

# **A new sterling money market data collection and the reform of SONIA: Summary of consultation feedback and the Bank's response**

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**BANK OF ENGLAND**

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# 1 Introduction

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1. On 30 July 2015, the Bank published a consultation paper: *A new sterling money market data collection and the reform of SONIA*.<sup>1</sup> The consultation closed on 1 October 2015, and the Bank received 32 responses from a range of institutions including banks, building societies, market infrastructure providers and trade associations. A list of respondents can be found in Annex 1.
2. This document sets out the issues raised by respondents, and the Bank's response, describing, where applicable, how the Bank has modified its plans for its data collection and SONIA reform.
3. Section 2 highlights five key areas of feedback and the Bank's response. Section 3 then provides a more detailed discussion of the consultation feedback.
4. The Bank has also published today '*Sterling Money Market Data Collection Reporting Instructions*'.<sup>2</sup> That document sets out in full the details of how the sterling money market data collection will operate, incorporating the feedback received through this consultation process.

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<sup>1</sup> [www.bankofengland.co.uk/publications/Pages/news/2015/062.aspx](http://www.bankofengland.co.uk/publications/Pages/news/2015/062.aspx)

<sup>2</sup> [www.bankofengland.co.uk/statistics/Documents/reporters/defs/instructions\\_smm.pdf](http://www.bankofengland.co.uk/statistics/Documents/reporters/defs/instructions_smm.pdf).

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## 2 Key areas of feedback and the Bank's response

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### Implementation timetable

5. A significant number of respondents provided feedback that the Bank's proposed implementation timetable was too compressed. **The Bank has therefore made changes to its timetable giving reporting institutions longer to prepare** (see paragraphs 11-13 for further detail). Specifically:

- early adopters will be asked to submit data in February 2016 rather than in December 2015, with transition to daily reporting anticipated to take place during June 2016; and
- other daily reporters will be expected to begin reporting by end-June 2016, providing five months' notice to prepare for the daily data collection, rather than three months originally proposed.

### Consistency with other reporting initiatives

6. The Bank received feedback that aligning reporting requirements more closely with other regulatory initiatives would reduce the overhead for providing the data and simplify processes. **The Bank will therefore require transactions to be reported using the ISO 20022 methodology.**<sup>3</sup> Adoption of the ISO 20022 standard harmonises reporting across different regulatory initiatives, including for example the ECB's MMSR exercise. (Paragraphs 17-19.)

### Reporting of offshore transactions

7. Respondents with international operations sought more clarity on which trades from which banks/branches should be included. **The Bank plans to include trades booked by banks incorporated outside the UK authorised to accept deposits through a branch in the UK, or by any of those legal entities' branches located in the European Economic Area (EEA).** (Paragraphs 25-31.)

### Coverage of secured transactions

8. Respondents noted that other market participants, such as pension funds and asset managers, are active in the secured money market, borrowing cash from banks. In order to capture a more complete view of secured market activity, without broadening the reporting population, the **Bank has extended the secured data collection to include both repo and reverse repurchase agreements.** (Paragraph 32-34.)

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<sup>3</sup> [www.iso20022.org](http://www.iso20022.org)

### Timing of the daily publication of SONIA

9. A significant number of respondents thought the Bank's proposal to move the publication time of SONIA to 9am on the following business day would be problematic and it would be preferable to keep publication on a same-day basis, if possible.

10. However, most reporting institutions would find it difficult to provide transaction data to the Bank in time to allow for same-day publication of SONIA. Further, most of the implications for respondents of moving SONIA to a next day publication were one off, operational adjustments, which are manageable given the notice the Bank is providing – the change is planned for Q2 2017 when the Bank begins publishing the reformed SONIA. **The Bank has therefore decided to proceed with its proposed approach that daily publication of the SONIA benchmark would be moved to 9am on the following business day.** (Paragraphs 35-44.)

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## 3 Discussion of consultation feedback

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### Implementation timetable

11. The Bank received consistent feedback that the proposed implementation timetable, both for early adopters and for the commencement of daily reporting was too tight. In particular, the notice period for daily reporting was too short for the necessary IT development to be scheduled, built and fully tested. In addition, a number of those identified as early adopters noted that they were undergoing planned systems changes and end of year change freezes, and that, with resources already committed, it would be difficult to begin a new data collection.

12. In the light of this feedback, the Bank has made changes to its planned implementation timetable to give reporters time to prepare. Specifically:

- Early adopters will start submitting data in February 2016 rather than in December 2015, with transition to daily reporting anticipated to take place during June 2016, rather than in April 2016 as proposed in the consultation.
- The notification period for daily reporters has been extended to five months. Daily reporters will be identified and informed by end-January 2016 and expected to begin reporting end-June 2016, rather than April 2016 as proposed in the consultation.

