that a Committee Member or any connected person<sup>1</sup> may obtain an unfair advantage by reason of the Committee Member’s association with the Committee (for example, by assumed access to information or policy thinking).
- 1.4 In this Code a “conflict” or “conflict of interest” refers to an actual or potential conflict of interest and/or duty and an “interest” includes any direct or indirect interest (including any reasonably likely future interest) whether financial or otherwise.
- 1.5 An actual or potential conflict of interest may arise where a Committee Member has an interest in any dealing or business being considered by the Committee. A conflict may also arise where a Committee Member has duties owed to a third party (for instance to a company of which the Committee Member is a director, or arising from a past association) which may conflict with the functions that it would be proper to discharge as a member of the Committee.

**2. IDENTIFYING POTENTIAL CONFLICTS OF INTEREST**

- 2.1 All Committee Members should be alert to situations that may give rise to a conflict. It is not possible to set out every situation which may result in a conflict. A judgement should be made on a case by case basis but common situations include:

- (a) *Directorships and Business Interests*

The Bank’s general code of conduct (“**Our Code**”) which applies to Committee Members includes a directorships policy and contains an obligation to disclose and obtain the consent of the Bank before accepting a directorship. Controlling

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<sup>1</sup> A “connected person” includes a firm in which the Committee Member is interested (for example, as a result of a directorship or shareholding or other financial interest), a spouse, civil partner, children or step children under 18 years, and any other person with whom the Committee Member lives in an enduring family relationship if he or she takes or advises on financial decisions with that person.

shareholdings in or board membership of a commercial firm, and of a regulated financial services firm in particular, may create an actual or potential conflict such as to disqualify an individual from membership or on-going membership of the Committee.

A judgement should be made on a case by case basis and relevant factors to consider would include:

- (i) whether the firm (or any member of the wider group to which it belongs) has commercial exposure to sterling derivative products or related market infrastructure (including the provision of financial benchmarks in such markets);
- (ii) the size, significance and nature of the firm's (or any member of the wider group to which it belongs) business in the context of the Committee's responsibilities; and
- (iii) whether the information a Committee Member is likely to have access to as a result of membership of the Committee is likely to be, or could reasonably be seen to be, commercially valuable to the firm (or any member of the wider group to which it belongs).

(b) *Employment and Consultancy Arrangements*

In accordance with Our Code, Committee Members should not take up any additional employment or consultancy arrangements without the consent of the Bank. Full, or part-time employment in a PRA-authorized person (or any member of the wider group to which it belongs), is likely to be regarded as giving rise to a conflict such as to disqualify the individual from membership or on-going membership of the Committee.

Whether such employment or consultancy arrangements may disqualify an individual or be a reason for the removal of a Committee Member will depend on:

- (i) the nature of the services provided. For example whether the role enables the individual to influence the firm's business or strategy or whether it is more concerned with the provision of technical advice; and
- (ii) the size, significance and nature of the firm's business in the context of the Bank's objectives.

(c) *Financial Interests*

Our Code also includes provisions on confidentiality and a financial transactions policy which, for all Committee Members, requires full disclosure of assets and liabilities and that the Bank's consent is obtained for any relevant transactions. It also prohibits the acquisition of securities issued by any entity regulated by the Bank, including PRA-authorized persons or their financial holding companies. Holding a financial interest in a PRA-authorized person, including an interest which arises because of deferred compensation arrangements with such a firm, may disqualify an individual from becoming a member of the Committee unless it is not substantial in terms of the individual's wealth at the time of appointment or is externally managed as part of a discretionary portfolio.

Existing direct holdings in Bank (including PRA) authorized persons (provided they have been considered at the time of appointment not to substantially affect the functions as Committee Member that it would be proper for the person to discharge)

may be retained but should not be actively managed thereafter other than to sell them, with the Bank's consent in accordance with the Bank's personal financial transactions policy.

Each Committee Member must provide an annual disclosure of his or her stock of financial assets and liabilities to the Committee's secretariat function (the "Secretariat").

### **3. PROCEDURE FOR DECLARING INTERESTS**

3.1 Before attending a meeting of the Committee for the first time, each Committee Member will be required to complete and submit a declaration of interests form, via the Secretariat, to the Committee:

- (a) disclosing all of their relevant interests;
- (b) confirming that he or she is not aware of having any other interests that may give rise to an actual or potential conflict; and
- (c) confirming that he or she will declare any interests that arise in the future that may give rise to an actual or potential conflict and will promptly submit an updated declaration of interests form if any changes occur that may give rise to an actual or potential conflict of interest.

3.2 At least once in every 12-month period, each Committee Member must review the information relating to him/her contained in the register of interests maintained by the Secretariat and declare that the information is correct or make a further declaration to the Committee, via the Secretariat, if necessary.

