



Minutes

UK Money Markets Code Sub-Committee

19 January 2018

Location: Bank of England, 20 Moorgate

Attendees: **Aberdeen Standard Investments:** Gordon Lowson

ACT: Michelle Price

Aviva Investors: Mick Chadwick

Blackrock: Tim McLeod

DMO (Observer): Jessica Pulay

FCA (Observer): Wladimir Kraus

GLA: Luke Webster

Hoare & Co: Andy Green

HSBC: Glenn Handley

ICAP: Phil Chilvers

ISLA: Andy Dyson

LCH: Paul Elkins

LGIM: Jennifer Gillespie (Chair)

Lloyds Bank: Jamie Smith

Nationwide: Terry Barton

RBS: Mark Thomasson

Bank of England: Jon Pyzer (Senior Advisor), Iain Ramsay (Secretariat), Rebecca Maher (Secretariat), Thomas Jennings

Apologies:

BAML: Alessandro Cozzani

IMMFA: Jane Lowe

MTS Markets: Oliver Clark

1. Update from December 2017 Money Markets Committee (MMC) meeting

The Chair provided a short summary of a discussion held at the December 2017 MMC meeting.

MMC members had discussed the possible creation of a central register for the Code. The Chair of the MMC had agreed to consider whether the Bank could be responsible for holding and administering a central register for the Code, and would update the MMC at their meeting in March 2018.

2. Update on BOE presentation to the ACI UK Committee

The Bank provided an update following their meeting with the ACI UK Committee in November 2017. The meeting took place in the context of, and following, the ACI's presentation to the UK Money Markets Code Sub-Committee last meeting in October 2017.

The Bank had set out that it could not formally approve or certify any training materials. But

the Bank would be able to provide appropriate support to the ACI, for example through response to queries sent via the Money Markets Code inbox.

The ACI have instituted a process for reviewing examples and questions in their training module. The Bank emphasised that the ACI would not be the arbiters of areas needing clarification in the code; in that instance, queries should be referred via the email address to the code Sub-Committee.

3. Discussion: Proposed changes to the UK Money Markets Code text

The Sub-Committee approved two additions to the *UK Money Markets Code Explanatory Notes* (see **Annex 1**). These would be approved via the MMC in March before publication.

The Sub-Committee discussed a proposed addition to the text of the Code regarding payment systems failure. There was agreement that the wording as drafted should not specify a single alternative provider for re-routing payments in such a situation but should refer to “alternative pathways” only. It was also felt that the proposed text should be less prescriptive. It was therefore agreed that the text would be re-drafted and finalised by written procedure.

The Sub-Committee agreed that the text of the Code (as opposed to the Explanatory Notes) should not be changed in H1 2018 given that many market participants were still in the process of signing up to the Code. It was agreed that the reviewed text and additions should go to the MMC in the autumn.

Members additionally noted that a question often asked by participants related to who was the appropriate signatory of the statement of commitment. There was recognition that the wording around appropriate signatories contained in the Code was not prescriptive but rather deliberately allowed flexibility for the range of market participants who may opt to sign up to the Code.

4. Discussion: Awareness of the Code amongst the hedge fund sector

Members recognised that there was likely to be low awareness of the Code amongst the hedge fund community. Discussion turned to the challenges in engaging hedge funds to implement the principles of the Code and sign the statement of commitment. Members suggested that engagement with the hedge fund community via the relevant trade associations may be the best way forward.

Later in 2018 a survey will be sent out by the Bank, on behalf of the Sub-Committee, to UK money market participants (similar to the Sub-Committee’s survey which was conducted over the summer of 2017). Members agreed that in 2018 the survey should be targeted to also capture the views of the hedge fund sector if possible and the broader investment / fund management community.

5. Update: FCA Consultation on Industry Codes of Conduct

The FCA’s Consultation on Industry Codes of conduct will be closed on 5th February. The Bank and FCA provided a brief update on what the consultation covered. Members commented that there was a risk of creating two ‘tiers’ of voluntary codes – those which were or were not recognised by the FCA.

6. AOB

One member noted that in 2018 they would be taking forward work seeking to improve settlement discipline in the gilt repo market. They also intended to raise the issue in other Bank of England Committee fora. There was agreement from members on the Sub-Committee that this was important work to pursue.

The Chair of the Sub-Committee announced that she was changing job role and would therefore stand down as Chair of the Committee, effective immediately. Members thanked the Chair for her significant contributions and leadership throughout the inception and creation of the Code.

The next meeting of the Sub-Committee is scheduled to take place on 11 May 2018.

Annex 1: Approved additions to the UK Code *Explanatory Notes*

Approved addition to *Frequently Asked Questions* (Explanatory notes pp.4-8):

Q Does the Code apply to transactions which are transacted by non-UK based market participants?

A A transaction is only in scope if at least one side of the trade is executed in the UK. So even a non-UK based market participant that transacts with at least one side executed in the UK is a UK Money Market participant and should commit to the principles of the Code in a manner that is commensurate with the size and nature of its UK Money Market activities.

Moreover, the standards set by the UK Money Market Code reflect the very best practice and standards to which all market participants should wish to attain wherever they are based.

Approved addition to *UK Money Markets Code Examples* (Explanatory notes pp.9-11):

Applicability — Geographic Scope**Code does not apply**

A non-UK based subsidiary of a UK headquartered bank transacts a sterling unsecured deposit with another non-UK based bank counterparty. The trade is booked to the UK based legal entity of the UK headquartered bank.

This transaction is not in scope and the Code does not apply as both sides of the trade are transacted outside of the UK.

However, whilst in this case the Code does not apply, participants should aspire to the very best practice and standards as set out in the Code.

Code applies

A non-UK based asset manager transacts a gilt repo trade from their Swiss office with the repo desk of a non-UK bank in London.

This transaction is in scope as one side of an in-scope trade is transacted in the UK. The location of the asset manager's client and of the headquarters of the asset manager does not affect whether the transaction falls within the scope of the Code.