

TERMS OF REFERENCE FOR THE UK MONEY MARKETS CODE SUB-COMMITTEE

Background

1. The Bank of England has convened a Joint Sub-Committee (the Codes Sub-Committee) of the Money Markets Committee (MMC) and Securities Lending Committee (SLC), so that market participants can work together to establish a new voluntary code of good practice for the UK securities lending, repo and money markets.
2. The Bank of International Settlements Markets Committees is developing a Global Code for the Foreign Exchange market (the Global FX Code), which after its introduction will supersede many aspects of the Non-Investment Products Code (NIPS Code).¹ The NIPS Code has not in any case been updated since November 2011. The Gilt Repo Code has not been updated since May 2008 whilst the Securities Borrowing and Lending Code has not been updated since July 2009. These last two Codes no longer appear on the Bank of England's website as they are significantly out of date.
3. The intention of the Codes Sub-Committee is to establish a new combined Code reflecting current market practices in the following markets when transactions are executed in the UK:
 - a. Sterling short term unsecured money markets;
 - b. Foreign currency short term unsecured money markets;
 - c. Sterling repo;
 - d. Foreign currency repo; and
 - e. Sterling and foreign currency borrowing and lending of securities.
4. The Code will under-pin the high level of professionalism and ethical standards which market participants are expected by all to uphold.

Objectives

5. The Codes Sub-Committee's initial focus is for market participants to draft a new voluntary combined code of good practice (the Code) to replace the NIPS Code, the Securities Lending Code and the Gilt Repo Code by the second quarter of 2017.
6. The key objective of the Code is to strengthen the behavior in all of the markets listed at 3 above through promoting high standards of conduct and professionalism and to promote processes that are transparent, robust, risk-mitigating, and efficient.
7. The new Code is intended to promote the integrity and effective functioning of the securities lending, repo and money markets.

¹This Code was drawn up by market practitioners in the United Kingdom representing principals and brokers in the foreign exchange, money and bullion markets to underpin the professionalism and high standards of these markets. It applies to trading in the wholesale markets in Non-Investment Products (NIPs), specifically the sterling, foreign exchange and bullion wholesale deposit markets, and the spot and forward foreign exchange and bullion markets

8. The Code will apply to all market participants including the Bank of England (unless exempted due to policy implementation requirements).
9. The Code will cover the markets listed at 3. above as transacted in the UK.
10. The Code will, for all relevant markets, address:
 - a. ethics;
 - b. governance;
 - c. information sharing; and
 - d. risk management and compliance.
11. The Code will specifically set out good practice and standards in each specific market for:
 - a. execution; and
 - b. post trade processes including settlement.
12. The Sub-Committee will where appropriate align the Code with the Global FX Code and with other relevant codes of practice to ensure consistency.
13. The Sub-Committee will identify a strategy to facilitate widespread adoption of the Code.
14. The Sub-Committee will recommend the permanent Committee structure for the future maintenance of the Code.

Governance

15. The Sub-Committee will report progress to MMLC and SLRC at each meeting.
16. Draft non-attributable minutes will be produced and circulated to all attendees for approval.
17. These will not be published but the progress reported to MMLC and SLRC will be noted in the published minutes of those Committees.
18. Decisions will usually be made by general consensus but the Co-Chairs may ask for a decision by majority vote if agreement cannot be otherwise reached.
19. The Sub-Committee will only be quorate if at least two-thirds of the membership is in attendance and at least one of the Co-Chairs is present.

Deliverables

20. A key deliverable is for the new Code to be completed by the second quarter of 2017.
21. Post completion of the Code, the Sub-Committee will deliver a maintenance framework to ensure the Code continues to be appropriate and relevant.

Composition

22. The Sub-Committee will be co-chaired by market participants from the deposit, and securities financing markets. The Co-Chairs will be appointed by personal invitation from a senior official at the Bank of England. The members will be representative of a wide cross section of market participants. Members are expected to represent themselves as senior

market participants, their firms or the association they represent, the wider interest of their sector of the market, and represent the best interests of the functioning of the market as a whole. Members who fulfil these expectations may be invited to join by personal invitation from a senior official from the Bank of England.

23. The initial members are as follows:

Michelle Price	ACT
Mick Chadwick	Aviva
Alessandro Cozzani	BAML
Tim McLeod	Blackrock
Luke Webster	GLA / CIPFA
Andy Green	Hoare & Co / LMMA
Glenn Handley / Ned Taylor	HSBC
Phil Chilvers	ICAP
Jane Lowe	IMMFA
Andy Dyson	ISLA
Paul Wilson	JP Morgan (Co-Chair)
Paul Elkins	LCH
Jennifer Gillespie	LGIM (Co-Chair)
Jamie Smith	Lloyds
Terry Barton	Nationwide
Mark Thomasson	RBS
Gordon Lowson	Standard Life
Observers	
Oliver Clark (MTS)	FMSB
Anna Westbury (Tradeweb)	
Jessica Pulay	DMO

24. The Bank of England will provide an ex-officio technical adviser and the secretariat.

25. Members should attend meetings themselves, sending alternates only by prior arrangement with the secretariat.

Confidentiality

26. Any information disclosed or opinions expressed during Sub-Committee meetings will be treated as confidential unless and until the Sub-Committee has authorised their public release. Sub-Committee members may be exposed to sensitive information and, potentially, to material non-public information in the course of their work. It is understood that Sub-Committee members' staff may see some documents relating to the Sub-Committee. Unnecessary involvement of third parties in handling this material is strongly discouraged. In all cases where third parties see Sub-Committee documentation, individual members are

expected to accept responsibility for ensuring that those third parties are aware of and respect the confidentiality and sensitivity which attaches to the Sub-Committee and the documents in question.

Competition Law

27. It is the responsibility of Sub-Committee members to ensure they understand their responsibilities under all applicable competition laws, including UK and EU competition law. To the extent any Sub-Committee member is unclear of these, they should consult the legal and/or compliance teams at their respective institution for further guidance. If, during a Sub-Committee meeting, a member has concerns about the discussion from a competition law compliance perspective, the members should make their concerns known and the discussion giving rise to such concerns should cease.

Indicative Timeline

28. The Sub-Committee will aim to meet at least every 6-8 weeks during the initial drafting period of the new Code. The frequency of meetings thereafter will be determined by the Co-Chairs but will not be less than quarterly.
29. The Sub-Committee will, as far as possible, aim to deliver completion of work according to the following timeline:
 - a. October 2016: first version of text
 - b. December 2016: submission of text to parent committees for comment
 - c. March 2017: text updated for final agreement
 - d. June 2017: final sign off by MMLC and SLRC.