



Money Markets Committee

Minutes

2 June 2020

Time: 14:00-16:00
Location: Teleconference

Committee Attendees

Gordon Lawson	Aberdeen Standard
Stephen Grainger	Aldermore
James Winterton	Association of Corporate Treasurers
Mick Chadwick	Aviva Investors
Michael Manna	Barclays Bank UK
Emma Cooper	BlackRock
Ina Budh-Raja	BNY Mellon
Romain Dumas	Credit Suisse
Marije Verhelst	Euroclear
Mathew McDermott	Goldman Sachs
Vicky Worsfold	Guildford Borough Council
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
Nina Moylett	M&G
Robert Thurlow	Mizuho
Mark Thomasson	NatWest
Nic Erevik	Newcastle Building Society
Paul Barnes	Santander UK
Romain Sinclair	Societe Generale
Lynda Heywood	Tesco
Ross Barrett	The Investment Association
John Argent	Tradition
Jessica Pulay	DMO (Observer)
Alan Barnes	FCA (Observer)

Apologies

Andrew Hauser	Bank of England
Adam Wreglesworth	FCA
Donal Quaid	NatWest

Bank of England

Rhys Phillips (Chair)	Jon Pyzer	
Helena Patterson	Azuolas Alisauskas	Tom Jennings



Item 1. Bank of England Introductory remarks

- The Chair thanked members of the Committee for their time and welcomed John Argent, UK Business Manager at Tradition, to the Money Markets Committee.

Item 2. Review minutes from last meeting

- The Committee had no comments to raise on the minutes from March's extraordinary meeting. The Chair highlighted that the minutes would be published externally alongside the publication of this meeting's minutes.

Item 3. Market conditions

- The Bank introduced the discussion on market conditions. It was noted that the previous MMC meeting on 18 March 2020 had taken place during a period of very challenging market conditions, and between the two MPC policy announcements in March. In particular, the MMC last spoke one day after the Bank and HMT announced the launch of a policy package including the Covid Corporate Financing Facility (CCFF); one day before the MPC cut interest rates to 0.1% and increased the target stock of asset purchases by £200bn; and five days before the UK entered full "lock-down".
- The Chair turned to the Committee for views on how market conditions had evolved since that previous discussion. Attendees agreed that the Gilt market had now stabilised, and market-based measures of volatility had also returned to more normal levels following central bank actions. Members commented on the improvement in USD liquidity following deployment of, and subsequent significant usage of, USD swap-lines across global central banks.
- It was further commented that the Libor-OIS spread, which had spiked through March, had now retraced. This was welcomed, but there was also agreement that the crisis had again demonstrated the need for benchmark reform to continue.
- While it was clear that liquidity had now returned, to a large extent to markets, some members were more pessimistic about the potential recovery and noted the potential for stress to return. In particular members expected that more stimulus and intervention from the authorities was inevitable, particularly around the timing of the tapering of the Government furlough scheme. It was noted that this, in conjunction with Brexit and geopolitical risks, could make year-end challenging.

Item 4. Operational effectiveness during Covid-19

- The Chair turned to the next item on operational experiences during the Covid-19 stress.
- Members agreed that the spike in the level of fails in gilt repo and other sterling markets had been driven by a combination of heightened market volatility leading to increased margining requirements and therefore greater demand for collateral; at a time when trading volumes had been very high and the market had been transitioning rapidly to working from home. In that context, while fails were unwelcome, the market had continued to generally work well.
- Some members observed that trade volumes increased substantially within the first few days and weeks of lock-down and that this resulted in a backlog of settlements. Fails of this nature were not intentional or motivated by profit, rather they were more reflective of operational issues given the price volatility on gilts and other collateral.
- The Chair commented that usage of the Bank / DMO APF Gilt lending facility had not been overwhelming and was interested in reasons for the lack of take-up. The Committee noted that timings were a potential issue given that many market participants would not know they needed to participate in the facility until the afternoon, shortly before the window shut. The Bank and DMO attendees agreed to discuss this bilaterally.



Item 5. Impacts of Covid-19 on local authority finance

- The Committee received an update on the impact of Covid-19 on local authorities. It was noted that many local authorities are seeing significant income stream impacts, and media speculation that some could potentially run out of funding was noted. Members discussed the channels for bond issuance by local authorities individually and collectively, and it was noted that quite a few councils are investigating this currently.

Item 6. Contingency arrangements for amending the RTGS day

- The Committee discussed the impact that Covid-19 could have on payments and settlements systems were staff shortages at the Bank and other major participants to become acute. It had so far remained possible to maintain the current level of operation of those systems, but that could not be assured in all scenarios.
- As part of prudent contingency planning, the Committee discussed work that was being done on the potential for some revision to operating hours. It was noted that some consultation had taken place with both market participants and infrastructure providers, with the emerging preference being to reduce the hours in which the payment and settlement systems remained open before considering reducing the number of settlement days per week in response to sustained or even more acute staff shortages. This would enable systems to be run safely with fewer staff.
- The proposed timings were noted as being a reduction from the current 6am to 6pm to 7:30am to 5pm. It was stressed that this would only be invoked if staff shortages necessitated such action.
- Members were asked to consider whether they were comfortable with the revised timelines and implications for the reduced settlements hours for RTGS, CHAPS and CREST.

