

# **A new sterling money market data collection and the reform of SONIA: public consultation**

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**BANK OF ENGLAND**

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# Executive summary

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The Bank of England's analysis of monetary and financial conditions is a key input to the Monetary Policy Committee's and Financial Policy Committee's policy decisions. An important component of that analysis is an assessment of conditions in sterling money markets – where short-term wholesale borrowing and lending takes place.

In order to secure and improve the information available to it on conditions in sterling money markets, the Bank intends to collect transaction-level data from banks, building societies and major investment firms on their secured and unsecured sterling money market borrowing activity. Data will be collected using the Bank's power to obtain information under the Bank of England Act 1998. This information will provide the Bank with a better understanding of developments in short-term interest rates, benefiting the Bank's analysis of both monetary and financial conditions. It will also provide a richer picture of activity in the sterling money market, enabling the Bank to better assess overall market effectiveness.

The Bank's proposed approach to this new sterling money market data collection – covering the intended reporting population, reporting requirements and anticipated timetable – is set out in this consultation. The consultation seeks feedback from market participants on practical and technical questions concerning the data collection in order to ensure that the required information is collected in the most effective and cost-efficient way.

This consultation also sets out, at a high level, the Bank's plans to reform SONIA, a key overnight unsecured interest rate benchmark in sterling markets, and invites feedback on the broad approach proposed.

The Bank views reform of SONIA as desirable given its role as a critical benchmark in sterling markets, and in view of the limited size of the market for brokered deposits on which SONIA is currently based. The new sterling money market data collection will provide an opportunity to strengthen SONIA by broadening the range of transactions underpinning the benchmark to include bilaterally negotiated as well as brokered overnight unsecured deposit transactions. The Bank and the Wholesale Market Brokers' Association – which currently administers SONIA – are therefore working towards the Bank taking over as the administrator of SONIA in early 2016 so that, in due course, SONIA can be transitioned to a new broader basis.

Responses to this consultation are invited by 1 October 2015.

The Bank anticipates that it will undertake a further consultation on its detailed plans for the reform of SONIA in Q2 2016.

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# 1 Introduction

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1. The Bank's mission is to promote the good of the people of the United Kingdom by maintaining monetary and financial stability. The Monetary Policy Committee (MPC) is responsible for setting monetary policy to meet the government's inflation target, while the Financial Policy Committee (FPC) is responsible for identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system.
2. The Bank's analysis of monetary and financial conditions is a key input to the MPC's and FPC's policy decisions. An important component of that analysis is an assessment of conditions in sterling money markets, where short-term wholesale borrowing and lending takes place. It is a central aim of monetary policy to influence conditions in the overnight money market, which in turn affect interest rates in the wider economy. The Bank therefore has a special interest in monitoring the overnight money market in order to assess the effectiveness of monetary policy implementation.
3. At present the Bank's analysis of money market conditions draws on: extensive market intelligence gathered from contacts at financial institutions operating in sterling markets; a biannual Sterling Money Market Survey which is conducted by the Bank on behalf of the Money Market Liaison Committee (MMLC)<sup>1</sup>; and available data sources on interest rates and transaction volumes including the UK payment systems, the SONIA<sup>2</sup> and RONIA<sup>3</sup> benchmarks produced by the Wholesale Market Brokers' Association (WMBA), and sterling Libor<sup>4</sup> benchmarks produced by ICE Benchmark Administration.
4. The Bank announced in March 2015<sup>5</sup> that it planned to begin a new data collection exercise to augment these existing sources of information with data on overnight transactions collected directly from banks and building societies active in sterling money markets; and that it was working with the WMBA on the future evolution of SONIA. Those plans are now at a more advanced stage, and are set out in this consultation.
5. **Section 2** of this document details the Bank's plan for a new sterling money market data collection. The purpose of this data collection is to provide the Bank with a better

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<sup>1</sup> The Money Markets Liaison Committee (MMLC), known as the Money Markets Liaison Group until April 2015, was established in 1999. It comprises representatives from sterling market participants, trade associations and the authorities. It provides a forum for discussion of structural issues concerning money markets. It conducts a biannual survey to gather quantitative and qualitative information on developments in the sterling money market. The most recent survey can be found at the following link: <http://www.bankofengland.co.uk/publications/Pages/other/mmlg/default.aspx>.

<sup>2</sup> SONIA is the Sterling Overnight Index Average benchmark currently calculated as the daily weighted average interest rate of unsecured sterling overnight cash transactions over £25mn which are brokered in London by contributing members of the WMBA.

<sup>3</sup> RONIA is the Repurchase Overnight Index Average benchmark currently calculated as the daily weighted average interest rate of secured sterling overnight cash transactions over £25mn which are brokered in London by contributing members of the WMBA.

<sup>4</sup> Libor benchmark rates provide an indication of the average rate at which a Libor contributor bank can obtain unsecured funding in the London interbank market for a given period, in a given currency. Individual ICE Libor rates are the end-product of a calculation based upon submissions from contributor banks.

<sup>5</sup> [www.bankofengland.co.uk/publications/Documents/speeches/2015/speech811.pdf](http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech811.pdf)

understanding of developments in short-term interest rates and a richer picture of activity in sterling money markets. **Box 1** explains how it will contribute to the Bank's achievement of its policy objectives, while **Box 2** describes the involvement of other central banks in similar data collection exercises. The Bank seeks feedback on its detailed proposals for this new data collection exercise – covering the intended reporting population, reporting requirements, and anticipated timetable. Section 2 is targeted primarily at the banks, building societies and major investment firms from which the Bank plans to collect data.

