



Minutes

SONIA Advisory Committee

18 September 2017

Location: Bank of England

Members: Sarah John (Chair)
Alex McDonald
David Clark
Philip Chilvers
Brad Jeffery
Ian Mair
Will Parry
Rob Thurlow
Peter Weston
Philip Whitehurst

Attendees: Rob Harris
Paul Burton
Steve Wright
Tony Murphy (First item only)
Munib Ali (First item only)

Minute no.	Minute	Action
1.	<p>Final Report of WMBA Assurance Review for the SONIA benchmark</p> <p>Promontory presented their assurance assessment of WMBA's compliance with the IOSCO Principles for Financial Benchmarks,¹ in relation to WMBA's responsibilities for the SONIA benchmark. The report concluded the WMBA largely complies with the IOSCO Principles in relation to SONIA, with the following recommendations to more closely align WMBA's policies and practices with the Principles:</p> <ul style="list-style-type: none">- Defining and documenting the relative roles and responsibilities of the Bank of England and WMBA for each of the individual IOSCO Principles and other applicable standards- Reviewing WMBA's policies and procedures to tailor them to the activities conducted specifically for SONIA, to adopt a formal policy structure and to consolidate policies for consistency and clarity.- Considering how WMBA can formalise a system of measures to evaluate how data providers to SONIA adhere to the relevant codes of practice and data quality.- Reviewing recording practices for telephone communication among participants in the benchmark determination.	N/A

Promontory noted that WMBA had demonstrated its commitment to comply with the IOSCO Principles and had already addressed some of the issues identified. The Committee welcomed the report and noted that the Summary Report would be published.

The Committee discussed the recommendations of the report, with most discussion around ensuring data quality from the contributors. This was

¹ For more information, see: www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf

discussed at the March 2017 Advisory Committee and it was agreed then that regular visits and the incident report processes were more appropriate than formal attestations to the data quality code. The Committee were still content with this decision.

2. **Review of the SONIA Dashboard**

N/A

The Committee reviewed the SONIA Dashboard covering the period of June to August 2017.

SONIA had been stable throughout the period, with the exception of June quarter-end, when the rate fell slightly, in line with previous years. It was noted that daily trading volumes had increased further over the quarter, reaching £18.4bn in August – the highest since September 2011. Bank of England attendees noted that indicative volumes in reformed SONIA had similarly risen.

There was discussion of the possible reasons driving the volume increase. The Committee suggested it was likely to be a number of small contributing factors, including: possible easing of balance sheet constraints across some borrowing banks; increased short-term cash investments as a result of the MPC's August 2016 monetary easing package; possible substitution of lenders away from the secured market. It was suggested that the volumes could further increase if a Bank Rate rise looks likely in the coming months.

3. **Other business**

N/A

WMBA noted that they intend to publish a statement on their website that from 1 January 2018 and the introduction of the EU Benchmark Regulation, the FCA will not supervise WMBA Limited in its capacity as calculation and publication agent for SONIA.

The Bank reminded the Committee that the deadline for responses on the RFR Working Group White Paper is Friday 29 September.²

² <http://www.bankofengland.co.uk/markets/Documents/sterlingoperations/rfr/rfrwgwhitepaper0617.pdf>