### **4. DECLARING INTERESTS IN MEETINGS**

If a Committee Member considers that he or she has an interest which may give rise to an actual or potential conflict, he or she should provide the Committee, via the Secretariat, with all relevant information as soon as possible but no later than the start of the Committee meeting at which the relevant matter is on the agenda. The Committee will then decide whether the Committee Member is to be permitted to participate in any proceedings of the Committee relating to any question arising from its consideration of the dealing or business, and if so to what extent and subject to what conditions (if any).

### **5. PROCEDURE FOR MANAGING CONFLICTS**

5.1 The Chair of the Committee will inform the Committee of any interest which may give rise to an actual or potential conflict that has been declared by a Committee Member.

5.2 The Committee will, without the presence or participation of the Committee Member who has declared the interest that may give rise to the actual or potential conflict, and according to the recommendation making procedure set out in the Terms of Reference:

- (a) assess the nature and significance of the interest that has been declared;
- (b) assess whether a perception could arise that the Committee Member in question or any connected person could be seen to obtain an unfair advantage by reason of the Committee Member's association with the Committee;
- (c) assess the risk to the integrity and impartiality of the Committee's recommendation making in the performance of its functions;

- (d) decide whether the interest that has been declared gives rise to an actual or potential conflict;
  - (e) to the extent the interest that has been declared gives rise, in the Committee's opinion, to an actual or potential conflict, decide if – and if so, what (if any) – steps can be taken to avoid or manage the conflict; and
  - (f) assess the extent to which a Committee Member who is likely to have to recuse himself/herself from issues and recommendations as a result of an actual or potential conflict will be able to continue to fulfil his/her functions as a member of the Committee effectively.
- 5.3 The Committee will consider whether to seek the advice of Head of Legal, Markets, Banking & Notes on the nature and significance of any interest that has been declared and any actual or potential conflict that may arise from it and/or if – and if so, what – steps (if any) can be taken to avoid or manage the conflict.
- 5.4 If the Committee considers that the interest that has been declared does not give rise to an actual or potential conflict, it may agree that the Committee Member who has declared the interest may continue to participate in all the discussions and the recommendation-making process of the Committee unconditionally.
- 5.5 If the Committee considers that the interest that has been declared does give rise to an actual or potential conflict, it will determine what action is appropriate in light of the nature and extent of the conflict. A number of steps can be taken to avoid or manage certain conflicts, including without limitation excluding the Committee Member who has declared the conflict from:
- (a) receiving any papers and/or participating in any Committee discussions in relation to a matter; and/or
  - (b) participating in Committee discussions or recommendation-making in relation to a matter while the conflict exists; and/or
  - (c) removing the Committee Member from their appointment if the conflicts are such as to substantially affect the functions as a Committee Member which it would be proper for the relevant Committee Member to discharge.
- 5.6 The Committee, via the Secretariat, will inform the Committee Member who has declared the interest of the Committee's decision. The Committee will ensure that the minutes of the Committee meeting note the interest declared and, if relevant, the reasons why the Committee considered that it gave rise to an actual or potential conflict and an outline of the steps to be taken which are considered appropriate to avoid or manage the conflict declared.

## **6. REGISTER OF INTERESTS**

The Secretariat is responsible for maintaining a register of Committee Members' declared interests. With the Bank's Conflicts Officer, or their alternate, the Secretariat will regularly review the register of interests.

## **7. POST-APPOINTMENT PURDAH**

- 7.1 For a period agreed with the Bank, following termination of a Committee Member's appointment to the Committee that member may not accept, without the prior written consent of the Secretariat, any additional appointment, employment or duties, whether remunerated or not, outside the Bank over and above those which had been permitted while a member of the Committee. Any additional time commitment or amended duties in relation to an appointment

or amended duties in relation to an appointment or employment for which consent has previously been granted will be treated as a new commitment for the purposes of this paragraph.

- 7.2 During the period referred to in paragraph 7.1, the Committee Member shall remain subject to this Code and, subject to complying with this section 7, will be entitled to receive an amount equivalent to the fee which he/she would have received had the appointment to the Committee continued during this period.

**8. MONITORING COMPLIANCE AND REVIEWING THIS CODE**

- 8.1 Any Committee Member who becomes aware of a breach of this Code shall report it to the Committee, via the Secretariat, as soon as possible.
- 8.2 All breaches of this Code shall be considered at the next meeting of the Committee, or earlier if considered necessary by the Chair, and the provisions of section 5 of this Code shall apply. All breaches of this Code shall be recorded in the minutes of the relevant Committee meeting together with an outline of the steps to be taken by the Committee which are considered appropriate.
- 8.3 This Code has been implemented for the purpose set out in paragraph 1.4. Any failure to comply with the terms of this Code will not, in itself, result in a recommendation of the members of the Committee being invalidated.
- 8.4 This Code and its application by the Committee will be reported annually to Court, or sooner if required.

**Agreed by Court**

**February 2018**