

**SONIA Oversight Committee**  
**External Member Candidate Briefing Pack**

**December 2017**

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## **The Bank of England in 2017**

The Bank of England is the central bank of the United Kingdom; it exists to ensure monetary stability and to protect and enhance financial stability. The Bank employs around 4,000 staff and has a total gross expenditure of around £550 million per annum.

The statutory objectives of the Bank of England, which are set out in the Bank of England Act 1998, are:

### Financial Stability

Financial stability entails detecting and reducing threats to the financial system as a whole. Such threats are detected through the Bank's surveillance, market intelligence and supervisory functions, which include the Prudential Regulation Authority. The Financial Policy Committee is responsible for contributing to the Bank's financial stability objective by identifying and monitoring systemic threats to financial stability and taking action to reduce or remove those threats. On behalf of the Court of Directors, it determines the Bank's Financial Stability Strategy.

Other parts of the Bank also have a role in mitigating threats to financial stability, for example by strengthening infrastructure, and by financial and other operations, at home and abroad, including, in exceptional circumstances, by acting as the lender of last resort.

### Monetary Stability

Monetary stability means stable prices and confidence in the currency. Stable prices are defined by the Government's inflation target, which the Bank seeks to meet through the decisions on interest rates and asset purchases undertaken by the Monetary Policy Committee, explaining those decisions transparently and implementing them effectively in the money markets.

The Bank's policy responsibilities are conferred by legislation on expert bodies. These are:

### The Financial Policy Committee (FPC)

The FPC was established by the Financial Services Act 2012 and was made a policy committee of the Bank by the Bank of England and Financial Services Act 2016. The membership of the FPC comprises the Governor (who chairs the FPC), the four Deputy Governors, the Chief Executive of the Financial Conduct Authority, the Bank's Executive Director for Financial Stability Strategy and Risk, five external members appointed by the Chancellor, and a non-voting member from HM Treasury. The FPC exercises its functions with a view to contributing to the achievement of the Bank's financial stability objective. The FPC is responsible for identifying, monitoring and taking action to remove or reduce

systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC also has a secondary objective to support the Government's economic policies.

#### The Monetary Policy Committee (MPC)

The Bank of England Act 1998 established the MPC as a policy committee of the Bank. The Bank's MPC is made up of nine members – the Governor, the Deputy Governors for Monetary Policy, Financial Stability and Markets & Banking, a member appointed by the Governor (the Bank's Chief Economist) and four external members appointed by the Chancellor.

Under the 1998 Act, the Bank's objectives in relation to monetary policy are to maintain price stability and, subject to that, to support the economic policy of the Government, including its objectives for growth and employment. At least once a year, the Government specifies the price stability target and its growth and employment objectives. The Bank of England and Financial Services Act 2016 requires the MPC to meet at least 8 times a year.

#### The Prudential Regulation Committee (PRC)

The Bank of England and Financial Services Act 2016 provides for prudential regulation of banks, building societies, other deposit takers, insurance companies and certain investment firms to be undertaken by the Bank as the Prudential Regulation Authority (PRA), acting through the Prudential Regulation Committee (PRC). The PRC comprises the Governor of the Bank, the Deputy Governor for Financial Stability, the Deputy Governor for Prudential Regulation, the Deputy Governor for Markets and Banking, the Chief Executive of the Financial Conduct Authority, one member appointed by the Governor with the approval of the Chancellor and at least six members appointed by the Chancellor.

#### The Court of the Bank of England

The Bank of England is governed by a board known as the Court, which includes the Governor, the Deputy Governors and up to nine non-executive directors. The Crown appoints the non-executive directors for terms of up to four years, the Governor for an eight year term and the Deputy Governors for five year terms. The Chancellor nominates one of the non-executive directors to chair Court.

The requirement for there to be a Court of the Bank of England, and much of the detail regarding its powers and responsibilities, is contained within the Bank of England Act 1998.

The Court is required to manage the Bank's affairs, other than the formulation of monetary policy. It must determine the Bank's objectives (including objectives for financial management) and

strategy, to ensure the effective discharge of the Bank's functions and, subject to that, to ensure the most efficient use of the Bank's resources.

The Court approves the Bank's budget, and monitors outturns against that budget. It is also responsible for agreeing the Bank's dividend, treasury management and risk management policies, appointments and remuneration.

The Bank of England Act 1998 places great emphasis on accountability and transparency, in the context both of the monetary policy process and financial stability, and of the Bank's operations and finances. The Court is responsible for producing the Bank's *Annual Report and Accounts* for the Chancellor of the Exchequer to lay before Parliament. Members of Court may be called to give evidence about the Bank before Parliamentary Committees. Through its oversight functions, Court keeps under review the Bank's performance of its statutory and other objectives.

