The UK Money Markets Code: explanatory notes - June 2024

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UK Money Markets Code commentary

The UK Money Markets Code sets out a common set of principles to promote the integrity and effective functioning of the UK Money Markets. This explanatory note gives a brief outline of the key elements of the Code. It is important that the note alone is not relied upon, in place of the Code itself, to provide the basis upon which the Code will be used and implemented. Together with the accompanying frequently asked questions (FAQs) and examples, it is intended to provide an overview of the Code, particularly for UK Market Participants that are not financially regulated. It points out the key sections and provides some background and examples to help understand the Code and its purpose.

Essential extracts	Where to find it
Principles: The Codes overriding and underpinning Principles are set out at the start for ease of reference. These principles are high-level but fundamental to good and practice by all UK Market Participants.	Principles, proportionality and diversity
Overriding principle: all UK Market Participants should abide by the key principle to act in a way that promotes the integrity and effective functioning of the market.	Principles, proportionality and diversity
Purpose and application: a voluntary code setting out expectations of best practice. Intended to promote a fair, effective and transparent market in: unsecured deposits, certificates of deposit and commercial paper, repo and securities lending. Applies to participants in these markets as and when transacted in UK.	Chapter 1, Section 1.2
Status: voluntary, does not supplant law or regulations.	Chapter 1, Section 1.6
Coverage: applies to all UK Market Participants. All aspects of the Code may not be applicable to all participants if they do not operate in particular markets. Application of the Code is intended to be appropriate and proportionate. Less complex and smaller UK Market Participants may exercise judgment in how they apply the Code. Proportionality applies throughout the Code.	Principles, proportionality and diversity
UK Market Participant: is defined as an organisation or individual who is active from time to time in the unsecured deposit market, the repo market or the securities lending market. ‘Active from time to time’ is deliberately not quantified but judgement based. It can be broadly understood to mean participation more regularly than on a very occasional basis.	Chapter 1, Section 2.1

Adherence should be on a proportionate and transparent basis for all. As proportionality is embedded in the Code, adherence encapsulates an expectation of appropriate proportionality. Adherence can be affirmed by a standard statement of commitment out in the universal template set out in Annex 1 to the Code.	Chapter 1, Section 3
Senior Managers Certification Regime is aimed at supporting a change in culture and accountability in financially regulated firms through a clear identification and allocation of responsibilities to relevant senior individuals. The Regime may also be useful for all other UK Market Participants as an outline of how senior management, where applicable, might engage with the Code.	Chapter 1, Section 3.3
Expectation of **ethical behaviour** – acting honestly, fairly and with integrity. Maintaining high ethical standards is the responsibility of firms, management and staff.	Chapter 1, Section 4.1
Expectation of highest **professional standards. There is a requirement for knowledge, experience, skill and judgement.**	Chapter 1, Section 4.2
Senior management is responsible for governance and risk management. There is a need for an appropriate framework to govern these market activities, including establishing appropriate oversight. The framework should promote good conduct, being led by example, with sufficient challenge and accountability.	Chapter 1, Section 5 especially 5.1, 5.4
Know your counterparty: understanding your counterparty is an important, common sense prerequisite to dealing.	Chapter 1, Section 5.15
Risk management: a UK Market Participant should understand the risks of its and market activities and be able to monitor and manage them. The section explains the following high-level principles of good risk management. For financially regulated firms risk management is already subject to supervision by their regulator.	Chapter 1, Section 5.22
Confidentiality: confidentiality is a prerequisite to a fair market. Information relating to trading should be managed to retain sensitivity; some specific information may need very high nondisclosure treatment; confidential information should have a restricted circulation.	Chapter 1, Section 6.1, 6.2
Communications between UK Market Participants are expected to be clear, accurate and not misleading.	Chapter 1, Section 7.1
Market colour: although helpful to market functioning, sharing background to the state of the market should be restricted to aggregated and anonymised information about what is happening.	Chapter 1, Section 7.4
Execution and settlement need to be fulfilled in a professional and efficient manner for the market to be effective. Care is needed initiating, executing and concluding the transaction. Accurate record keeping and surveillance of activities are essential for all UK Market Participants.	Chapter 1, Section 8