13. The first annual return, based on November 2015 data only, is to be submitted to the Bank on 8 January. In future years, the annual return will be due to be submitted by end-January, based on activity from the entire preceding year. This approach facilitates the start of the full daily data collection in summer 2016, but in steady state reflects concerns around reporting annual data soon after many institutions' December year-ends.

14. As the full set of daily reporters will only be providing data from end-June 2016, the biannual Sterling Money Market Survey, which is conducted by the Bank on behalf of the Money Market Liaison Committee (the MMLC Survey), will remain in its current form for the May 2016 survey, with the current reporting population. From November 2016, the MMLC Survey reporting population will be aligned with the daily data reporting population, and the scope of the MMLC Survey will be reconfigured to eliminate duplication of reporting. These changes will be incorporated into a future revision of the *Sterling Money Market Data Collection Reporting Instructions*.

15. The timelines for early adopters and all other reporting institutions is set out in Annex 2.

16. The changes to the data collection timetable have a consequential impact on the Bank's timetable for the reform of SONIA. The Bank now anticipates publishing a consultation on the detailed methodology for SONIA in late summer 2016. The Bank then expects to begin publishing reformed SONIA in Q2 2017.

## Consistency with other reporting initiatives

17. Respondents noted that there are a number of other regulatory developments currently taking place that require delivery of transaction level data. For example, European Market Infrastructure Regulation<sup>4</sup> (EMIR), Markets in Financial Instruments Directive<sup>5</sup> (MiFID2), and the ECB's Money Market Statistical Reporting<sup>6</sup> (MMSR) as well as the European Commission's proposed Regulation for Securities Financing Transactions<sup>7</sup> (the SFTR). Given the substantial efforts required from institutions to put in place the necessary reporting mechanism, some respondents thought that coordination and/or harmonisation across initiatives would be beneficial, as it would help to avoid duplication of reporting processes, and reduce overheads in technology and operations.

18. To ensure consistency with other transaction reporting initiatives, the Bank has decided to adopt the ISO 20022 messaging methodology for transaction level reporting. This uses the .xml file format, which respondents were generally comfortable in providing. The Bank has been working with the ECB to develop the Bank's reporting guidance based on the ECB's ISO 20022, which will also be utilised for the ECB's MMSR reporting requirements. The Bank anticipates this messaging methodology may be utilised in other forthcoming regulatory reporting initiatives.

19. Use of a common ISO standard facilitates effective cross-comparison and data analysis of reported transactions as well as reducing complexity and providing synergies for reporting institutions. For some reporting institutions, these benefits will be realised quickly since the ECB's MMSR and the Bank's data collection will commence on similar timelines.

## Reporting population and location of trades

20. Feedback on the Bank's overall approach to the data collection was positive. Respondents thought the annual return was an appropriate and straightforward way to allow the Bank to assess which reporting institutions are most active in secured and unsecured borrowing. Respondents also agreed that a reporting period of one year for the annual return was appropriate.

21. There was widespread agreement that banks and building societies were the correct reporting population for the unsecured data collection.

22. While the majority of respondents agreed that the Bank's proposed approach included the relevant institutions with significant borrowing activity to capture the majority of the secured sterling money market, some respondents suggested expanding the reporting population, to include: hedge funds; asset managers; large global banks that are not PRA designated firms; supnationals; sovereigns; agencies; and corporates who borrow through sterling money markets.

23. The Bank agrees that the secured data set would be improved by expanding the reporting population to other categories of institutions. However, as the Bank expects SFTR to capture these institutions in due course, it does not seem proportionate to extend the data collection at this stage. The Bank therefore plans to leave the reporting population unchanged.

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<sup>4</sup> [www.fca.org.uk/firms/markets/international-markets/emir](http://www.fca.org.uk/firms/markets/international-markets/emir)

<sup>5</sup> [www.fca.org.uk/firms/markets/international-markets/mifid-ii](http://www.fca.org.uk/firms/markets/international-markets/mifid-ii)

<sup>6</sup> [www.ecb.europa.eu/ecb/legal/pdf/oj\\_jol\\_2014\\_359\\_r\\_0006\\_en\\_txt.pdf](http://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2014_359_r_0006_en_txt.pdf)

