



BANK OF ENGLAND

Minutes

Money Markets Committee – 3 September 2019

Time: 3:00 – 4:30pm

Location: M&G Prudential, 10 Fenchurch Avenue, EC3M 5AG

Michelle Price	Association of Corporate Treasurers
Cameron Dunn	BAML
Michael Manna	Barclays Bank UK
Luke Pledger	BGC Partners
James Templeman	Blackrock
Romain Dumas	Credit Suisse
Matthew McDermott	Goldman Sachs
James Murphy	HSBC
Chris Brown	Insight Investment
Olivia Maguire	J.P. Morgan Asset Management
Ben Challice	J.P. Morgan
Elissa Holme*	LCH
Peter Left	Lloyds
Nic Erevik	Newcastle Building Society
Nina Moylett	M&G Prudential
Donal Quaid	RBS
Paul Barnes	Santander UK
Romain Sinclair	Societe Generale
Lynda Heywood	Tesco PLC
Ross Barrett	The IA
Jessica Pulay	DMO (Observer)
Toby Williams	FCA (Observer)

Apologies

Gordon Lowson	Aberdeen Standard Investments
Stephen Grainger	Aldermore
Mick Chadwick	Aviva Investors
Rob Thurlow	Mizuho

Bank of England

Andrew Hauser	Rhys Phillips	
Rebecca Maher	Tom Jennings	Ben Martin
Sumita Ghosh	Will Parry	Geir-Are Karvik

**Alternate as agreed with MMC Secretariat*

Bank of England introductory remarks

The Chair thanked Nina Moylett (M&G Prudential) for hosting the meeting.

The Chair thanked outgoing Committee member Michelle Price (Association of Corporate Treasurers) for her contributions to the Committee.

The Chair confirmed that the June Committee minutes were published on the Bank's website after agreement by written procedure following the last meeting.

Item 1. Diversity & Inclusion in UK Money Markets

The Bank provided a brief presentation on its Diversity & Inclusion (D&I) work, focusing on work to improve the diversity of external committees and the Bank's market intelligence (MI) contact base.

Members found the presentation useful and noted that individual institutions are at varying stages of progress in improving D&I. For that reason members thought there was significant benefit to cross-industry collaboration and initiatives such as sponsoring and mentoring programmes. Members also observed that industry-wide targets for certain metrics of diversity could play a role in encouraging further improvement beyond that already achieved by their own institutions.

Members discussed a range of specific measures which could be pursued to improve D&I in sterling money markets, some of which had been implemented in their own organisations. These measures included:

- Incorporating the meeting of D&I targets into broader strategic, incentive and accountability frameworks;
- Setting minimum targets for diversity at various stages of recruitment – e.g. shortlists, and the makeup of interview panels; and
- Tailoring job adverts to diverse candidates to apply.

More specific challenges in sterling markets highlighted by members included:

- How prolonged periods of leave (for example parental leave) were accounted for in fund manager performance metrics. Members noted that one option was to adjust such metrics explicitly for such periods of leave.
- The implications of juggling the many different overlapping opening hours of sterling and other markets traded out of UK firms.

Members also stressed that aside from actions to address things like targets, it was necessary to develop an inclusive culture with a common set of standards across the finance industry. This was increasingly seen not just as something for firm-by-firm choice, but a business necessity to remain relevant and competitive.

The Bank agreed to circulate information on mentoring programmes with committee members.

The Chair welcomed the Committee's rich discussion. D&I would be a periodic item on the Committee's agenda, and would also be reflected in the forthcoming review of Terms of Reference.

Item 2. Sterling Money Markets Data and analysis update

The Bank provided a summary of results from Sterling Money Market Data (SMMD) collection and a recent survey of participants, as published on the Bank's website.¹

The Bank highlighted that a slight fall in the volume of transactions underlying the Sterling Overnight Index Average (SONIA) benchmark over the past year had begun to retrace in recent months, with a marginal decrease in the levels of borrower concentration.

¹ <https://www.bankofengland.co.uk/statistics/data-collection/sterling-money-markets>

The data also showed the majority of unsecured market activity (based on average daily value of turnover) was still at the overnight maturity; whereas in secured markets, the difference in maturities was less marked.

Members noted that the summary data reflected their experiences, including that conditions in secured markets were good, with sufficient capacity and diversity of counterparties. It was observed that some market participants had increased the maturity of their secured borrowing to extend past the Article 50 deadline.

The Bank agreed to consider Committee members' request for the Bank to publish aggregated data on participant type across secured and unsecured markets, so as to aid the Committee's work in understanding participation and functioning of UK money markets.

Item 3. Discussion on market conditions

Members discussed market conditions and relevant financial market developments since the MMC's last meeting.

The impact of trade disputes on the global economy was discussed. Global PMIs had continued to fall throughout the summer, and the recently published UK manufacturing PMI for August had been below expectations. Measures of economic surprise had continued to follow the negative pattern observed since the start of the year. Equity volatility had been relatively stable, but fixed income volatility had increased sharply.

Since the last MMC the market-implied path for Bank Rate had fallen, against the backdrop of slowing global growth and a rise in market participants' perceptions of the probability of a "No-Deal" Brexit. As well as a sustained fall in yields across the curve, the UK yield curve between 2 and 10 years had inverted for the first time since the Global Financial Crisis (a move which had since unwound). A similar inversion had occurred in US Treasury yields.

Despite significant political developments and volatility in government bond yields, it was observed that money market activity had remained robust: for instance, the 3-month repo-OIS spread had broadly remained within a 6bps range for most of this year. Sterling Libor-OIS had also remained fairly stable since the last MMC, in contrast to moves seen in the US.

Members noted the increased demand for safe-haven assets (for example the price of gold had increased almost 17% since the last meeting), and noted that as investors had continuing operational needs to hold sterling-denominated assets, there had not been a significant increase in outflows from sterling money market funds. Committee members also discussed the effective lower bound for monetary policy and the extent to which political developments could impact maturities at which counterparties transacted, given the flatness of the yield curve.

Bank of England operations were also discussed. The Bank noted that the total stock outstanding of Indexed Long Term Repo (ILTR) drawings was at a broadly historical average level. There had been a very small amount of usage of the USD repo operation (£10mn on 21 August) and the LiFE euro facility (£10mn on 21 August). The Chair noted that the Bank would shortly be inviting counterparties to test these facilities, and would provide further details to SMF participants in due course. Members welcomed that news.

Item 4. Update from current money market themes discussion groups

Further to the agreement at the last meeting that members would work together to produce a stock take of high level trends and changes in UK money markets over the past three years, members provided an update on progress so far.

Since the last meeting three groups had been formed, with designated co-chairs, to cover the themes of: technology and innovation; participation and functioning; and impacts of regulatory reform.

The groups' co-chairs provided an update to the committee following their inaugural meetings, outlining the scope of their considerations. As there had been some cross-

cutting issues across the discussion groups it was agreed that the secretariat would co-ordinate in order to ensure an efficient stock-take.

It was confirmed that the groups would present a final summary of their findings at the December MMC. The aim of the groups' work, as outlined at the last meeting, was to provide a high level overview that would inform the review of the Code by the sub-committee next year, and help shape the MMC's forward agenda, outlining topics for future discussion.

Item 5. AOB

The Chair said that the next meeting would be rescheduled to take place on or around 13 December.