



BANK OF ENGLAND

UK Money Markets Code Sub-Committee

Minutes

11 October 2018

Location: Bank of England, 20 Moorgate

Attendees: **Aberdeen Standard Investments:** Gordon Lowson (Chair)

ACT: Michelle Price

Aviva Investors: Mick Chadwick

BAML: Alessandro Cozzani

Blackrock: Tim Mcleod

DMO (Observer): Jo Whelan

FCA (Observer): Paul Johnson

GLA: Luke Webster

Hoare & Co: Andy Green

HSBC: Ned Taylor

ICAP: Phil Chivers

IMMFA: Jane Lowe

ISLA: Andy Dyson

LCH: Paul Elkins

Lloyds: James Smith

MTS Markets: Oliver Clark

Nationwide: Terry Barton

RBS: Mark Thomasson

Tradeweb: Jennifer Kesser

Bank of England: Jon Pyzer (Senior Adviser), Iain Ramsay, Tom Jennings (Secretary)

FCA recognition of the Code

1. The Bank provided an update on the application for FCA recognition of UK Money Markets Code. The Bank, in its role as Chair, is applying to the FCA on behalf of the MMC. It was noted that this approach had been agreed by MMC members who had offered no objection to it. The Bank is currently completing the FCA's 18 question questionnaire as part of the first step in this process. The completed questionnaire will be presented to the MMC in December.

The application will be formally submitted to the FCA at the end of October. After the FCA's internal review process, should the FCA be minded to recognise the Code, then the Code will be sent out for a public consultation period lasting two months. It was anticipated that the Code may be recognised early next year. It was also noted that the Bank is coordinating this process with the FXJSC, and the UK Money Markets Code application for recognition will be submitted simultaneously with the Global FX Code's application.

Members of the Committee noted the benefit that FCA recognition may bring; in particular in encouraging further institutions to sign the Statement of Commitment to the Code, and ensure the Code is further and more deeply embedded in the UK Money Markets. The association of FCA recognition of the Code and the UK Senior Managers Regime was also highlighted as a benefit. The Committee were informed that, at this stage, the only three codes that had initially indicated



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that they would apply for FCA recognition are the UK Money Markets Code, the Global FX Code and the Global Precious Metals Code.

Update on the Public Register

2. The Bank provided a brief update on the public register of institutions that have signed the Statement of Commitment or issued a Statement of Support to the Code. The Public Register was launched on 17 September, with around 100 institutions listed at that time. Communications from the Bank's Executive Director for Markets and the Chair of the UK Money Markets Code Sub-Committee complemented the Register's launch. The launch of the Register has also generated a significant uplift in the number of Statements of Commitment to be submitted to the Bank; there are now more than 140 institutions with a Statement of Commitment listed on the register, and seven institutions have issued Statements of Support. It was also noted that a significant number of institutions have indicated to the Bank that they intend to sign the Statement of Commitment soon.

Members of the Committee were positive about public uptake of the Register; however it was noted that traction has been poor so far among the buy-side, corporates and local authorities. Relevant trade associations in attendance agreed that it would continue to be beneficial to further raise awareness of the code amongst their colleagues and members. With regards to the local authorities sector, it was highlighted that an encouragement to sign the Statement of Commitment to the UK Money Markets Code has been incorporated into the LGA's Code of Conduct. With regards to the corporate sector, one option to increase adoption of the Code could be for the Bank to present to a roundtable of corporate treasurers.

Members again commented that FCA recognition would likely lead to a larger number of institutions appearing on the Register.

Annual Survey

3. The annual survey ran from mid-September to mid-October; questions covered in the survey included whether the responding institution has signed the Statement of Commitment, how the Code was implemented in their institution and what barriers were there to this. A high level summary of the responses to date of the survey was presented. Of the responses so far received, 80% have signed the Statement of Commitment; of these 97% wish to appear on the register. Of the 20% of respondents not to sign the SoC yet 78% intend to sign the Statement of Commitment in the future.

There were other qualitative questions where respondents were able to provide comments. A summary of the key themes was given. In order to implement the Code into institutions, respondents had used a number of methods including raising awareness among staff and providing training sessions, incorporating the Code into internal Codes of Conduct and completing gap analysis to ensure internal processes were in line with best practice.

On the whole, respondents to the survey have not found adhering to the Code challenging. Many noted that the Code reflects current market practice; some commented that completing their own internal governance process in order to issue the Statement of Commitment was the most significant hurdle.

On the whole, the feedback given about the Code was positive; other comments included that the establishment of the Public Register was welcome, and that FCA recognition should add more weight to the Code in the market.



The final findings of the survey will be presented to the MMC in December. Some members of the Sub-Committee commented that the annual survey, further additions to the Register and the prospect of FCA recognition presented an opportunity to issue further public communications regarding the Code, perhaps early next year. The purpose of this would be to give the Code further traction among sectors it has not been so successful in reaching so far. The Secretariat and the Chair will consider the best approach to this.

Roundtable discussion on adherence to the Code

4. Members of the Sub-Committee were invited to discuss the role of the sub-committee and its members in the case of non-adherence to the Code by a money market participant and institution which had signed a statement of commitment. Members were also invited to discuss their own firms' internal processes and what action they may take in relation to the Sub-Committee.

With regards to internal processes, there was a general consensus that there would be zero tolerance of repeated serious breaches and ultimately this could lead to terminating the trading relationship with the offending counterparty. Although, it was noted that this would be a bilateral relationship decision between market participants as the neither the Code, the MMC nor its Sub-Committees have any statutory power. Some members remarked that for isolated incidents they would escalate to a senior level within the offending institution with a warning. In all cases, members noted that they would raise issues with their own internal compliance departments. All members remarked on the importance of supplying evidence in the context of any breach of the Code.

With regards to the role of the Sub-Committee, it was agreed that anonymised breaches of the Code should be reported to the Sub-Committee. The Sub-Committee would then be able discuss and provide guidance on a suggested course of action, and if necessary escalate to the MMC. It was also noted as a benefit that the MMC's minutes are published, and hence could be a mechanism for public censure of Code breaches if necessary. Many members also commented that they would expect serious Code breaches to be detected through other channels, e.g. by the FCA or other regulators. Members of the Sub-Committee also agreed that it was important to track Code breaches not least as they may just represent natural evolution in best market practice, and therefore suggest an update to the Code could be required.

Future updates to the Code

5. The Sub-Committee was invited to consider which areas of the Code may require updating, and the appropriate timing for any proposed update. There was a general consensus that there are no glaring gaps in the Code, and it remains an accurate set of best practice standards and principles. There were several items raised which may lead to future updates: a cross-check of the Code with MiFID II was recommended, as was further consideration of the implications for the Code of SFTR and CSDR regulation. The Sub-Committee agreed to begin a full review of the Code in September 2019, and to present an updated Code to the MMC in March 2020; this is in line with the intention to update the Code every three years.

Terms of Reference

6. An updated Terms of Reference for the Sub-Committee was presented. There were no objections to the updated Terms of Reference, although members agreed that the tone of the drafting of the paragraph regarding the Committee's role in overseeing market adherence to the



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Code should be softened slightly. It was agreed to recirculate the revised drafting to members of the Sub-Committee via email.

AOB

7. The Sub-Committee agreed to meet three times in 2019 – in February, May and October.