#### More about the Bank of England

Extensive information about the Bank is available from the website:

<http://www.bankofengland.co.uk>

The Bank's Annual Report for 2016/17 may also be downloaded from the website:

<http://www.bankofengland.co.uk/publications/Documents/annualreport/2017/boereport.pdf>

A short guide to working life at the Bank:

<http://www.bankofengland.co.uk/careers/Documents/workingatthebank.pdf>

## **The Bank's administration of SONIA and the SONIA Oversight Committee**

The SONIA benchmark has been administered by the Bank of England since April 2016. On 23 April 2018, the benchmark will be reformed following several rounds of consultation<sup>1</sup>. These reforms will result in:

- the Bank taking on the end to end administration, including the calculation and publication of SONIA;
- the coverage of SONIA being broadened to include overnight unsecured transactions negotiated bilaterally as well as those arranged via brokers, using the Bank's Sterling Money Market daily data collection as data source;<sup>2</sup>
- the averaging methodology for calculating SONIA changing to a volume-weighted trimmed mean; and
- the publication of SONIA moving to 09:00 on the business day following that to which the rate pertains.

In its administration of SONIA, the Bank intends to be consistent with the intent of regulations and international best practice, as encapsulated by the IOSCO Principles for Financial Benchmarks. The Bank will publish an assessment of its compliance with IOSCO's principles following the reform of SONIA. An external assurance report will be published alongside this.

To provide challenge to the administration of SONIA, an oversight function will be established, comprising the SONIA Oversight Committee, supported by the SONIA Stakeholder Advisory Group.

### **The SONIA Oversight Committee**

The SONIA Oversight Committee reviews and provides challenge on all aspects of the benchmark determination process and provides scrutiny of the administration of SONIA.

The Oversight Committee will be chaired by the Bank's Chief Operating Officer, who does not have line responsibility for the production of the benchmark. The other Bank members of the Oversight committee will be the Deputy Governor for Markets and Banking, as the Senior Manager responsible for SONIA, and two Directors or above from other areas of the Bank. In order to provide additional challenge to the Bank on its governance and processes related to the administration of SONIA, and to bring an independent perspective, two external members will also be on the Oversight Committee. Given that the Oversight Committee's responsibilities will require it to review highly commercially sensitive information, the selection of these external

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• <sup>1</sup> For the July 2015 consultation, see: [www.bankofengland.co.uk/markets/Documents/cpsonia0715.pdf](http://www.bankofengland.co.uk/markets/Documents/cpsonia0715.pdf); November 2015 consultation response, see: <http://www.bankofengland.co.uk/markets/Documents/sonia1115.pdf>;

• For the October 2016 consultation, see: [www.bankofengland.co.uk/markets/Documents/soniareformcp1016.pdf](http://www.bankofengland.co.uk/markets/Documents/soniareformcp1016.pdf); February 2017 consultation, see: [www.bankofengland.co.uk/markets/Documents/soniareformcp0217.pdf](http://www.bankofengland.co.uk/markets/Documents/soniareformcp0217.pdf); March 2017 consultation feedback and the design of SONIA, see: [www.bankofengland.co.uk/markets/Documents/soniareformresponse0317.pdf](http://www.bankofengland.co.uk/markets/Documents/soniareformresponse0317.pdf)

<sup>2</sup> For the SMMD reporting instructions, see: [www.bankofengland.co.uk/statistics/Documents/reporters/defs/instructions\\_smm.pdf](http://www.bankofengland.co.uk/statistics/Documents/reporters/defs/instructions_smm.pdf)

members has due regard for the necessity to avoid conflicts of interest. For the same reason, the minutes of their meetings will not be published.

The responsibilities of the Oversight Committee include:

- managing conflicts of interest;
- overseeing the periodic reviews of the benchmark methodology with a view to ensuring that it continues adequately to measure the underlying interest, and if necessary oversee any changes to the methodology;
- overseeing the data quality, and the administrative arrangements for addressing breaches of the Reporting Instructions and escalating suspected misconduct;
- monitoring the frequency of errors and republications and the actions of the administrator in challenging or validating contributions of input data; and
- overseeing the administrator's control framework, management and operation of the benchmark, commissioning audits as necessary.

The Terms of Reference for the Oversight Committee will be available online following sign-off at the first Committee meeting.

### **The SONIA Stakeholder Advisory Group**

The Bank's administration of the SONIA benchmark and the Oversight Committee's oversight of it are also supported by the SONIA Stakeholder Advisory Group. The Stakeholder Advisory Group will be made up of relevant SONIA stakeholders, selected on the basis of their expertise and relevant market knowledge. This will include (but is not limited to): market infrastructure providers; reporters to the Sterling Money Market daily data collection; interdealer brokers; and other users of the SONIA benchmark. Information shared with this Group will not be of a confidential nature, to avoid potential conflicts of interest arising. One of the external members of the Oversight Committee acts as chair of the Stakeholder Advisory Group.