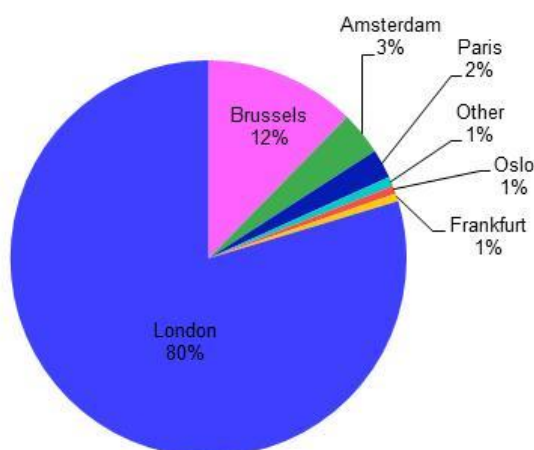
<sup>7</sup> [ec.europa.eu/finance/financial-markets/securities-financing-transactions/index\\_en.htm](http://ec.europa.eu/finance/financial-markets/securities-financing-transactions/index_en.htm)

24. The Bank will keep under review the scope of reporting population in the light of the data we receive. For example, whether it is appropriate to introduce a minimum size threshold for reporting the annual return if we identify a strong correlation between institution size and activity in the sterling money markets.

25. There were mixed views as to the extent of the offshore sterling money market, although most respondents believed it to be very small. There was also a (related) request for greater clarity on what trades should be reported, for example, how to treat branches, what level of consolidation and whether to include trades with affiliates.

26. The Bank has undertaken analysis of the transactions which feed into the SONIA calculation. These suggest that a significant minority of trades are entered into outside the UK: over the period 2 January 2015 to 31 July 2015 inclusive, on average, around a fifth of unsecured trades were entered into by banks or building societies outside the UK, almost all taking place in Europe (Chart 1).

**Chart 1:** Location where 'SONIA transactions' are entered into



Source: BGC, ICAP, Tullet Prebon and Tradition; Bank calculations

27. The Bank's view is that it is important to capture trades entered into outside the UK, but it is not proportionate, given operational complexity and cost, to capture 'all' trades. As such, the Bank is seeking to capture transactions booked within the European Economic Area (EEA).

28. Taking these together, the reporting of money market data will take place at legal entity level, rather than a consolidated group level, for all institutions. Legal entities required to report include:

- banks incorporated in the UK;<sup>8</sup>
- banks incorporated outside the UK authorised to accept deposits through a branch in the UK;<sup>9</sup>
- building societies;<sup>10</sup> and
- major investment firms – PRA-designated investment firms.<sup>11</sup>

<sup>8</sup> List found here: [www.bankofengland.co.uk/pr/Pages/authorisations/banksbuildingsocietieslist.aspx](http://www.bankofengland.co.uk/pr/Pages/authorisations/banksbuildingsocietieslist.aspx)

<sup>9</sup> List found here: [www.bankofengland.co.uk/pr/Pages/authorisations/banksbuildingsocietieslist.aspx](http://www.bankofengland.co.uk/pr/Pages/authorisations/banksbuildingsocietieslist.aspx)

<sup>10</sup> List found here: [www.bankofengland.co.uk/pr/Pages/authorisations/banksbuildingsocietieslist.aspx](http://www.bankofengland.co.uk/pr/Pages/authorisations/banksbuildingsocietieslist.aspx)

<sup>11</sup> List found here: [www.bankofengland.co.uk/pr/Pages/authorisations/designatedfirmslist.aspx](http://www.bankofengland.co.uk/pr/Pages/authorisations/designatedfirmslist.aspx)

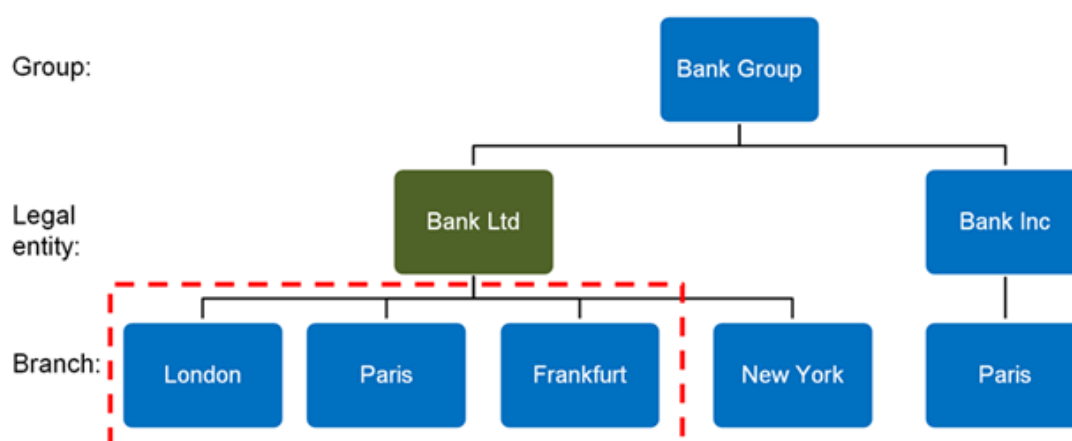


29. Reporting will include all applicable transactions, booked by any of the legal entities above, or by any branches of the above legal entities located in the European Economic Area (EEA). Trades booked to non-EEA branches can be reported at a legal entity's discretion.

