



# Minutes

## SONIA Advisory Committee

18 May 2016

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**Location:** Bank of England

**Members:** Sarah John (Chair)  
David Clark  
Philip Chilvers  
John Ewan  
Andrew Hadley  
Brad Jeffery  
Ian Mair  
Alex McDonald  
Will Parry  
Peter Weston  
Philip Whitehurst

**Attendees:** Rob Harris  
Steve Wright

**Apologies:** None

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Minute no.	Minute	Action
1.	<p><b>Introductions and Terms of Reference</b></p> <p>The Committee reviewed and approved the proposed Terms of Reference, subject to minor amendments.<sup>1</sup> The primary purpose of the Committee was agreed to be: to challenge aspects of the design and determination of the SONIA Benchmark, and to advise the Bank on any operational changes or risks to the production of SONIA.</p> <p>It was noted that the Bank had designed its governance arrangements for administering SONIA to be consistent with the intent of regulations and international best practice, as encapsulated by the IOSCO Principles for Financial Benchmarks. An internal audit of the arrangements was due to be undertaken; the Bank would provide a readout at the Committee's next meeting.</p>	N/A
2.	<p><b>Review of April 2016 SONIA Dashboard</b></p> <p>The monthly SONIA Dashboard was reviewed to the Committee. It was agreed that no further action was required on the one minor incident, as existing processes worked as required.</p> <p>Throughout April, aggregate volumes were stable, around £8-10bn, but fell slightly on the last day of the month. The published rate was also stable at around 0.46% through the month; it fell slightly at the end of the month: to 0.45%.</p>	N/A

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<sup>1</sup> See [www.bankofengland.co.uk/markets/Documents/soniacommtor.pdf](http://www.bankofengland.co.uk/markets/Documents/soniacommtor.pdf).

3. **Discussion on readiness for extension of RTGS operating hours** Monitor pattern of daily activity following the extension of RTGS hours
- From 20 June 2016, the operating hours for the RTGS system will be extended, and will close at 18:00.<sup>2</sup> In parallel, the window for qualifying transactions for SONIA will be extended from the current 16:15, to close at 18:00. The publication time for SONIA will change to between 18:15 and 18:30.<sup>3</sup>
- The Committee noted that the bulk of brokered unsecured money market activity was typically completed by mid-afternoon, with only a small volume transacted nearer to the closure of the payment systems. It was felt that this pattern of activity might continue after the extension of the RTGS operating hours on 20 June. Indeed, the London Money Markets Association has agreed a revised market convention for the end of the sterling money market trading day to move from 15:30 as currently, to 17:00 on 20 June.<sup>4</sup>
- It was agreed that the contributing firms would provide one set of input data at 16:30 to enable the WMBA, in the role of calculation and publication agent, to conduct earlier plausibility checks and discuss any issues with contributing firms. A subsequent set of input data would then be provided after the 18:00 closure, where necessary.
- It was agreed that contributing firms would have staff available beyond 18:00 to respond to any queries. This would be kept under review, while the Committee monitored the pattern of trading activity through the day once the extension had been implemented.
- The Committee also discussed what action was required to ensure the readiness of end-users of SONIA for the change to the publication time. The WMBA noted that all SONIA subscribers had previously been notified and would be re-notified on 20 May, with the offer of systems testing where necessary.
- Relevant market infrastructure firms and financial market associations had also been notified of the impending change.
4. **Discussion on vulnerabilities of SONIA** N/A
- The Chair sought the views of Committee members regarding potential vulnerabilities in the current design and determination of SONIA, and in particular how the Bank could survey the counterparty-specific data most effectively.
- Members discussed two types of vulnerability: structural issues related to the market activity that was intended to be measured by the benchmark; and the motivation and ability to impact the benchmark rate by transacting in the brokered unsecured money markets.
5. **Other business** N/A
- The Committee noted that there may be operational risks related to the forthcoming UK referendum on EU membership on 23 June. These were felt to be manageable in the context of benchmark production and administration.

<sup>2</sup> For more information, see: [www.bankofengland.co.uk/publications/Pages/news/2015/059.aspx](http://www.bankofengland.co.uk/publications/Pages/news/2015/059.aspx)

<sup>3</sup> For more information, see: [www.wmba.org.uk/assets/Data\\_Notifications/WMBA\\_Market%20Notice\\_27-01-16.pdf](http://www.wmba.org.uk/assets/Data_Notifications/WMBA_Market%20Notice_27-01-16.pdf)

<sup>4</sup> For more information, see: [www.lmma.org.uk/](http://www.lmma.org.uk/)