6. **Section 3** of this document sets out, at a high level, the Bank's plans to reform and strengthen the SONIA benchmark. As part of these plans it is anticipated that the set of transactions on which SONIA is based would be broadened to include overnight unsecured transactions negotiated bilaterally as well as those arranged via brokers. This would be achieved using a subset of the data the Bank is planning to collect directly from money market participants. These plans are likely to be of interest to users of SONIA, including participants in the sterling Overnight Indexed Swap (OIS) market. The Bank anticipates that it will undertake a further consultation on its detailed plans for the reform of SONIA in Q2 2016 but in the meantime, as we develop our thinking, comments are invited on the broad approach proposed.

7. The Bank's involvement in the reform of SONIA reflects that the necessary data on bilateral transactions can only be obtained directly from deposit-taking institutions, and the Bank is able to obtain these data using its statutory powers. In contrast, there is scope for a secured benchmark with broad market coverage to be produced in the private sector since data on secured transactions are – in principle at least – available from trading, clearing and settlement systems. The Bank will monitor developments in this area.

**Box 1: How will the data collected help the Bank meet its monetary policy and financial stability objectives?**

The new data collection set out in this consultation aims to secure and improve the information available to the Bank on conditions in sterling money markets, benefiting the Bank's analysis of both monetary policy and financial stability.

The sterling overnight money market plays a key role in the implementation of monetary policy. It is the market through which the MPC seeks to influence short-term market interest rates when setting its policy rate, Bank Rate. Changes in overnight interest rates and market participants' expectations of future rates influence other short-term interest rates as well as longer-term interest rates and asset prices in the wider economy.

Monitoring and understanding developments in the sterling money markets is therefore important both in judging the effectiveness of monetary policy implementation, and as an input to the Bank's overall assessment of monetary and financial conditions, which in turn informs its monetary and financial stability policy decisions.

The Bank's plan to gather data on activity in sterling money markets ensures the availability of these data and will enable the Bank to build a better understanding of developments in short-term interest rates, and their implications for monetary and financial conditions. It will also provide a richer picture of activity in the market, enabling the Bank to better assess overall market effectiveness. For example, the new data will:

- Provide the Bank with broader and more complete measures of overnight market interest rates than are currently captured in existing benchmark interest rates (e.g. SONIA, RONIA and overnight Libor).
- Provide an opportunity to strengthen the SONIA benchmark, ensuring that robust and transparent measures of market interest rates are available, and helping to underpin the sterling OIS market, which provides a key indicator of interest rate expectations and hence monetary conditions.
- Complement existing sources of information on term money markets.
- Allow the Bank to monitor not only interest rates and activity in the market as a whole but also the rates paid by and activity of individual firms. This more granular view of the market will enable the Bank to:
  - monitor the impact of monetary policy implementation on the rates paid by individual firms;
  - analyse the underlying drivers of deviations between the market rate and Bank Rate, contributing to the effective design of its monetary policy implementation framework;
  - evaluate the impact of regulations on money markets – both current (e.g. leverage ratio, liquidity coverage ratio and net stable funding ratio) and future (e.g. ring-fencing); and
  - assess how effectively the market meets the needs of participants.
- Enable the Bank to conduct more rigorous analysis of the interrelationships between institutions and produce maps of the core money markets, highlighting potential concentrations or other relationships that might otherwise be difficult to see but matter for the stability of the financial system.
- Allow the Bank to pinpoint key institutions in the market in order to most effectively direct our market intelligence gathering.
- Contribute to an improvement in market transparency – as the Bank would expect to publish some of the data collected, in an appropriately aggregated form.

The new data collection will therefore contribute to the Bank's achievement of its monetary policy and financial stability objectives in a number of ways.

**Box 2: Other central banks' involvement in money market data collection**

Other central banks, including the Federal Reserve Bank of New York (FRBNY) and the European Central Bank (ECB), conduct similar data collections to the one described in this consultation.

In April 2014, the FRBNY began collecting data from over 150 institutions on transactions in the Federal Funds and Eurodollar money markets, as well as on certificates of deposit.<sup>6</sup> Data are collected on a daily basis in order to improve monitoring of the unsecured money market and to augment the ability of the FRBNY to analyse these markets and implement monetary policy. In addition, in February 2015, the FRBNY announced that the data collected on Federal Funds transactions will be used as the new basis for the Federal Reserve's monetary policy target rate, the effective federal funds rate, and that a new rate – the overnight bank funding rate – will be introduced, calculated using transactions in both the Federal Funds and Eurodollar money markets.<sup>7</sup>

In November 2014, the ECB issued a Regulation to start the collection of daily transaction data: the Money Market Statistical Reporting Regulation (MMSR).<sup>8</sup> The data to be reported are for transactions in the secured and unsecured money markets, as well as OIS and foreign exchange swaps. The ECB has noted that these data will be used to provide it with a detailed picture of the functioning of the money market, as well as for monitoring the effectiveness of monetary policy and the smooth transmission of central bank policy rates.

