

Bank of England

SONIA OVERSIGHT
COMMITTEE

CONFLICTS OF INTEREST
CODE OF PRACTICE

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1. INTRODUCTION

1.1 The Code, approved by the Bank's Court of Directors ("Court"), applies to all the members ("Committee Members") of the SONIA Oversight Committee (the "Committee").

1.2 External members appointed by the Bank are appointed on the basis of having knowledge or experience which is likely to be relevant to the Committee's functions. Individuals may therefore be considered for appointment and may be able to remain members of the Committee, when they have an existing interest, or acquire a new interest, which may give rise to an actual or potential conflict of interest and/or duty where this is considered to be manageable.

1.3 The principal purpose of this Code is to set out principles, guidelines and procedures for identifying, monitoring and managing actual or potential conflicts of interest with a view to:

- (a) ensuring the integrity and impartiality of the Committee's deliberations in the performance of its functions; and
- (b) avoiding any perception that a Committee Member or any connected person¹ may obtain an unfair advantage by reason of the Committee Member's association with the Committee (for example, by assumed access to information or policy thinking).

1.4 Whenever used in this Code, the term "conflict" or "conflict of interest" means an actual or potential conflict of interest and/or duty and an "interest" includes any direct or indirect interest (including any reasonably likely future interest) whether financial or otherwise.

1.5 A conflict of interest may arise where a Committee Member has an interest in any dealing or business being considered by the Committee. A conflict may also arise where a Committee Member has duties owed to a third party (for instance to a company of which the Committee Member is a director, or arising from a past

¹ A "connected person" includes a firm in which the Committee Member is interested (for example, as a result of a directorship or shareholding or other financial interest), a spouse, civil partner, children or step children under 18 years, and any other person with whom the Committee Member lives in an enduring family relationship if they take or advise on financial decisions with that person.

association) which may conflict with the functions that it would be proper to discharge as a member of the Committee.

1.6 The Secretary of the Bank (the “Secretary”) is the Bank’s Conflicts Officer and supports the Committee in reaching its decisions on the application of this Code. Committee Members should discuss with the Secretary if they have any questions or require advice in relation to the application of the Code.

2. IDENTIFYING POTENTIAL CONFLICTS OF INTEREST

2.1 All Committee Members must be alert to situations that may give rise to a conflict. It is not possible to set out every situation which may result in a conflict. A judgement should be made on a case by case basis but common situations include:

(a) Directorships and Business Interests

The Bank’s general code of conduct (“Our Code”) which applies to Committee Members includes a directorships policy and contains an obligation to disclose and obtain the consent of the Bank before accepting a directorship. Controlling shareholdings in or board membership of a commercial firm, and of a regulated financial services firm in particular, may create a conflict such as to disqualify an individual from membership or on-going membership of the Committee.

Relevant factors to consider include:

- (i) whether the firm (or any member of the wider group to which it belongs) has a commercial exposure to sterling financial instruments or related market infrastructure (including the provision of financial benchmarks in such markets);
- (ii) the size, significance and nature of the firm’s (or any member of the wider group to which it belongs) business in the context of the Committee’s responsibilities; and
- (iii) whether the information a Committee Member is likely to have access to as a result of membership of the Committee is likely to be, or could reasonably be seen to be, commercially valuable to the firm (or any member of the wider group to which it belongs).

(b) Employment and Consultancy Arrangements

In accordance with Our Code, Committee Members must not take up any additional employment or consultancy arrangements without the prior consent of the Bank. Full, or part-time employment in a Bank regulated person (or any member of the wider group to which it belongs), is likely to be regarded as giving rise to a conflict such as to disqualify the individual from membership or on-going membership of the Committee.

Whether their employment or consultancy arrangements may disqualify an individual or be a reason for the removal of a Committee Member will depend on:

- (i) the nature of the services provided. For example whether the role enables the individual to influence the firm's business or strategy or whether it is more concerned with the provision of technical advice;
- (ii) the size, significance and nature of the firm's business in the context of the Bank's statutory objectives.

(c) Financial Interests

Our Code also includes provisions on confidentiality and a personal financial transactions policy which, for all Committee Members, requires full disclosure of assets and liabilities and the Bank's prior consent for any relevant transactions. It also prohibits the acquisition of securities issued by any entity regulated by the Bank, including Bank-regulated persons or their financial holding companies. Holding a financial interest in such a firm, including an interest which arises because of deferred compensation arrangements with such a firm, may disqualify an individual from becoming a member of the Committee unless it is not substantial in terms of the individual's wealth at the time of appointment or is externally managed as part of a discretionary portfolio.

Existing holdings in such firms may be retained (provided they have been considered at the time of appointment not to substantially affect the functions as Committee Member that it would be proper for the person to discharge) may be retained but must not be actively managed thereafter other than to sell them, with the Bank's prior consent in accordance with the Bank's personal financial transactions policy.

Each Board Member must provide an annual disclosure of their stock of financial assets and liabilities to the Secretary.

(d) Political Involvement

Committee Members must not occupy a paid party political post or hold a sensitive or high-profile role in a political party.

As provided in Our Code, if a Board Member wishes to engage in political activity at any level, consent must be obtained from the Secretary, who will consult the Bank's General Counsel or the Governors or the Chair of Court as necessary.