Item 7. Diversity & inclusion

- The Committee noted that the Covid-19 move to working from home had challenged perceptions around remote working and flexible working, especially since, on the whole, the transition to working from home had been successful. The Committee also noted the LSE consultation on shortening trading hours and an emerging consensus that working from home would likely be the norm for a number of months if not longer. Members thought this would be beneficial to changing working practices going forwards and thus good for D&I.
- Some members noted the importance of considering unconscious bias when firms start to consider which staff to start bringing back on-site. Members also warned about the risk some might assume D&I was no longer an issue given the move to working from home. It was agreed that working from home had helped, but was by no means a universal solution. Indeed, it could aggravate some D&I concerns, for instance the tendency to “blur” lines between work and home life.
- The Committee also noted the importance of ensuring managers were effectively trained to deal with staff working from home and to recognise when people might be struggling in the current working environment.
- It was agreed that these issues would continue to be discussed at subsequent meetings, starting with the UK Money Markets Code Sub-Committee on 15 June, but would also be brought back to the MMC.

Item 8. AOB

- The Chair flagged the written updates that had been circulated beforehand by the secretariat from the Code Sub-Committee and the Securities Lending Committee (SLC). The Code Sub-



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Committee was looking to start the 3-year review of the Code this summer and the SLC would be meeting again shortly to discuss ESG and D&I.

- The Chair also reminded members of the discussion paper published by the Bank on Central Bank Digital Currency and requested members to submit their thoughts on the topic by 12 June.
- The next MMC meeting is due to take place at 10am on Monday 7 September.



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Money Markets Committee

Extraordinary Meeting

Minutes

18 March 2020

Time: 11:30 – 12:30am
Location: Teleconference

Committee Attendees

Gordon Lawson	Aberdeen Standard
Stephen Grainger	Aldermore
James Winterton	Association of Corporate Treasurers
Mick Chadwick	Aviva Investors
Michael Manna	Barclays Bank UK
Emma Cooper	BlackRock
Ina Budh-Raja	BNY Mellon
Jessica Pulay	DMO (Observer)
Marije Verhelst	Euroclear
Vicky Worsfold	Guildford Borough Council
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
Nina Moylett	M&G
Mark Thomasson	NatWest
Paul Barnes	Santander UK
Romain Sinclair	Soc Gen
Alastair Clark	Tesco
Ross Barrett	The Investment Association

Bank of England

Andrew Hauser (Chair)
Rhys Phillips
Jon Pyzer
Tom Jennings (Secretariat)
Helena Patterson (Secretariat)



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On 18 March 2020, the UK Money Markets Committee (MMC) held an extraordinary meeting via conference call to discuss conditions in sterling markets, operational readiness and contingency planning in light of developments resulting from the outbreak of Covid-19. The meeting was conducted in accordance with the MMC's Terms of Reference and Competition Guidelines.

1. Market Conditions

- Members noted that liquidity in the market remained poor. The banking sector was facing significant balance sheet constraints, in part as a consequence of corporates drawing down on, or expected to draw down on, revolving credit facilities (RCFs). This pressure reduced the banks' ability to intermediate in markets. Gilt market liquidity was noted as having reduced, with the Committee focusing particularly on the recent widening in swap spreads. And members noted strains in the FX basis.
- A number of members voiced concerns around the lack of a secondary market for money market instruments, such as Commercial Paper (CP) and Certificates of Deposit (CDs). Again, this was in part linked to banks' ability or willingness to intermediate.
- Members discussed ways in which balance sheet pressures might be eased.

2. Recent Central Bank Announcements

- Members welcomed recent action taken by the Bank of England and other central banks, in particular the changes to USD auction facilities (including the introduction of an 84 day maturity operation)¹ and the release by the FPC of counter-cyclical buffers.
- Members welcomed the HM Treasury / Bank of England Covid-19 Corporate Finance Facility (CCFF) scheme.² Some noted that the scheme did not include financial sector CP – which formed a significant share of Money Market Fund portfolios – and asked where there was any plan to extend it to do so. Bank attendees confirmed that the policy goal of the facility was to support the liquidity of non-financial companies.
- Members recognised the introduction of the Term Funding Scheme with incentives for SME lending (TFSME)³, and asked in light of developments whether its formal launch date could be brought forward⁴.

Members noted that, in view of the intensity of the crisis, there would be merits in providing clear, detailed information for the Bank and HMG schemes via the same website so that financial firms and other businesses could gain a more comprehensive understanding of what might be available to them.

¹ Market notice: <https://www.bankofengland.co.uk/markets/market-notice/2020/enhancements-to-the-provision-of-us-dollar-repo-operations-march-2020>

² Market notice: <https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility>

³ Market notice: <https://www.bankofengland.co.uk/markets/market-notice/2020/term-funding-scheme-market-notice-mar-2020>

⁴ On 6 April 2020 the Bank announced that the TFSME scheme would now be open to drawings on 15 April 2020, sooner than previously anticipated. Market notice: <https://www.bankofengland.co.uk/news/2020/april/the-tfsme-will-open-to-drawings-on-april-15-2020>