No trades should intentionally fail. All participants have an ethical responsibility to settle trades they have committed to. There should be a professional expectation throughout the market that all efforts are made to settle a trade both at execution and maturity. No participant should short a security without knowing how to access that security prior to settlement.	Chapter 1, Section 8.6 Chapter 2, Section 10.1, 10.2 Chapter 3, Section 3.4 Chapter 4, Section 2.2, 2.3
Unsecured money markets: this Chapter covers the unsecured deposit market (usually up to oneyear term), and general best practice in the certificates of deposit and commercial paper markets. It does not apply to general customer banking activity, including placing unsecured deposits directly with banks with whom a corporate normally holds its current accounts rather than via the wholesale market.	Chapter 2, Section 1
Negotiations of money market transactions need clear communications about **firmness of price, qualifications and name passing**. Transactions in this market are often conducted via a broker which introduces an additional layer for potential misunderstanding. It is important that all parties are clear as to the basis of a proposed transaction.	Chapter 2, Section 5
When key elements are agreed the deal is binding; high ethical standards apply when passing names. It is important that confidentiality is observed, and names only passed at the point of a credit limit check.	Chapter 2, Section 5.3, 5.4
Brokerage and differences. The terms of business between brokers and principals should be clear and documented to avoid any misunderstanding. Recompense for the cost incurred by a settlement error or failed trade should be paid directly between participants as appropriate and as quickly as possible.	Chapter 2, Section 6, 10
In all markets the role of principals, agents and brokers needs clear definition. These can have differing roles; for example, brokers are not agents in the repo or unsecured money market as they act for both parties but are sometimes referred to in that way. Equally agents in the Securities Lending market usually act for one or more party but are not brokers.	Chapter 2, Section 2, 3, 4 Chapter 3, Section 5, 6, 7 Chapter 4, Section 3, 8, 9
Repo is now a very significant part of the short-term money market. The Code applies to all participants in the repo market, who are also likely to be larger and complex, so the concept of proportionality is less likely to apply across their repo transactions. It may be useful to participants who engage primarily in Securities Lending to also be aware of the contents of this Chapter.	Chapter 3

Securities lending has become an increasingly important part of the shortterm money markets. The transactions are similar in economic impact to repo. This Chapter is applicable to those participating in this particular market but those participating in the repo market may also find it relevant. Participants in this market are likely to be larger and complex, and so proportionality will be less relevant.	Chapter 4
Securities lending and repo transactions should **not distort the underlying market in those securities.** The intention to use these markets for such purposes by for example limiting the availability of securities is unethical and unprofessional.	Chapter 3, Section 3.1 Chapter 4, Section 2.1
Securities lending and repo transactions should be based on authority and capacity to deal, under an appropriate legal agreement. Participants should understand the legal basis on which they are acting in these markets, who they are dealing through or with, and be aware of the risks.	Chapter 3, Section 5, 6, 8 Chapter 4, Section 3, 4
Electronic platforms and trading: the Code refers to electronic trading in certain places but deliberately does not have a specific section on this other than covering electronic trading venues in relation to the repo market. It is considered generally, as an additional channel through which price information can be shared, execution on certain platforms can be achieved, and automatic matching and the equivalent to a confirmation provided for settlement. But the specific rules relating to each platform are contained in their own terms and conditions. The Code is not intended to define how these should apply.	Throughout Chapter 3, Section 7.5 and following

Frequently asked questions

Chapter 1: Background and key principles – relevant for all

Q1 What is the Code?

A1 The Preamble and Chapter 1 explain what the Code is. It establishes the key overriding and detailed underpinning principles upon which best practice in the money markets is based. If a common set of standards is set, this helps to establish a fair, effective and open market for all. But the Code is voluntary, and simply sets out the expectations of the market when transacting.

