

Bank of England

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26 January 2023

To all signatories to the Statement of Commitment to UK Money Markets Code

From the UK Money Markets Code Sub-Committee

Dear signatories

UK Money Markets Code

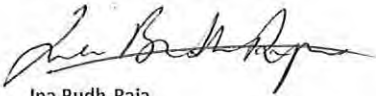
Thank you for your ongoing support of the UK Money Markets Code which you have confirmed by signing the Statement of Commitment and by agreeing to publish this commitment on the Public Register. Following the update in April 2021, we did not ask that all market participants update that commitment as we were conscious of the resource implications of so doing. However, it is now over 5 years since the original Code was published and it would make sense to consider refreshing your Statement of Commitment as part of good governance.

In that refresh, we thought that it is important to remind you of some specific areas of the Code that have been in focus in recent months:

1. The Code is quite clear on the importance of good settlement discipline and avoiding fails (Chapter 1, Section 8.6; Chapter 3, Section 12.2). The Explanatory Note provides further guidance on this (Questions 16, 24-26, Example 8). Fail levels in the GBP repo market continue to be above levels we would normally expect; please consider following best market practice so as to keep such failed settlements to a minimum. Other international markets have introduced voluntary fines for such fails but we would hope that adhering to the Code can avoid such a development in the UK.
2. Borrowing securities for the purpose of voting is clearly in breach of the specifics of the Code as well as against widely and long-established best practice in the securities lending market (Chapter 4, Section 6.3; Explanatory note Q30). The Code states that lenders should consider their corporate governance responsibilities before lending stock over a period in which an AGM or an EGM is expected to be held. Whilst the onus is on the borrower to be aware of how securities are to be used, beneficial owners or third party agents also have a responsibility under the Code not to support a market participant seeking to borrow securities for the purpose of voting. We would expect that any such future transactions to be within both the specifics and the over-riding principle of the Code.
3. Both diversity and inclusion and remote working have continued to be in focus. The expectation of the Code for market participants to embrace diversity and inclusivity within their money market teams is now an important tenet of the Code. As working practices continue to evolve mixing together in-office and remote working, it is important that remote workers are felt to be treated as inclusively as those in the office in order to continue to encourage diversity within teams.

We hope that you find this letter helpful in refreshing your Statement of Commitment.

Yours sincerely



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