30. Trades with affiliates, or intragroup trades, which take place between legal entities within a group, should not be included.

31. As an example, Figure 1 below shows an illustrative banking group structure where both Bank Ltd and Bank Inc legal entities are incorporated outside the UK. The Bank Ltd legal entity would be captured as a bank incorporated outside the UK authorised to accept deposits through a branch in the UK. Transactions booked to the EEA located head office/branches of Bank Ltd should therefore be reported i.e. London, Paris and Frankfurt. It would be at the discretion of Bank Ltd as to whether to report applicable transactions booked at its New York branch. No transactions booked to Bank Inc should be reported.

**Figure 1:** Illustrative banking group structure



### Borrowing and lending

32. The Bank consulted on the collection of secured and unsecured transactions data from the borrower of sterling cash, but not from the lender. Respondents were broadly supportive of this approach. Some, however, noted that not capturing data from lenders could limit the coverage of the data.

33. The Bank is content that collecting data solely from borrowers will be sufficient to capture unsecured money market activity, since banks and building societies are the only entities that can accept deposits.

34. However, the same is not true of secured transactions. The Bank has therefore decided to include both repo and reverse repo transactions in its secured data collection. This is because other market participants, such as pension funds or other asset managers are also active in the secured money market, borrowing cash from banks. Therefore, in order to capture the largest possible proportion of the secured money market, without extending the reporting population, the Bank will collect data on secured transactions involving both the borrowing and lending of sterling cash.

### Timing of the daily publication of SONIA

35. In the consultation, the Bank proposed that daily publication of the SONIA benchmark would be moved to 9am on the business day following that to which the rate refers (rather than same day currently), to allow time for data to be submitted and processed. The Bank received mixed feedback around when data could be submitted to the Bank, as well as on the implications for respondents of SONIA publication moving to the next business day.

36. Whilst respondents confirmed they could manage with next day publication of SONIA, operational changes would be required to do so and some stated a preference for the publication of SONIA to remain same day if possible.

37. In the light of this feedback the Bank undertook a further round of bilateral discussions with fourteen respondents who were likely to be data reporters. These institutions had indicated that they would provide data to the Bank on a next day basis and /or had a strong preference for SONIA to remain published on a same day basis. These discussions focused on the ability of these institutions to provide data to the Bank on the same day and on how late they would be able to receive the published benchmark for it to still be useful on a same day basis.

38. Consistent with the higher level feedback to the broader consultation, these discussions highlighted that a high proportion of institutions would find it difficult to submit transaction data within 90 minutes of the scheduled CHAPS closure. Some would have to consolidate data, sourcing and combining data from multiple systems or from other branch locations. There were also concerns about the amount of time available to run appropriate quality assurance / compliance checks on the data pre-submission. This was a key concern for some, especially given some of the data would ultimately feed into a benchmark.

39. Even if reporting institutions were able to provide data soon after the scheduled CHAPS close (noting that this will move to 6pm from June 2016), by the time the Bank was able to publish the benchmark (having undertaken its planned internal processes) the feedback was that this would be after the point that most respondents would be able to feed it into their end of day processes, e.g. for overnight reporting of position on swap portfolios.

40. The Bank considered a number of alternative approaches to enable a same day publication of SONIA to be retained, but ultimately concluded none were appropriate:

- One option was to have an earlier cut off time for trades to be used in the SONIA calculation to facilitate earlier delivery of data to the Bank. However the Bank feels this approach could have the potential to create perverse incentives to reporting institutions on whether to enter into a trade before or after the cut-off and thus have an impact on the benchmark calculation; this concern was echoed by a number of respondents.
- A second option was for reporting institutions to report summary statistics on their unsecured transactions soon after close of CHAPS which would form the data for the benchmark calculation<sup>12</sup>, and then report the full, transaction level, data set the next morning. This approach would, however, limit the options available to the Bank for the benchmark calculation

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<sup>12</sup> This is the approach used by EMMI for the calculation of the EONIA benchmark.

methodology as some approaches require transactional level data, such as a volume weighted median, or any outlier trimming process.

41. The Bank therefore confirms that the deadline for reporting institutions to provide their daily return will be 7am the business day after transactions are entered into, and its intention to move publication of SONIA to 9am on the business day following that to which the rate refers from the point the Bank begins publishing reformed SONIA. This is currently planned for Q2 2017.