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<sup>6</sup> [www.newyorkfed.org/banking/reportingforms/FR\\_2420.html](http://www.newyorkfed.org/banking/reportingforms/FR_2420.html)

<sup>7</sup> [http://www.newyorkfed.org/markets/opolicy/operating\\_policy\\_150202.html](http://www.newyorkfed.org/markets/opolicy/operating_policy_150202.html)

<sup>8</sup> [https://www.ecb.europa.eu/ecb/legal/pdf/oj\\_jol\\_2014\\_359\\_r\\_0006\\_en\\_txt.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2014_359_r_0006_en_txt.pdf)

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## 2 A new sterling money market data collection

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### Introduction

8. The Bank intends to establish a new daily statistical return to collect transaction-level data from institutions active in sterling money markets. Participating banks and building societies will be required to provide data on their secured and unsecured deposits transactions, and participating major investment firms will be required to provide data on secured deposit transactions. Data will be collected using the Bank's power to obtain information under the Bank of England Act 1998.

9. This section of the consultation sets out the Bank's proposed approach to the new sterling money market data collection and seeks feedback from market participants on practical and technical questions in order to ensure that the required information is collected in the most effective and cost-efficient way. It will be of interest primarily to banks, building societies and major investment firms who are active in secured and/or unsecured sterling money markets and therefore are likely to be required to report data to the Bank on a daily basis.

10. The Bank's proposed approach to this data collection has been informed by a small pilot study conducted with six banks, which is described in **Box 3** on page 12.

11. The remainder of this section covers in detail: who will be required to report data and at what frequency; what data will be collected; timings, data validation and plausibility checking; system requirements for daily submitters; and the expected timetable for commencement of reporting. A final subsection outlines, in the context of the Bank's plans to use some of the data collected as inputs to a reformed SONIA interest rate benchmark, the regulatory environment for contributors to benchmarks.

### Who will report data and on what frequency?

12. In order to capture activity in sterling money markets, the reporting population includes:

- **Banks and building societies** – all UK-resident banks and building societies (usually known as 'monetary financial institutions' (MFIs) in the Bank's statistical reporting);
- **Major investment firms** – PRA-designated investment firms.<sup>9</sup>

13. Data should be provided at an individual institution level, rather than at a consolidated group level.

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<sup>9</sup> See <http://www.bankofengland.co.uk/prd/Pages/authorisations/designatedfirmslist.aspx>



14. In order to ensure that the reporting burdens are proportionate to levels of activity in sterling money markets, the Bank is proposing that there be two tiers of reporting firms:

- All banks, building societies and major investment firms will be required to provide, on an **annual** basis, simple summary statistics on their secured and unsecured sterling money market activity. The purpose of the annual data collection is to allow the Bank to gain a clear picture of the distribution of activity in sterling money markets.<sup>10</sup>
- The firms that are most active in sterling money markets, based on the annual return above, will be required to provide a **daily** return. The population of firms required to report secured transactions on a daily basis and that required to report unsecured transactions on a daily basis will be determined separately, although it is anticipated that there will be considerable overlap. The reporting populations for secured and unsecured transactions will be chosen so that, in each market, around 90% of total activity and around 90% of total overnight activity is covered. The Bank anticipates that 50 – 100 institutions will be daily reporters. The daily reporting population will be confirmed once the first annual survey has been completed.

15. The Bank proposes to review the population of daily reporters annually, with reference to the results of the annual survey. However to avoid firms entering and exiting the sample too frequently the Bank proposes that changes to the daily reporting population will usually only be made every three years, unless there is a strong case to make changes prior to that. New reporters would be provided with three months' notice prior to the commencement of daily data reporting.

16. The Bank's intention is that the daily data on overnight unsecured money market transactions collected under these arrangements will in future form the basis of a reformed SONIA benchmark interest rate, administered by the Bank – see **Section 3**.

- Q 1 *In your view, are there categories of institutions with significant borrowing activity in sterling secured money markets that the Bank's approach misses?*
- Q 2 *Is the Bank's approach to identifying daily reporters based on covering 90% of market activity as identified by the annual return appropriate?*
- Q 3 *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?*

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<sup>10</sup> The Bank recognises that there may be some overlap between the coverage of the existing quarterly Bank of England statistical reporting form RSL, and that part of the new annual survey capturing secured activity. When the design of the new annual survey is finalised the Bank will consider how to reduce any duplication in order to minimise the reporting burden.

## What data will be collected?

17. This section outlines in broad terms the data the Bank intends to collect on an annual and daily frequency – detailed definitions are included in **Annexes 1 to 3**. Where possible the Bank has sought to use existing definitions, both to ensure comparability with existing data and to minimise the reporting burden. In particular, the definitions currently used in the MMLC Sterling Money Market Survey (the ‘MMLC survey’) have been retained, where relevant.

### *Universe of transactions to be reported*

18. The transactions to be reported are relevant transactions in sterling wholesale money markets booked in an institution’s own name. Data should include all relevant turnover traded across the main money market desk(s) of the UK operation, except transactions within the reporting firm's group and transactions as part of the Bank's Sterling Monetary Framework. As such, transactions in retail money markets (e.g. transactions at advertised interest rates) should be excluded, but arms-length transactions with government or supranational agencies (e.g. the DMO) should be included.

19. Relevant transactions are those meeting each of the following criteria:

- the recipient is the borrower of sterling cash;
- the amount borrowed is at least £1 million; and
- the original maturity is no more than one year. Forward-starting transactions should be included.

20. The data collection covers both secured and unsecured transactions. Unsecured transactions that are to be reported include negotiated cash deposit transactions, but exclude certificates of deposits and commercial paper. Secured borrowing transactions that are to be reported include all secured money market transactions for sterling cash where a reporting institution is the cash borrower, secured against UK government-issued stock – for example gilts and treasury bills – or Bank of England bills, when in issue.

21. The same universe of transactions will apply to both the annual and daily reporting frameworks outlined in the sections below. For detailed definitions related to the universe of transactions, please see **Annex 1**.