The Code is based upon the previous market codes: the NonInvestment Products Code (which covered the unsecured money market), the Gilt Repo Code and the Securities Borrowing and Lending Code, all of which required updating.

Q2 What markets does it cover?

A2 It covers transacting in the unsecured deposit market (including high level principles when transacting in certificates of deposit (CDs), commercial paper (CP)), the repo market and the securities lending market. It applies to transactions concluded in the UK.

Q3 Does the Code apply to transactions which are transacted by nonUK based market participants?

A3 A transaction is only in scope if at least one side of the trade is executed in the UK. So even a nonUK 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 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.

Q4 Is it regulation written by regulators?

A4 It is written by market participants from all the sectors of the market. It is voluntary, not law or regulation, and so it is important that all market participants observe the key principles of best practice. The implication is that those participants that either continue to follow bad or unfair practices will subsequently find it very hard to find market counterparties with whom to deal.

The Code expects high ethical standards, appropriate oversight and controls on market activities, observation of high standards of confidentiality, fair execution and smooth settlement.

Q5 Does it only apply to banks?

A5 No. It needs to apply to all types of participants. It is not intended to apply to any party that would not be a professional or eligible counterparty as defined by the Financial Conduct Authority (FCA);[1] [2] that is broadly firms with net assets below £5 million. It applies to corporates (as well as other nonbanking market participants) above the FCA threshold who are regularly active in these markets. Whilst the Code is voluntary, it sets out best practice which benefits all in promoting the integrity and functioning of the market. The Code recognises the principle of proportionality in how it applies. But the key principles of ethical behaviour, good governance, robust controls, protecting confidential information, and settling and confirming carefully and efficiently apply to all.

Q6 If the Code is voluntary, why does it discuss adherence?

A6 The Code has to set out some expectations around adherence. Without such the Code would not be effective. Adherence is not regulation; it simply sets out how the standards that market participants expect of each other can be assured.

Q7 Why do we need to make a Statement of Commitment?

A7 A Statement of Commitment is recognition of a willingness to apply those standards to a UK Market Participant's own activities. That willingness can be demonstrated by posting the Statement of Commitment to the UK Money Markets Code on the Public Register of those who support the Code. The **Public Register** is hosted on behalf of the Money Markets Committee on the Bank of England's website.

Q8 Why is everyone expected to adhere?

A8 The Code sets out that an expectation of adherence has to apply across the whole market to be effective, but it can be proportionate. If a participant only uses one part of the money market, for example only making unsecured deposits, there is no need for it to consider how it will follow the standards for the other markets. If a firm only undertakes a few transactions of a simple nature, the way it applies market standards can be appropriately simple. By signing a simple standard form of expression of commitment to the UK Money Markets Code, there will be a universal approach rather than multiple differing forms of requests between counterparties.

Q9 Why is the Senior Managers Certification Regime relevant?

A9 The Senior Managers Certification Regime is relevant for financially regulated market participants, because such managers are responsible and accountable for their firm's market activity. Regulators are likely to consider whether Codes of good practice such as this Code have been followed in assessing the firm's overall management capabilities. The FCA have previously recognised the Code as an industry standard and adherence to it is taken as an indication of appropriate conduct in the market.

Q10 Why are ethics included in the Code?

A10 The financial markets only function if there is trust between participants. High ethical standards of honesty, fairness, and integrity are essential to establishing and retaining trust. High professional standards are also a keystone to preserving such trust. So, the Code sets out the level of ethical standards expected.

Q11 Why is a Governance Framework relevant for a nonfinancially regulated UK Market Participant?

A11 The Governance Framework provides appropriate oversight of the way you manage your market conduct and standards. It is helpful to set out how an organisation will do this clearly; otherwise, it is intangible and invisible, which can lead to poor behaviour.

Q12 Why is Risk Management covered in the Code even for nonfinancially regulated participants?