42. The Bank has discussed the implications of the change in publication time with LCH.Clearnet Ltd who have identified two main issues. Firstly, the calculation of the floating leg payment of SONIA referencing sterling OIS would be delayed; this has a consequential impact for reconciliation and settlement meaning the current timetable may no longer be appropriate. Secondly, there is an impact due to the role played by SONIA as a compensating interest rate on cash that collateralises OTC rates derivatives contracts denominated in sterling (OIS, IRS, FRA, inflation-linked swaps etc.). LCH.Clearnet Ltd will consult with its members on how to respond on both issues and has noted that the new publication timetable follows the precedent of the effective fed funds rate in the United States.

43. The Bank has also been working with ISDA to identify what areas of their documentation may need revising, either as a direct result of the change of publication time, or arising from any consequential operational and procedural changes. The areas of possible change include: the definition of SONIA; the settlement of sterling OIS contracts which use SONIA as their benchmark (as noted above in the context of LCH.Clearnet Ltd); and the payments of interest on collateral held via CSAs. ISDA will be taking this work forward with its Rates Implementation Group and Collateral Steering Committee in the coming months.

44. The Bank will work closely with users of SONIA to understand the issues they face from the change in publication, and monitor their readiness for the switch. One key request was that if there were to be a change, as much notice should be provided as possible. By confirming this now, the market has 18 months' notice to make the required changes.

### Reporting population for daily reporting

45. Most respondents thought that the aim of capturing 90% of sterling money market activity in daily reporting struck an appropriate balance between coverage of the market and avoiding a disproportionate reporting burden for less active participants.

46. A small number of respondents had reservations on the proposed scope of the daily data collection. There was some concern that attaining 90% coverage would entail catching smaller institutions that may not have the capability to provide the daily transaction reports required. These respondents thought that a threshold of 75% may be more appropriate.

47. The presumptive 90% target threshold has been chosen to attempt to capture the majority of the sterling money market. At the same time, the Bank intends to have a cost efficient and proportionate approach to the data collection. The eventual target threshold used will therefore be informed by the distribution of activity across reporting institutions. For example, the Bank will look to avoid imposing a disproportionate reporting burden on a long tail of reporting institutions, just to meet a 90% threshold.

### Scope of secured money market

48. The Bank received mixed feedback regarding the ease of providing transaction data relating only to repurchase agreements collateralised against Unstripped British Government (UBG) stock. While some respondents suggested it would be equally easy to provide all transactions involving sterling cash, others said that this would widen the scope of relevant products or business areas, which would be unduly costly.

49. In addition, respondents noted that the volume of transactions secured against non-UBG collateral would be a small proportion of the sterling repo market, suggesting that the benefit of collecting this data would be low. This is also evidenced by the May 2015 MMLC Survey, which indicated around 5% of secured borrowing transactions were against non-UBG collateral.<sup>13</sup>

50. Some respondents also sought clarification regarding the reporting treatment of pooled collateral baskets – such as those used under triparty repo agreements – which may contain a proportion of UBG collateral alongside other securities.

51. For simplicity, the Bank has decided to require the reporting of transactions secured against UBG-eligible stock only. However, as some respondents suggested it would be easier to provide all sterling repo data, this can be provided at the reporting institution's discretion; the reporting message allows the Bank to distinguish between the different types of collateral.

52. For transactions entered into under triparty repo agreements, all transactions where sterling cash is borrowed or lent, secured against baskets of any fixed income securities, should be reported.

53. The Bank also notes that, when introduced, the SFTR will capture a broader range of transactions, collateralised against a wider set of collateral than just UBG stock.

### Scope of relevant instruments

54. Some respondents requested further clarification on the scope of product sets that would be captured within the definition of secured and unsecured money market transactions. It would be difficult for the Bank to be comprehensive in outlining a set of products, given the many potentially different structures and arrangements for different products. Instead, the Bank is willing to answer queries from reporting firms on a bilateral basis, using the email address [sterlingdepositrates@bankofengland.co.uk](mailto:sterlingdepositrates@bankofengland.co.uk). Where applicable, those queries will be collected into a 'Frequently Asked Questions' document, which will be made available on the Bank's website in due course.

55. It is worth mentioning some consistent feedback supporting the inclusion of commercial paper (CP) and certificates of deposit (CD). Respondents thought these instruments should be included in the data collection given they represent an important instrument in banks' short term funding.