The responsibilities of the Stakeholder Advisory Group include:

- providing advice on the functioning of the underlying market being measured by the benchmark;
- providing advice on any changes required to the benchmark determination;
- reviewing of suggested changes to the benchmark methodology, including assessing whether the methodology continues to appropriately measure the underlying interest; and
- reviewing the policy documentation associated with the benchmark.

The Terms of Reference and minutes of Stakeholder Advisory Group meetings will be published online around the time of their first meeting.

## **Further Information**

The [Key Features and Policies](#) document provides relevant information regarding the benchmark determination, publication and governance of the SONIA benchmark, as effective from 23 April 2018.

## Candidate Role Profile

The two external members of the SONIA Oversight Committee will provide credible challenge to the Bank on its governance and processes related to the administration of SONIA. They will also contribute to the avoidance of 'groupthink' in Oversight Committee discussions.

Specifically, it is envisaged that the independent members will:

- ensure independent challenge to the Bank in its operation of the SONIA benchmark, bringing additional experience and breadth to the Board from senior positions in other relevant industries; and
- bring an independent perspective to openness and accountability. This includes ensuring the input of external stakeholders' views into the Bank's decisions and that information on SONIA is made available to meet external stakeholders' needs.

### Skills required

All members of the SONIA Oversight Committee will require strong interpersonal skills and the ability to bring independence of thought to the role. Skills required by the Committee in aggregate are below. We are seeking a spread of these skills across the Board members and hence there could be a range of potential candidates bringing different elements.

- Understanding of international best practice in benchmark administration, and the risks and challenges involved in benchmark administration
- Governance and conflict of interest expertise
- Understanding of sterling money markets and/or market products referencing SONIA

One external member of the Oversight Committee will also chair the SONIA Stakeholder Advisory Group. This will require strong verbal communication skills in order to mediate discussion from a wide range of stakeholders and ensure that all voices are heard.

### Conflicts of interest

Given that the responsibilities of the Oversight Committee will require sight of highly commercially sensitive information, members will be selected with due regard for the avoidance of conflicts of interest. Candidates should therefore carefully consider whether their circumstances may give rise to a conflict, and declare this upon application. As it is not possible to set out every situation which may result in a conflict, the selection panel will review any declared potential conflicts on a case-by-case basis. Common situations giving rise to a conflict of interest may include:

- a) Directorships and business interests
- b) Employment and consultancy arrangements
- c) Financial interests

Please contact [benchmarkadministration@bankofengland.co.uk](mailto:benchmarkadministration@bankofengland.co.uk) should you wish to discuss conflicts of interest further prior to submitting an application.

## **Terms of appointment**

There are 2 positions available for external members of the SONIA Oversight Committee, one of which will also chair the SONIA Stakeholder Advisory Group.

The appointments will be for two or three year terms, to avoid simultaneous turnover of external members, with the possibility of renewal for a further three year term.

Membership of the SONIA Oversight Committee is expected to require a part-time commitment of a minimum of 6 days per year (on average 2 days per meeting).

Additionally, the role of Chair of the SONIA Stakeholder Advisory Group is expected to require a part-time commitment of a minimum of an additional 6 days per year (on average 3 days per meeting).

Compensation will be £1,050 per day.

Meetings will take place at the Bank's offices in London.

Members are required to abide by the Bank's Code for staff: further details can be found at: <https://www.bankofengland.co.uk/-/media/boe/files/about/human-resources/ourcode.pdf>

Members will also be required to adhere to the Conflicts of Interest Code of Practice applicable to members of the SONIA Oversight Committee, which ensures any potential conflict is managed. The code will be modelled on the Bank's Statutory Committee Conflicts of Interest Codes of Practice<sup>3</sup>.

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<sup>3</sup> PRC <https://www.bankofengland.co.uk/-/media/boe/files/about/prc/prcconflicts.pdf>

## **How to apply and the appointment process**

Applications can be submitted at: <http://bit.ly/boe-sonia>

You will need to provide a full CV (including education and professional qualifications, career history and relevant achievements and responsibilities).

- The names of two referees should be included in the CV. Referees should know you in a capacity to comment on your suitability for the appointment and have authoritative and personal knowledge of your achievements.

Within the cover letter to your application, you must state whether your circumstances may give rise to a potential conflict of interest. Further information may be requested on any declared potential conflicts in order for the selection panel to fully consider the implications.

The application deadline is 4 January 2018.

### **Appointment Process**

Applications will be sifted according to the candidate profile. Those applicants who have not been successful will be notified and a short list of the most closely qualified applicants will be invited to panel interviews, which will be held in London.

Interviews with the Bank of England are expected to take place in January. The appointment is expected to commence in March 2018.

### **Expenses**

If you are invited for interview, reasonable and necessary travel expenses will be reimbursed.

### **Equality of Opportunity**

The Bank of England is committed to ensuring it has a truly diverse workforce. All disabled applicants will be guaranteed an interview, provided they meet the minimum criteria for the post, and state their eligibility in their covering letter.