A12 If too many in the market take too much risk and fail, the market will stop functioning. Risks are normally regulated for financial firms, but all participants are exposed to risk through their market activity. This section of the Code outlines best risk management controls to discourage excessive risk taking which could impact on market functioning.

Q13 Are Confidentiality and Information Sharing applicable to all?

A13 Yes – all participants have access to such information. All must handle it appropriately otherwise trust in the market is lost.

Q14 What is market colour and why is it particularly highlighted?

A14 Market colour is the provision of information around market activity. In the past more information in some circumstances may have been given than was appropriate. An example would be telling a prospective counterparty who else had been in the market, at what price, size and when. The sharing of such details is not in line with the overarching principles of the Code as this can lead to a loss of trust in the market. The Code acknowledges that some market information is helpful for an effective and functioning market, particularly when no data regarding overall pricing and volumes is published. But any market colour provided must be on an aggregate basis and anonymised, so that no specific trades can be identified. Overall, market participants can learn of trends in the market without knowing about specific trades.

Q15 Are nonbanks expected to follow the guidelines for dealing, confirmations and settlement? Surely it doesn't matter how smaller participants deal, confirm and settle?

A15 All participants should seek to follow best practice when dealing, confirming and settling trades to avoid a loss of trust in the market, increased error rates or possible market disruption. The standards laid out in the Code are not intended to be onerous and will help markets function efficiently for all participants. The observation of high standards of settlement discipline by all participants is critical for effective market functioning. It is important that confirmations, or equivalent methods of confirming trade and instruction details, are considered part of a robust and efficient settlement process. In certain markets where transactions are matched through a trading platform or at the presettlement stage by the respective settlement agents, no further action may be required. Where no automatic confirmation or matching process exists, market participants should strongly consider the exchange of relevant information with their counterparty at the point of trade to ensure timely settlement.

The principle of proportionality is highlighted in the preamble to the Code and it is recognised that smaller, less complex UK Market Participants may exercise judgement in assessing whether it is appropriate and practical for them to adopt all the specific practices set out in the Code.

Q16 Why is avoiding failed trades so important?

A16 Unless all market participants can be confident that a trade will settle, a market will become dysfunctional and lose the trust of participants. For example, there should be total confidence that securities will be delivered as agreed at the start and maturity of a repo transaction. Some international markets have had to introduce a significant financial penalty for trade fails to improve market functioning; there is an opportunity through this Code for the UK market to avoid such requirements by maintaining a high standard of settlement and trade completions.

Chapter 2: Unsecured money markets – relevant for, among others, principles and brokers

Q17 I only make occasional deposits directly with a few banks that provide all my general customer banking services. Does the Code apply to me?

A17 It does not apply to general banking activity such as you describe. It only applies to the wholesale markets.

Customer banking services are outside the scope of the Code.

Q18 Does the Code apply to my borrowing activity in the shortterm markets?

A18 Yes provided the borrowing is via the wholesale markets, including issuing CP.

Q19 Why aren’t all quotes firm?

A19 Often rates are quoted dependent on completing an underlying transaction in another market, or dependent on capacity within a credit limit. So for the market to function, indicative rates may be quoted subject to qualification.

Q20 Can’t quoting subject to qualification just be used to move a rate?

A20 That is against the underlying ethical principles of the Code. Participants must be honest and deal on quoted terms if there is no fair reason not to.

Q21 Why can’t I know the counterparty’s name before considering dealing through a broker?

A21 This would breach confidentiality as you may not complete the deal but would have gained Confidential Information as to who was in the market, at what rate, for what amount, and for what period. Trust in the market would be lost.

Q22 Why can't a difference payment be set off against future brokerage?

A22 This might influence future pricing and trading decisions, and so might not contribute to a fair market.

Q23 I only deposit with Money Market Funds. Is this activity covered in the Code?

A23 The activities of Money Market Funds participating in the unsecured deposit, repo and securities lending wholesale markets are covered by the Code. But their relationship with you when you invest in these funds is not wholesale market activity and is covered by other regulations.