**Q 4** *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?*

**Q 5** *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?*

**Q 6** Does setting a threshold for the minimum transaction size make reporting more or less straightforward?

*Fields to report – annual return*

22. This form will collect aggregate money market turnover over a calendar year, to 31 December. There will be one reporting date per year, in January. Turnover is defined as the gross value of all borrowing transactions where the trade execution date falls within the survey period. For secured and unsecured activity separately, reporters should provide four fields:

- total value of money market turnover over the reporting period at all maturities up to and including one year;
- total value of overnight money market turnover over the reporting period;
- number of individual transactions over the reporting period at all maturities up to and including one year; and
- number of individual transactions of overnight maturity over the reporting period.

23. Detailed definitions for reporting and a sample template are available in **Annex 2**.

24. With the exception of the first survey in January 2016, existing daily data reporters will not be required to complete the annual form since the required information will have been provided through their daily submissions.

**Q 7** Does a reporting period of a year for the annual survey pose any problems?

*Fields to report – daily return*

25. Daily reporters will be required to provide details of individual transactions in the unsecured and/or secured money markets. Each individual transaction should contain the following fields:

- transaction date, settlement date and maturity date;
  - transactions should be reported on the transaction date, not settlement date;
- time of the transaction;
- the amount of cash borrowed;
- the interest rate on the borrowings;
- whether the deal was arranged via a money market brokerage firm or not; and
- the counterparty name and the Legal Entity Identifier (LEI).<sup>11</sup>

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<sup>11</sup> For further information on LEIs, see: [www.leiroc.org/](http://www.leiroc.org/) and [www.lseg.com/LEI](http://www.lseg.com/LEI)

26. For secured transactions only, the following fields should also be reported:
- the repo settlement mechanism – whether the transaction is centrally-cleared, transacted via triparty agents, or settled bilaterally;
  - the ISIN of the underlying collateral;
  - one of the following collateral types should be provided:
    - General Collateral – Delivery by Value (DBV) (including Term DBV);
    - General Collateral – Other;
    - Specific Collateral; or
    - Other Collateral; and
  - the haircut applied to the collateral.
27. Detailed definitions for reporting and a sample template are available in **Annex 3**. A pilot study, described in **Box 3** below, was a key input to the data definitions and scope of the data fields to be collected.

### Box 3: Pilot study

The Bank approached six banks to provide early input to the design of the new daily sterling money market data collection. In particular, the Bank sought feedback on draft definitions for the data to be collected, as well as issues surrounding the provision of data on a daily basis within a short timeframe. Feedback from the pilot banks indicated they were generally supportive of the initiative.

As part of the pilot exercise, participating banks also provided samples of money market data, based upon the Bank's draft set of reporting requirements and definitions. In providing these samples, the banks provided comments across six key areas:

- Data definitions: all banks were comfortable with the proposed definitions of the fields required to be reported. However, some suggested that the Bank should attempt to ensure consistency with other regulatory data reporting; for example in prudential liquidity reporting requirements. In general, the Bank has used existing definitions for money market activity where available. These definitions were based primarily on guidance provided for the completion of the MMLC survey.<sup>12</sup>
- Additional information: two banks suggested that, in addition to broad collateral sectors for secured money market transactions, specific ISINs could be provided. This would reduce data transformation by respondents and improve the quality of data collected. The Bank has added ISIN as information to be provided.
- Money market instruments: the pilot banks noted that provision of transaction data on certificates of deposits or commercial paper would require additional fields to capture floating rate transactions, and in some cases data were captured in separate systems. In order to ensure efficiency, at this time the Bank has decided not to

<sup>12</sup> [www.bankofengland.co.uk/publications/Documents/other/markets/mmlc/smms2015h1instructions.pdf](http://www.bankofengland.co.uk/publications/Documents/other/markets/mmlc/smms2015h1instructions.pdf)

collect transaction data on these instruments.

- Counterparty sector: participating banks noted that various definitions for 'counterparty sector' are used – even within existing reporting. One participant suggested the use of the Standardised Industry Classification (SIC) codes. However, the samples of data demonstrated that usage across firms appeared inconsistent. The Bank has therefore decided not to collect counterparty sector data.
- Counterparty identity: in place of counterparty sector information, the Bank will collect Legal Entity Identifier codes (LEIs) for individual counterparties, which will benefit the Bank's analysis of networks in the money markets. While most firms stated that usage of LEIs was currently inconsistent, the Bank believes that as adoption of LEIs spreads – due in part to regulatory initiatives for supervisory reporting – this will become less of an issue over time.
- Sensitivity concerns: one of the participating banks cited sensitivity concerns in regard to the identification of counterparties. The Bank is subject to policies, procedures and legal obligations which are designed to ensure the secure handling of confidential information, and will treat all data collected as part of this exercise accordingly.

The Bank also discussed issues related to the provision of daily data on a short timeframe. Most firms noted that this would not be overly problematic, but noted that where information came from more than one internal system – for example static data on counterparty information – this could increase reporting times. Some stressed the need for early notification prior to the commencement of regular collection in order to allow for systems and data feeds to be set up appropriately. A notification period of three months was generally viewed as appropriate.

Overall, the sample datasets provided by the pilot banks were consistent with the Bank's expectations and comparable across individual firms. These data samples, along with the suggestions and comments related to the data definitions, have informed the design of the daily data collection outlined in this consultation.