56. The Bank recognises that the daily data collection would be enhanced by extending it to include CP and CD transactions; indeed, aggregate data on CD and CP usage is already collected through the MMLC survey. From the initial pilot and discussions with other central banks involved

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<sup>13</sup> [www.bankofengland.co.uk/publications/Documents/other/markets/mmlc/smms2015h1.PDF](http://www.bankofengland.co.uk/publications/Documents/other/markets/mmlc/smms2015h1.PDF)

in similar collections, the Bank understands data on CD and CP usage is operationally more complex to collect. The Bank therefore will not collect transaction level data on CD or CP usage in the short-term but does anticipate collecting this in the medium-term. The ISO20022 message standard that has been used as the basis for this data collection already contains the capability to collect data on CD and CP usage when required in the future.

### Minimum transaction size

57. There were mixed views regarding the minimum transaction size to be reported. Some respondents said it would be easier to have no minimum transaction size (to reduce the 'complexity' associated with excluding smaller transactions), but that overall it would not be operationally complex to filter out trades. Some suggested, however, that the threshold should be higher to reduce the amount of data collected and transmitted, implying efficiencies from, for example, reduced reconciliations. Some respondents also commented that secured transactions are usually done in sizes higher than £1mn, suggesting a minimum threshold of at least £5mn. On this last point, analysis of transactions entered into via electronic broking platforms shows that around 10% by volume of such transactions are in £1mn lot sizes.

58. Given respondents would not find it operationally difficult to filter out trades below a minimum transaction size, the Bank plans to keep the £1mn threshold for both the secured and unsecured data collection.

### Legal Entity Identifiers

59. The Bank proposed the use of Legal Entity Identifiers (LEIs) for identifying counterparties. Many respondents noted that the use of LEIs was currently inconsistent, but recognised their growing use in regulatory reporting obligations. The Bank recognises that not all counterparties will have LEIs, especially non-financial institutions, but believes that the provision of LEIs in counterparty data, where available, will be valuable in generating a complete picture of the sterling money markets. There is also an ongoing consultation on including data on branches in the Global LEI System.<sup>14</sup> If adopted, reporting to the Bank will utilise this as the branch specific LEIs become available.

60. Therefore, the Bank will continue to require the provision of LEIs for counterparties, but will implement a phased transition for reporting of this field. Initially, reporting institutions will only be required to provide the LEI where available. Where the LEI is not available, reporters will be required to provide counterparty name as generated in respective internal systems (the proprietary counterparty name), as well as the counterparty country location.

61. From January 2017, the proposed date for the mandatory reporting of LEIs under the MiFID II Regulatory Technical Standards, reporting of LEIs for counterparties will be as follows: for all interbank, triparty and centrally-cleared transactions, the LEI must be reported. In all other instances, the LEI should be reported where available; but where the LEI is not available, reporters must provide the proprietary counterparty name, as well as the counterparty country location.

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<sup>14</sup> [www.lei.org/publications/gls/lou\\_20151019-1.pdf](http://www.lei.org/publications/gls/lou_20151019-1.pdf)

### The Bank's approach to the reform of SONIA

62. There was broad support for the Bank's plans for the reform of SONIA. Many noted that the inclusion of bilateral as well as brokered transactions was a logical step which should significantly increase the volume of transactions in the calculation of the benchmark, thereby enhancing its robustness.

63. Some respondents noted that, were there to be a material difference in the rate and/or volatility of SONIA calculated on its reformed basis compared to the current methodology, the transition could disrupt markets in contracts referencing the index. The Bank is very mindful of this issue and will address it, if necessary, in the consultation planned for late summer 2016.

64. Respondents felt the proposed timetable for the reform of SONIA was appropriate, subject to the data collection having sufficient time to become stable (as the Bank has now allowed for with the amended implementation timetable).

### Data feeding into SONIA

65. There was some uncertainty as to what the scope of the unsecured data collection implied for the future methodology for the calculation of SONIA. The scope of the data collection is broader than is required for the calculation of reformed SONIA: for example, it covers term and forward starting transactions; and there is a minimum transaction size of £1mn. These additional data will allow the Bank to improve its understanding of monetary conditions and the functioning of the sterling money market. For the avoidance of doubt, the reformed SONIA will only include unsecured overnight transactions settled same day as is currently the case.

### Plausibility checks

66. A significant majority of respondents could see some benefit in the Bank specifying a number of plausibility checks. The benefits outlined included the ability to run automated pre-submission quality checks (alongside validation checks) and a reduction in the amount of plausibility questions they have to answer in a tight timeframe. Conversely, the Bank undertaking plausibility checks was seen by some respondents as an additional independent control, and those against the specification of plausibility checks generally thought that this would hamper the automation of their processes and potentially delay submission times.

67. The Bank will use the experience of early adopters' data submissions to help fully define and calibrate its own plausibility checks. The Bank will publish a subset of these plausibility checks; reporting institutions can use these if they wish. Such checks will be complementary to, not a substitute for, the reporting institutions' own data quality checks (and hence may be similar in nature to those checks). While the Bank will not expect reporting institutions to indicate positively in their data submissions that any flagged transactions have been verified, having such flags available will provide an indication of which transactions the Bank is most likely to follow up on.