Chapter 3: Repo – relevant for, among others, principles, brokers, CCPs, agents, trading venues and others

Q24 How can repos ever distort the market?

A24 Transactions should not be entered into with the purpose of limiting the supply of availability of specific securities. This can distort the price for a repo in a specific security and such distortion may impact cash market functioning. So, the Code draws attention to laws and regulations surrounding such practices and sets out an expectation of ethical behaviour in the repo market.

Q25 Does the Code mean I can never short sell a security?

A25 Short selling is subject to a range of regulations and legal requirements outside the scope of the Code. But the Code covers some practical aspects of trading, particularly in the repo and securities lending markets. It sets out an expectation that securities should not be used for repo or lent if they are not already owned, or if the participant is not reasonably confident how they can be accessed to complete the trade.

Q26 How do I deliver good settlement discipline? What does good settlement discipline look like?

A26 UK Market Participants should monitor the effectiveness of their settlement processes. Instructions should be placed in the settlement system as soon as possible after trade agreement and automated where possible. It is best practice to monitor for timely and accurate matching. Early action to escalate to counterparties where instructions are missing or do not match, can help avoid fails. Where the end date of a trade is known, the far leg should be instructed at the time of trade execution so that the settlement of the near and far leg are undertaken together. Automation of events such as coupon payments can be helpful. Partial and split settlement to assist releasing securities to complete other settlement circles is particularly helpful to market functioning. Early warning of failed or unmatched instructions should be facilitated.

Chapter 4: Securities lending – relevant for, among others, banks, custodians, agents, fund managers, securities dealers and beneficial owners

Q27 Does it apply to securities lending transactions between nonUK entities if the transaction is executed in the UK?

A27 It applies to all transactions executed by UK Market Participants, regardless of where the underlying principals to the transaction are domiciled.

Q28 Do the earlier comments on Chapter 3 about short selling and failed trades apply to the securities lending market too?

A28 Yes.

Q29 What impact might Environmental, Social and Governance (ESG) criteria have on my securities lending activity?

A29 ESG principles in securities lending may be defined by beneficial owners through their lending programmes. Asset owners may choose to establish ESG policies, which are then followed by their portfolio managers when making investment decisions. Such policies would also be prescribed to their lending agents as investment parameters for their agency lending programme. This might include, for example, an asset owner's governance criteria with respect to recalling securities for voting purposes, bespoke collateral eligibility, and counterparty acceptability. The development of ESG criteria may impact securities lending across both the supply and the demand side. If specific securities were to be identified as having a significant ESG impact, their pricing in the market may be affected. It is important that both borrowers and lenders recognise this potential for a pricing shift, as well the possible impact on collateral eligibility.

Q30 Is it acceptable to borrow securities in order to vote?

A30 This is regarded as bad practice. It can distort outcomes for all investors if temporary holders of shares use borrowing as a means to influence voting and is therefore deemed unethical. Accumulating stock via borrowing for this purpose can disrupt the liquidity of the market in the underlying securities and so is against the Code's overriding principles of promoting market integrity and effective market functioning.

Q31 What is the ideal frequency for markingtomarket your exposure?

A31 Good risk management practice would require that you to know the value of your loans and collateral on an ongoing basis. To minimise the impact of adverse market movements during periods of market stress, the market value of loans should be recalculated for collateralisation purposes on a daily basis. Parties to the transaction may also agree to additional loan and collateral revaluations on an intraday basis if the need arises.

Q32 In the event of a default, do I have absolute entitlement to get the full protection from the collateral received?

A32 Participants should be aware of the provisions of Banking Recovery and Resolution Directive (BRRD) or any analogous or replacement regulations and the implications these might have on such an entitlement. (Also applies to repo.)

Q33 Who should sign the Statement of Commitment and how should it be used?