28. The Bank recognises that the European Commission's proposed Regulation for Securities Financing Transactions (the 'SFTR') is likely to require the reporting of secured funding transactions, in due course. As a consequence, the Bank may review these fields and definitions in light of agreed reporting requirements under the SFTR.

**Q 8** *Are the definitions in Annexes 1-3 sufficiently detailed? If not, how could they be improved?*

**Q 9** *Are there changes to the definitions that would reduce the reporting burden without materially altering the information collected?*

- Q 10 *How accurately does the timestamp in your trade capture system reflect the time at which a deal is struck?*
- Q 11 *Would reporting Legal Entity Identifiers cause you any technical issues?*

### *Money Market Liaison Committee – Sterling Money Market Survey*

29. The semi-annual MMLC survey will continue to take place. However, it will be reconfigured to eliminate duplication between the quantitative parts of the existing survey and the new daily data collection (see **Annex 4**). In addition the MMLC survey reporting population will be aligned with the new daily data reporting population, with any institutions not currently participating in the MMLC survey being invited to do so.

30. These new arrangements will take effect from the May 2016 survey. The November 2015 survey will take place in its existing format. The results of the MMLC survey will continue to be published as usual.<sup>13</sup>

### **Timings, data validation and plausibility checking for daily data**

31. The Bank will require daily data contributors to provide one valid data return for each UK business day, to be delivered between the close of the Real Time Gross Settlement (RTGS) payment system and 07.00 the following business day.<sup>14</sup> This approach is consistent with the FRBNY's and the ECB's data collections, which also require data to be submitted by 07.00 the following business day.

32. Data submissions that fail validation checks will be rejected and reporting firms will be required to re-submit the form in its entirety.

33. The Bank will undertake plausibility checking on valid returns, prioritising between 07.00 and 08.30 overnight unsecured transactions data that, in due course, will be used as an input to the reformed SONIA benchmark (see **Section 3**).

34. Where plausibility checks flag data submissions – or in the event of any other queries with submitted data – the Bank may need to contact the daily data contributor to investigate the issue further. Therefore, the Bank will require a contact, who should be a front office principal or equivalent, with effective escalation and cover arrangements, to be available for plausibility checking queries, with particular importance attached to reliable availability between 07.00 and 08.30 each reporting day.

35. It is good practice for reporters to undertake effective data assurance procedures prior to submission. This will be essential to an efficient process of data plausibility checking. One possibility is that the Bank could disclose to reporters a subset of its standard plausibility checks, with the expectation that reporters would undertake equivalent checks

<sup>13</sup> Latest survey results can be found here: [www.bankofengland.co.uk/publications/Pages/other/mmlg/default.aspx](http://www.bankofengland.co.uk/publications/Pages/other/mmlg/default.aspx).

<sup>14</sup> The CHAPS and CREST settlement day will be extended from summer 2016 by one hour and forty minutes to 18:00. [www.bankofengland.co.uk/markets/Pages/paymentsystem/extending.aspx](http://www.bankofengland.co.uk/markets/Pages/paymentsystem/extending.aspx)

before data submission. Reporters would then be expected to indicate positively in their data submissions that any flagged transactions had been verified.

**Q 12** *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).*

**Q 13** *Would providing a contact for the Bank between 07.00 and 08.30 each reporting day be problematic?*

### System requirements for submitting daily data

36. The Bank is currently assessing options for the delivery arrangements for daily data and subsequent processing and analysis. The Bank's expectation is that the data would normally be submitted as part of an overnight batch process. The Bank currently anticipates contributors will be required to upload data files in .xml or .csv format through a secure portal.

**Q 14** *Do you anticipate that daily data would usually be submitted via an automated process? Would you require the ability to manually upload data?*

**Q 15** *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?*

**Q 16** *To help understand the Bank's support requirements, when would you ordinarily expect to deliver data to the Bank?*

### Expected timetable for commencement of reporting

37. The Bank is planning to ask banks, building societies and major investment firms to complete the annual data submission for the first time in January 2016. The reporting period for this first survey will be from November to December 2015. Arrangements for subsequent surveys will be as set out in paragraphs 22-24 above.

38. On the basis of that first survey, the Bank expects to be in a position to notify in January 2016 those institutions that will be required to report on a daily basis. Daily reporting will commence within three months of notification in April 2016.

39. In August 2015, ahead of the first annual survey, the Bank is planning to identify a provisional set of daily data reporters, informed in part by data submitted in the most recent MMLC survey. The Bank anticipates that in October 2015, once data requirements are finalised in light of the present consultation, these 'early adopters' will formally be asked to begin reporting transactions data from December 2015. Reporting for early adopters will begin on a frequent, although not necessarily daily, basis – with the frequency and method of delivery to be agreed bilaterally with the Bank.

40. Data from these 'early adopters' will help the Bank establish, at as early a stage as possible, the characteristics of the reformed SONIA benchmark, and so facilitate the planned timetable for that transition.

41. **Table 1** summarises the proposed timetable for 'early adopters', while **Table 2** summarises the proposed timetable for other reporters.