### Availability of reporting institution staff for responding to queries

68. Responses were mixed regarding the availability of staff at daily reporters to respond to any queries raised by the Bank between 7.00 and 8.30 each day. There was also a request for clarity around what the responsibilities of the role would be.

69. It is anticipated there could be two reasons why the Bank would need to contact reporters: issues with the transmission of the data, e.g. late delivery or message validation failures; or questions on the transaction data arising from the Bank's internal plausibility checking process. Depending on a reporter's own institutional arrangements, these two aspects could be undertaken by the same role, or split between areas (e.g. a technical reporting desk and the reporter's front office, respectively). For queries arising from plausibility checks, where applicable, a reporting institution can provide separate contacts for the secured and unsecured data collections. The key point for the Bank is that it is clear who should be contacted for a given issue and that contact telephone numbers are provided.

70. In steady state, the Bank will require contacts at reporting institutions to be available from 7.00 to respond to issues with the transmission of data and queries relating to the plausibility checking of unsecured transaction data. Such staff do not need to be in their offices (subject to reporters' own internal governance arrangements), but they need to be able to have sufficient access to systems to be able to respond to queries raised. The Bank will only follow up on queries relating to secured transactions during normal business hours (9.00 to 17.00).

71. Details of the transitional arrangements are set out in the *Sterling Money Market Data Collection Reporting Instructions*.

## Sanctions

72. Some respondents requested information regarding 'sanctions' for incorrect data submissions.

73. Sanctions in relation to a failure to supply requested information to the Bank are covered in sections 38 (in relation to individuals) and 39 (in relation to bodies corporate) of the Bank of England Act 1998.<sup>15</sup> These range from fines on an individual for a failure to provide the requested information; to custodial sentences (or a fine, or both) for an individual who provides the requested information knowing it to be false or misleading, or being reckless as to whether it is false or misleading in a material way.

74. The sanctions set out in the Bank of England Act 1998 are separate from and do not in any way supersede or displace applicable law, rules or guidance relating to, inter alia, market conduct, market abuse and manipulation of benchmarks.

## Data security

75. Noting the sensitive nature of the data being collected through the daily collection, a small number of respondents sought reassurance around data security.

76. The Bank has a duty of care in relation to the information it receives, be that for this data collection or for any other regulatory and statistical reporting undertaken. The Bank takes digital security extremely seriously and constantly adjusts to security threats with an ongoing programme of security improvement. This is reflected in the controls and risk mitigations put in place in order to protect confidential data submitted by reporting institutions. Further details of the data security controls for this data collection are set out in the *Sterling Money Market Data Collection Reporting Instructions*.

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<sup>15</sup> [www.bankofengland.co.uk/about/Pages/legislation/default.aspx](http://www.bankofengland.co.uk/about/Pages/legislation/default.aspx)

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## 4 Next steps

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77. In parallel to this consultation response, all reporting institutions will be contacted by the Bank with details of the annual return. Early adopters have already been contacted regarding submission of data in February 2015.

78. Regarding the reform of SONIA, the Bank anticipates that it will undertake a further public consultation in late summer 2016 which will focus on the proposed detailed design of the reformed SONIA and arrangements for transitioning from the existing to the new basis.

79. If you have any further comments on the data collection exercise, please send these via email to [sterlingdepositrates@bankofengland.co.uk](mailto:sterlingdepositrates@bankofengland.co.uk).



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## 5 Annexes

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Annex 1	Consultation respondents
Annex 2	Revised implementation timetable
Annex 3	Consultation questions

## **Annex 1: Consultation respondents**

Association of Foreign Banks  
Bank of America Merrill Lynch  
Bank of Tokyo Mitsubishi UFJ Limited  
Barclays Bank  
BNP Paribas  
Building Societies Association  
Citibank  
CME Group  
Commerzbank  
Coventry Building Society  
Credit Suisse  
Deutsche Bank  
HSBC Bank  
ING Bank  
International Capital Markets  
Association  
JPMorgan Chase  
London Stock Exchange Group  
Mizuho Bank  
Morgan Stanley  
Nationwide Building Society  
Nomura  
Rabobank  
Royal Bank of Canada  
Royal Bank of Scotland  
Santander UK  
Skipton Building Society  
Société Générale  
SWIFT  
Thomson Reuters  
UBS AG  
Virgin Money  
Yorkshire Building Society