(e) Charity Roles

The Bank encourages its staff to support and participate in charitable organisations. Committee Members must nevertheless disclose any existing charity roles prior to appointment to the Committee (eg trusteeships) and obtain the Bank's prior consent when seeking to take on new charitable roles. Membership of a charity's investment committee falls under the personal financial transactions policy which forms part of Our Code.

3. PROCEDURE FOR DECLARING INTERESTS

Following appointment

3.1 Following appointment, before attending a meeting of the Committee for the first time, each Committee Member will be required to complete and submit to the Committee, via the Secretary, a declaration of interests statement:

- (a) stating all relevant interests;
- (b) confirming that they are not aware of having any other interests that may give rise to a conflict; and
- (c) confirming that they will declare any interests that arise in the future that may give rise to a conflict and will promptly submit an updated declaration of interests form if any changes occur that may give rise to a conflict of interest.

3.2 At least once in every 12-month period, each Committee Member must review the information relating to them contained in the register of interests maintained by the Secretary and declare that the information is correct or make a further declaration to the Board, via the Secretary, if necessary.

In meetings

3.3 If a Committee Member has any direct or indirect interest (including any reasonably likely future interest) in any dealing or business which falls to be considered by the Committee, the Committee Member must declare that interest to the Committee when it considers the dealing or business.

3.4 Consequently, in accordance with paragraph 3.1(c) or following a review referred to in paragraph 3.2, if a Committee Member considers that they have an interest which may give rise to a conflict, they should provide the Committee, via the Secretary, with all relevant information as soon as possible (and no later than the start of the Board meeting at which the relevant matter is on the agenda).

4. PROCEDURE FOR MANAGING CONFLICTS

4.1 The Chair, in consultation with the Secretary (and escalating as necessary to the Bank's General Counsel or their alternate), will consider whether a declared interest by a Committee Member may give rise to a conflict. The Chair of the Committee will inform the Committee of any interest which may give rise to a conflict and will consider whether it is appropriate for the Committee to consider the matter without the presence or participation of the Committee Member.

4.2 The Committee will:

- (a) assess the nature and significance of the interest that has been declared;
- (b) assess whether a perception could arise that the Committee Member in question or any connected person could be seen to obtain an unfair advantage by reason of the Committee Member's association with the Committee;
- (c) assess the risk to the integrity and impartiality of the Committee's decision making in the performance of its functions;
- (d) decide whether the interest that has been declared gives rise to a conflict;
- (e) to the extent the interest that has been declared gives rise, in the Committee's opinion, to a conflict, consider whether steps can be taken to avoid or manage the conflict; and

(f) assess the extent to which a Committee Member who is likely to have to recuse themselves from issues and decisions as a result of a conflict will be able to continue to fulfil their functions as a Member of the Committee effectively.

4.3 If the Committee considers that the interest that has been declared does not give rise to a conflict, it may agree that the Committee Member who has declared the interest may participate in all the discussions and the decision-making process of the Committee unconditionally.

4.4 If the Committee considers that the interest that has been declared does give rise to a conflict, it will determine what action is appropriate in light of the nature and extent of the conflict. This may include preventing the Committee Member who has declared the conflict from:

(a) receiving any papers and/or participating in any Committee discussions in relation to a matter; and/or

(b) participating in Committee discussions or recommendation-making in relation to a matter while the conflict exists.

4.5 The Chair will inform the Committee Member who has declared the interest of the Board's decision.

4.6 The Committee will ensure that the minutes of the Committee meeting note the interest declared and, if relevant, the reasons why the Committee considered that it gave rise to a conflict and an outline of the steps to be taken which are considered appropriate to avoid or manage the conflict declared.

4.7 The Chair may remove a Member of the Committee from their appointment if they are satisfied that in all the circumstances the relevant Committee Member's financial or other interests are such as substantially to affect the functions as a Member which it would be proper for the relevant Member to discharge.

5. REGISTER OF INTERESTS

5.1 The Secretary is responsible for maintaining a register of Committee Members' declared interests. With the Bank's General Counsel, the Secretary will regularly review the register of interests.

6. POST-APPOINTMENT EMPLOYMENT RESTRICTIONS

6.1 For a period agreed with the Bank, following the termination of a Committee Member's appointment to the Committee that Member may not accept, without the prior written consent of the Secretary, any additional appointment, employment or duties, whether remunerated or not, outside the Bank over and above those which had been permitted while a Member of the Committee. Any additional time commitment or amended duties in relation to an appointment or amended duties in relation to an appointment or employment for which consent has previously been granted will be treated as a new commitment for the purposes of this paragraph.

6.2 During the period referred to in paragraph 6.1 the Committee Member will remain subject to this Code and, subject to complying with this section 6, will be entitled to receive an amount equivalent to the fee which they would have received had the appointment to the Committee continued during this period.

7. MONITORING COMPLIANCE AND REVIEWING THIS CODE

7.1 Any Committee Member who becomes aware of a breach of this Code must report it to the Committee, via the Secretary, as soon as possible.

7.2 All breaches of this Code will be considered at the next meeting of the Committee, or earlier if considered necessary by the Chair, and the provisions of Section 4 of this Code will apply. All breaches of this Code must be recorded in the minutes of the relevant Committee meeting together with an outline of the steps to be taken by the Committee which are considered appropriate.

7.3 Any failure to comply with the terms of this Code will not, in itself, result in a decision of the Committee being invalidated.

7.4 This Code and its application by the Committee will be reviewed every two years by Court, or sooner if required.