Table 1: Timeline for 'early adopters'

| Date         | Action (for reporter unless otherwise stated)  | Comment   |
|--------------|--|---|
| Aug 2015     | Early adopters identified by the Bank  |   |
| Oct 2015     | Data and definitions confirmed by the Bank in light of consultation, and early adopters formally notified that data submission is required |   |
| Dec 2015     | Provide response to November MMLC survey   | On its existing basis   |
| Dec 2015     | Commence providing transaction data on an ad hoc basis (frequency to be confirmed bilaterally)   |   |
| Jan 2016     | Provide response to the first annual survey  | Reporting period: two months to 31 Dec 2015                                   |
| Feb-Apr 2016 | Transition to providing transaction data on a daily basis  | The Bank will confirm when IT systems are ready, and the testing requirements |
| Jun 2016     | Provide response to May MMLC survey  | Revised MMLC survey   |
| 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                                 |  |
| Dec 2015 | 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 survey  | Reporting period: two months to 31 Dec 2015              |
| Jan 2016 | Bank to notify reporters who are to provide daily transaction data                                   |  |
| Apr 2016 | Those notified to commence providing daily transaction data  | The Bank will confirm testing requirements in due course |
| Jun 2016 | Those reporting daily to provide response to May MMLC survey   | Revised MMLC survey                                      |
| Dec 2016 | Those reporting daily to provide response to November MMLC survey                                    | Revised MMLC survey                                      |
| Jan 2017 | Those not reporting daily to provide response to second annual survey                                | Reporting period: 12 months to 31 Dec 2016               |

**Q 17** Will the proposed timetable for the commencement of reporting present any major issues?



## The regulatory environment

42. The Bank's intention is that, from early 2017, some or all of the daily data on overnight unsecured money market transactions will be used in the calculation of a reformed SONIA benchmark. **Section 3** provides more details on the Bank's plans in this regard.

43. This sub-section outlines, for reporting institutions, the current regulatory framework that applies to the SONIA benchmark, and highlights possible future changes arising from forthcoming European regulation. Reporters should note, however, that participating in the Bank's data collection exercise would not immediately amount to carrying out a regulated activity, in particular because the data collected will not be used as an input to SONIA until 2017 at the earliest.

44. In August 2014, the Fair and Effective Markets Review (FEMR) recommended that SONIA be made a regulated benchmark.<sup>15</sup> This recommendation was implemented in April 2015, when SONIA became a specified benchmark for the purposes of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO).

45. The Bank is exempt from regulation for the purposes of the RAO and therefore would not have or require authorisation by the FCA to administer SONIA. Consequently, the banks providing information to the Bank for the production of SONIA would not be considered as carrying out the regulated activity of providing information in relation to a specified benchmark.<sup>16</sup>

46. However, the European Commission has proposed a Regulation on indices used as benchmarks in financial instruments and financial contracts. At the time of writing, the Commission, the European Council and the European Parliament have entered trilogue discussions on the proposal.<sup>17</sup>

47. The proposed Regulation would regulate the provision of benchmarks and the contribution of input data to a benchmark by supervised entities. Depending on the outcome of the trilogue negotiations, and on whether SONIA is judged to have "contributors" within the meaning of the Regulation, those contributors could be subject to certain requirements (for example in relation to governance, systems and controls and record keeping).

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<sup>15</sup> [www.bankofengland.co.uk/markets/Documents/femraug2014.pdf](http://www.bankofengland.co.uk/markets/Documents/femraug2014.pdf)

<sup>16</sup> Under Article 63O(2) of the RAO, the provision of information in relation to a specified benchmark is only a regulated activity if the information is provided to a person who has permission to carry on the regulated activity of administering a specified benchmark.

<sup>17</sup> [http://europa.eu/rapid/press-release\\_STATEMENT-15-4994\\_en.htm?locale=EN](http://europa.eu/rapid/press-release_STATEMENT-15-4994_en.htm?locale=EN)

## Summary of consultation questions

48. Questions 1 to 17, set out in this section of the consultation, are repeated below for ease of reference. In addition, general comments are invited via Question 18. The Bank welcomes responses from any interested parties, by 1 October 2015, via email to [sterlingdepositrates@bankofengland.co.uk](mailto:sterlingdepositrates@bankofengland.co.uk).

- Q 1 *In your view, are there categories of institutions with significant borrowing activity in sterling secured money markets that the Bank's approach misses?*
- Q 2 *Is the Bank's approach to identifying daily reporters based on covering 90% of market activity as identified by the annual return appropriate?*
- Q 3 *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?*
- Q 4 *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?*
- Q 5 *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?*
- Q 6 *Does setting a threshold for the minimum transaction size make reporting more or less straightforward?*
- Q 7 *Does a reporting period of a year for the annual survey pose any problems?*
- Q 8 *Are the definitions in Annexes 1-3 sufficiently detailed? If not, how could they be improved?*
- Q 9 *Are there changes to the definitions that would reduce the reporting burden without materially altering the information collected?*
- Q 10 *How accurately does the timestamp in your trade capture system reflect the time at which a deal is struck?*
- Q 11 *Would reporting Legal Entity Identifiers cause you any technical issues?*
- Q 12 *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).*
- Q 13 *Would providing a contact for the Bank between 07.00 and 08.30 each reporting day be problematic?*
- Q 14 *Do you anticipate that daily data would usually be submitted via an automated process? Would you require the ability to manually upload data?*

- Q 15** *Do you have any comments regarding the system for providing data? Are there any specific problems posed by the provision of data in .xml file formats?*
- Q 16** *To help understand the Bank's support requirements, when would you ordinarily expect to deliver data to the Bank?*
- Q 17** *Will the proposed timetable for the commencement of reporting present any major issues?*
- Q 18** *Do you have any additional comments or feedback on the Bank's proposals for a new sterling money market data collection?*

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## 3 Reform of SONIA

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49. The Bank is developing plans to strengthen the existing SONIA benchmark interest rate. Four main changes are anticipated as part of the reform of SONIA over the next 18 months to two years:

- with the support of the WMBA, the Bank will take over the administration of SONIA;
- the Bank plans to broaden the coverage of SONIA to include overnight unsecured transactions negotiated bilaterally as well as those arranged via brokers;
- the Bank will consider whether other changes to the methodology for calculating SONIA are warranted; and
- reflecting the change in data source and the need to process the greater volume of transactions captured by the new methodology, the Bank anticipates that publication of SONIA would take place at 09.00 on the business day following that to which the rate pertains.