## Annex 2: Revised implementation timetable

Table 1: Timeline for early adopters

Date	Action (for reporter unless otherwise stated)	Comment
Aug 2015	Early adopters identified by the Bank	Done
Nov 2015	Data and definitions confirmed by the Bank in light of consultation, and early adopters formally notified that data submission is required	Done
Jan 2016	For those reporters already contributing to the MMLC survey, provide response to the November survey	On its existing basis
Jan 2016	Provide response to the first annual return	Reporting period: one month November 2015
Feb 2016	Commence providing transaction data on an ad hoc basis (frequency to be confirmed bilaterally)	
Feb-Jun 2016	Transition to providing transaction data on a daily basis	
Jun 2016	For those reporters already contributing to the MMLC survey, provide response to May MMLC survey	On its existing basis
Dec 2016	Provide response to November MMLC survey	Revised MMLC survey

Table 2: Timeline for all other reporters

Date	Action (for reporter unless otherwise stated)	Comment
Oct 2015	Data and definitions confirmed by the Bank, in light of consultation	Done
Jan 2016	For those reporters already contributing to the MMLC survey, provide response to the November survey	On its existing basis
Jan 2016	Provide response to the first annual return	Reporting period: one month November 2015
Jan 2016	Bank to notify reporters who are to provide daily transaction data	
Jun 2016	For those reporters already contributing to the MMLC survey, provide response to May MMLC survey	On its existing basis
Jun 2016	Those notified to commence providing daily transaction data	
Dec 2016	Those reporting daily to provide response to November MMLC survey	Revised MMLC survey

**Annex 3: Consultation questions**

	<b>Question</b>	<b>Relevant paragraphs</b>
Q 1	<i>In your view, are there categories of institutions with significant borrowing activity in sterling secured money markets that the Bank's approach misses?</i>	22-23
Q 2	<i>Is the Bank's approach to identifying daily reporters based on covering 90% of market activity as identified by the annual return appropriate?</i>	45-47
Q 3	<i>The Bank plans to allow for a three month preparation period between daily data contributors being notified and the commencement of data submissions. Is this sufficient time to prepare for the daily collection? What would prevent you from meeting this timeline?</i>	11-12
Q 4	<i>In your view, are there any parts of sterling money markets that the Bank's approach misses? For example is there significant offshore sterling money market activity? If so, how might the Bank capture that activity?</i>	25-27 32-34 54-56
Q 5	<i>How much easier (or more difficult) would it be to provide information on all sterling repo, rather than solely on repo against UK government-issued stock as proposed?</i>	48-53
Q 6	<i>Does setting a threshold for the minimum transaction size make reporting more or less straightforward?</i>	57-58
Q 7	<i>Does a reporting period of a year for the annual survey pose any problems?</i>	20
Q 8	<i>Are the definitions in Annexes 1-3 sufficiently detailed? If not, how could they be improved?</i>	25-31
Q 9	<i>Are there changes to the definitions that would reduce the reporting burden without materially altering the information collected?</i>	18-19
Q 10	<i>How accurately does the timestamp in your trade capture system reflect the time at which a deal is struck?</i>	Not referred to
Q 11	<i>Would reporting Legal Entity Identifiers cause you any technical issues?</i>	59-61
Q 12	<i>Would reporting institutions find it helpful for the Bank to specify a number of plausibility checks that should be applied pre-submission? If transactions were to be flagged by such defined checks, submissions would need to be annotated as verified transactions (where that is the case).</i>	66-67
Q 13	<i>Would providing a contact for the Bank between 07.00 and 08.30 each reporting day be problematic?</i>	68-71

	<b>Question</b>	<b>Relevant paragraphs</b>
Q 14	<i>Do you anticipate that daily data would usually be submitted via an automated process? Would you require the ability to manually upload data?</i>	Not referred to
Q 15	<i>Do you have any comments regarding the system for providing data? Are there any specific problems posed by the provision of data in .xml or .csv file formats?</i>	18
Q 16	<i>To help understand the Bank's support requirements, when would you ordinarily expect to deliver data to the Bank?</i>	37-38
Q 17	<i>Will the proposed timetable for the commencement of reporting present any major issues?</i>	11-12
Q 18	<i>Do you have any additional comments or feedback on the Bank's proposals for a new sterling money market data collection?</i>	72-76
Q 19	<i>Do you support the Bank's plan to broaden the basis of SONIA to include bilateral as well as brokered transactions? What, if any, problems might this create?</i>	62-63
Q 20	<i>The Bank anticipates that publication of the reformed SONIA would be moved to 09.00 on the day after that to which the rate pertains. What problems, if any, might this create?</i>	35-44
Q 21	<i>Does the outline timetable proposed for the reform of SONIA present you with any problems?</i>	64
Q 22	<i>Are there any additional comments or feedback on the Bank's high level plans for the reform of SONIA you would like to contribute?</i>	65