A33 The Statement should be signed by an appropriate senior manager on behalf of the UK Market Participant. This might be, for example, a relevant Finance Director, Director of Treasury, Treasurer, or Chief Operating Officer. Different operating areas may sign their own Statement of Commitment if they so wish but should make clear the capacity in which it is signed. The signed Statement of Commitment should be posted on the Public Register hosted on behalf of the Money Markets Committee on the Bank of England's website. It should also be available to be shared with any other UK Market Participant that requests to see it. Where appropriate a UK Market Participant can also post it on its own website.

UK Money Markets Code examples

1: Governance

Awareness of UK Money Markets Code.

Poor practice

A global bank chooses to ignore the UK Code despite its UK subsidiary being a significant participant in the UK repo market. The global board are unaware of the UK Money Markets Code and everyone at the bank assumes it is not significant enough to bother them with.

Good practice

The global bank has a high-level policy to commit to all codes of good practice. Implementation is delegated to local level; the UK senior management commit to the Code, discuss at the local appropriate oversight body, and incorporate it into their local policies.

2: Risk management

Controlling market risk.

Poor practice

A corporate has no limits or controls for market risk. The Treasurer thinks rates are going to fall so deposits his £200 million spare liquid cash unsecured for three months. Rates rise and he finds he actually needs £100 million of the cash after one month to buy new equipment. He then starts asking his counterparties if they can break the deposit early, at no cost – he doesn't want to admit to his Director of Finance what he has done. This gets his firm a poor market reputation, may jeopardise the future of his firm if they cannot make due payments, and publicity may give UK Money Market participation an unjustified high-risk reputation.

Good practice

The corporate has limits in place to control and mitigate risks, including market and liquidity risk as illustrated here. The Treasurer can only deposit £25 million for longer than two months, and £50 million for longer than one month; internal policies mean he can only deal to manage cash flow rather than take market views.

3: Ethical standards and escalation

A junior dealer at a bank hears senior colleagues talking about how they lent a beneficial owner's securities without authority to do so. They laugh about this being common practice to boost profits.

Poor practice

The junior dealer does not know how to escalate this; when he mentions it to another colleague, he is told not to worry about it.

Good practice

The junior dealer, along with all relevant staff, has been given training on unethical and bad practices. When he mentions what he overheard to another colleague, they both understand the practice is wrong and he is encouraged to escalate his concerns. He feels comfortable to contact his Compliance Department in confidence. They are able to initiate a full investigation without revealing the identity of the junior dealer. The final report is brought to the attention of senior management who would be expected to then follow appropriate procedures.

4: Information sharing/market colour/disrupting the repo market

Trader trying to generate business by passing confidential information.

Poor practice

Repo trader to asset manager: 'I know my gilt desk has just been buying in very large size the 11/2% 2026 for another asset manager based in Edinburgh who will then hold a significant proportion of the stock in issue, and who does not use repo. It is bound to go special in a big way – we have an Asian central bank looking at trying to buy it up too; why not repo a large holding in now and repo it out in a couple of days when you have helped it go special.'

This is a breach of confidential information (which should have also not been shared internally). It is providing too much specific market information about the bank's clients and their activities. It is suggesting building a holding to disrupt the market. And it is using the confidential information and information about market colour to try to solicit business.

Good practice

Repo trader to asset manager: 'There is some activity in 10-year gilts as you have seen from the screens. Do you have any interest in repo for specific collateral around that maturity?'

5: Circulating market rates

Broker circulates a list of rates not in the public domain that certain banks will pay for shortterm wholesale deposits.

Poor practice

The broker does not have consent from a specific bank to circulate the list to its clients but still does so and amends the specified prices and rates to try to promote business. The broker subsequently reveals to its clients the level where transactions have been completed. This breaches confidentiality and the ethical standards of the Code.

Good practice

The broker has consent from a bank to circulate its paying rates to the broker's clients. The bank is aware as to which clients of the broker the information will be sent. The broker circulates the indicative rates to those clients, noting that the sharing of this information has been consented to by the paying bank. The broker has appropriate controls in place covering to whom the information is sent, how it should be handled by the recipient and ensuring such information is not sent to clients who do not wish to receive it (unsolicited information). The broker does not amend the suggested prices, and it does not share any information about trades concluded with the bank.