50. This section sets out, at a high level, the Bank's plans for the reform of SONIA and invites feedback on the broad approach that is proposed. As such it will be of particular interest to users of SONIA, including participants in the sterling OIS market.

51. The Bank anticipates that it will be in a position to consult on detailed plans for the reform of SONIA in Q2 2016.

### The context for benchmark reform

52. Following widespread false reporting and attempted market manipulation of reference rates, there has been a coordinated response from international regulators and central banks to improve the resilience and transparency of benchmarks, particularly those that have been identified as systemically important. That response includes the Wheatley Review of Libor,<sup>18</sup> the development of the Board of the International Organisation of Securities Commissions (IOSCO) Principles for Financial Benchmarks<sup>19</sup> and the Financial Stability Board's (FSB) report on interest rate benchmark reform.<sup>20</sup>

53. The Bank has been closely involved in these initiatives, and remains firmly committed to the process of benchmark reform, including through the recommendations of FEMR. Following an interim FEMR recommendation, the UK regulatory framework for benchmarks was extended on 1 April 2015 to cover seven additional critical benchmarks – including SONIA.<sup>21</sup>

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<sup>18</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/191762/wheatley\\_review\\_libor\\_finalreport\\_280912.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191762/wheatley_review_libor_finalreport_280912.pdf)

<sup>19</sup> <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf>

<sup>20</sup> [www.financialstabilityboard.org/2014/09/r\\_140930/](http://www.financialstabilityboard.org/2014/09/r_140930/)

<sup>21</sup> [www.bankofengland.co.uk/markets/Documents/femrjun15.pdf](http://www.bankofengland.co.uk/markets/Documents/femrjun15.pdf)

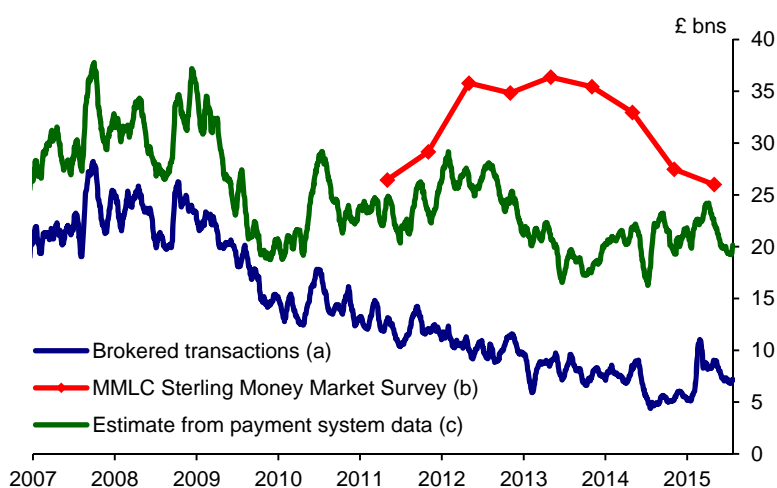
54. The Bank is also coordinating work to implement a key recommendation of the FSB report on interest rate benchmark reform – namely, the development of alternative near risk-free reference rates (RFRs) in sterling markets. It has convened a working group of market participants (the Working Group on Sterling Risk Free Reference Rates) to take this work forward. Among other deliverables, the Working Group will propose reforms to existing sterling benchmarks that are potential RFRs.<sup>22</sup>

### The need to reform SONIA

55. SONIA is a critical benchmark and is widely used by wholesale market participants including as the reference rate for the sterling OIS market. The notional value of outstanding sterling OIS contracts exceeds £10 trillion<sup>23</sup> and, in addition, the OIS curve is used to value major sterling swap portfolios with an estimated notional outstanding value of £35 trillion.<sup>24</sup>

56. However, the volume of transactions underpinning SONIA has fallen significantly in recent years, reflecting reduced money market activity as well as a decline in brokers' share of that activity (Chart 1).

**Chart 1: Unsecured overnight deposit transaction volumes**



(a) 20-day moving average of SONIA volumes. Source: WMBA.  
 (b) Reported daily average transaction volumes.  
 (c) 20-day moving average using data extracted from the CHAPs payment system using the Furfine algorithm. Excludes intra-settlement bank payments.

57. The decline in transactions volumes calls into question the long term robustness of SONIA, and its ability to comply with the IOSCO principles for financial benchmarks. In particular, Principle 7 emphasises the size and liquidity of the underlying market on which a benchmark is based, as well as the size of that market in relation to the volume of trading in markets that references the benchmark. That suggests a need to increase the volume of transactions underpinning SONIA.