6: Use of mobile phones

Governance of mobile phone use.

Poor practice

Not having a policy governing the use of mobile phones; not recording telephone lines on which deals are executed; not retaining records of electronic communications for a reasonable period; allowing transactions to be executed on mobile phones outside of any controls.

Good practice

Using recording equipment on all lines used for dealing, if proportionate to the business. If not installed, agreeing with counterparties that their equipment can be relied upon by both parties. Having a clear policy about mobile phone use – avoiding use unless recorded or approved within an agreed policy by senior management. Keeping records of such activity in accordance with FCA guidelines. Ensuring that all systems and controls covering working at home/away from the main office are as robust as those covering working in the office.

7: Confirmations and settlement

Appropriate policies and systems.

Poor practice

Neither party to the transaction attempts to confirm, reconcile or otherwise check trade details pre or immediately posttrade. Trades are cancelled by either party without prior notice given to the other party. Those individuals responsible for settlements, managing trade exceptions and ongoing position reconciliations are insufficiently segregated through reporting lines from those responsible for the dealing/trading. System controls are insufficient to demarcate the roles and responsibilities of those involved in trading and posttrading activities.

Good practice

Every effort should be made by both parties to ensure timely settlement of agreed trades, and before a trading relationship begins, should establish the method by which both parties intend to operate to ensure settlement. Where a trade is likely to fail, both parties should agree a process that will help determine whether the trade is cancelled or amended on or before the intended settlement date to avoid market fails. All pre and posttrade processes should be managed by nontrading teams who are appropriately segregated organisationally from the trading and/or dealing personnel. Trading and dealing staff should be unable to undertake posttrade activities. Such practices should be considered subject to proportionality.

8: Failed trades

Repo trader realises that a trade will fail.

Poor practice

Looking at the rates he is not concerned as his bank will not suffer any loss. He therefore lets the trade fail. His counterparty only realises the trade has failed at the close of business.

Good practice

The repo trader’s bank should tell the counterparty of the situation as soon as it realises the problem.

9: Applicability – corporates

How the Code applies to different types of market activity by corporates.

Code does not apply

A small chain of garden centres has only two banking relationships which look after all clearing, payments and lending. The corporate has surplus cash of £2 million which it deposits for two weeks only in January and September each year with these two banks. Outside of that, any surplus in the bank accounts is swept into an interest paying call account.

Code applies

A FTSE 100 company has continuous surplus liquid funds of £600 million. It rings approved counterparty banks for the best rates when deposits mature, and places tranches of £10 million unsecured cash deposits with those banks that pay the best rates for its preferred maturity. Although the transactions are relatively small and simple, they constitute regular market activity by a large UK Market Participant. The Code applies, but the firm can make a judgment on proportionality grounds as to what aspects should apply.

10: Applicability – securities lending and repo

The geographical scope of the Code.

Code does not apply

A securities lending transaction involving lending UK equities against cash collateral is transacted in Frankfurt between a German bank and a securities lending trading desk of a UK bank based in Frankfurt, acting on behalf of a US beneficial owner.

Code does apply

A UK subsidiary of an American bank executes a repo transaction with an Irish incorporated money fund, involving German government bonds in Euros. The transaction is executed between their dealers in London.

11: Applicability – electronic trading

A small asset manager invests in money market instruments occasionally and only via an electronic trading platform.

Poor practice

The asset manager determines that they need not adhere to the good practice guidelines set out in the UK Money Markets Code.

Good practice

Recognising that this still makes them an active UK money market participant, the asset manager implements the Code in its policies and practices.

For any queries regarding the UK Money Markets Code, please contact **UKMoney.MarketsCode@bankofengland.co.uk**.

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1. **COBS 3.5 Professional clients**.
2. **COBS 3.6 Eligible counterparties**.