<sup>22</sup> [www.bankofengland.co.uk/markets/Pages/sterlingoperations/rfr/rfr.aspx](http://www.bankofengland.co.uk/markets/Pages/sterlingoperations/rfr/rfr.aspx)

<sup>23</sup> Source: DTCC website, data for week ending 24 July 2015. Current data available at [www.dtcc.com/market-data/gtr-interest-rate-swap-data/table-3.aspx](http://www.dtcc.com/market-data/gtr-interest-rate-swap-data/table-3.aspx)

<sup>24</sup> Source – BIS website – Dec 2014 data, Bank of England calculations. [www.bis.org/statistics/dt21a21b.pdf](http://www.bis.org/statistics/dt21a21b.pdf)

58. A further impetus for the reform of SONIA is provided by the Working Group on Sterling Risk Free Reference Rates. The Working Group has noted “the relatively low transactions volumes underpinning the SONIA benchmark”. In that context “participants welcomed the Bank’s initiative to collect data from banks to support a broader overnight unsecured benchmark – a reformed SONIA – including bilateral as well as brokered transactions.”<sup>25</sup>

### A plan to strengthen SONIA

59. The Bank’s view is that there is a strong case for the reform of SONIA. In particular, in view of the limited size of the market for brokered deposits, a natural step is to broaden the transactions underpinning SONIA to include bilaterally negotiated as well as brokered overnight unsecured deposit transactions. The MMLC survey can be used to provide an estimate of the overall size of the unsecured overnight market and, although its coverage is incomplete, it suggests that daily transaction volumes are in the region of £25-£30bn (Chart 1).

60. Broadening the set of transactions on which SONIA is based requires collecting data directly from deposit takers, which the Bank has plans to do, as outlined in the previous section of this consultation. The Bank and the WMBA are therefore working towards the Bank taking over administration of SONIA in early 2016, so that, in due course, SONIA can be transitioned to the new broader basis. As part of this transition the Bank will also consider whether other methodological enhancements are warranted.

61. The Bank plans to launch a consultation in Q2 2016 on the detailed proposals for the reformed SONIA benchmark. The Bank will work closely with key stakeholders to ensure that the transition to the enhanced methodology occurs with the minimum possible disruption.

62. In the interim period from when the Bank begins administering SONIA until it is transitioned to the new basis, SONIA will continue in its current form, using existing data sources.

**Q 19** *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?*

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<sup>25</sup> See paragraph 11 in: [www.bankofengland.co.uk/markets/Documents/sterlingoperations/rfr/minutesmar15.pdf](http://www.bankofengland.co.uk/markets/Documents/sterlingoperations/rfr/minutesmar15.pdf)

## Time of daily publication

63. The anticipated reform of SONIA will materially increase the number of transactions underpinning the benchmark. That, combined with the forthcoming extension to RTGS hours,<sup>26</sup> the much broader range of data submitters and the need for the Bank to undertake appropriate validation and plausibility checks, means it is unlikely to be feasible to publish the benchmark on the same day. The Bank therefore currently anticipates that publication of the reformed SONIA would be moved to 09.00 the next day (i.e. the working day after that to which the rate pertains). This timing would be consistent with the approach taken by FRBNY with the publication of the effective federal funds rate.

64. As SONIA is currently published after markets have closed, any transactions based on that day's SONIA rate can only settle the following day (T+1). Moving the timing of benchmark publication as suggested should still allow sufficient time for trades to be entered into and settled on the same day as is currently the case (i.e. T+1).

**Q 20** *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?*

## Proposed timetable

65. The Bank anticipates that it will begin to receive a portion of data from daily data contributors in December 2015 (as outlined in **Section 2**). It will take some time to analyse these data, evaluate alternative calculation methodologies, and formulate detailed proposals for the reformed SONIA benchmark and a transition strategy. The Bank plans to launch a consultation in Q2 2016 on these detailed proposals.

66. The Bank recognises that it needs to give the market time to prepare for the transition to the reformed SONIA. Subject to consultation responses, the Bank's current planning assumption is to begin publishing the reformed SONIA in early 2017. That will allow for the majority of existing contracts to expire in the nine months between the consultation date and the switchover to the new definition and should help to minimise the impact on existing contracts and for any required system changes to be implemented.<sup>27</sup> Until then, SONIA will continue to be calculated and published on the existing basis.

**Q 21** *Does the outline timetable proposed for the reform of SONIA present you with any problems?*

<sup>26</sup> [www.bankofengland.co.uk/publications/Pages/news/2015/059.aspx](http://www.bankofengland.co.uk/publications/Pages/news/2015/059.aspx)

<sup>27</sup> Analysis of DTCC data suggest that 70-80% (by notional value) of OIS contracts referencing SONIA have a time to maturity of less than nine months.

## Summary of questions for feedback

67. Questions 19 to 21, set out in this section of the consultation, are repeated below for ease of reference. In addition, general comments are invited via Question 22. The Bank welcomes responses from any interested parties, by 1 October 2015, via email to [sterlingdepositrates@bankofengland.co.uk](mailto:sterlingdepositrates@bankofengland.co.uk).

- |      |  |
|------|--|
| 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>                   |
| 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> |
| Q 21 | <i>Does the outline timetable proposed for the reform of SONIA present you with any problems?</i>  |
| 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>  |



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## 4 Next steps

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68. The Bank welcomes feedback on its plans for the new sterling money market data collection and for the reform of SONIA, and invites responses to the questions set out in this consultation. Respondents should provide feedback by close of business on 1 October 2015, via email, to [sterlingdepositrates@bankofengland.co.uk](mailto:sterlingdepositrates@bankofengland.co.uk).

69. The Bank intends to provide a formal response on the data collection element of the consultation in October 2015. Regarding the plans for the reform of SONIA, the Bank anticipates that it will undertake a further public consultation in Q2 2016 which will focus on the proposed detailed design of the reformed SONIA and arrangements for transitioning from the existing to the new basis.

70. Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure, in accordance with access to information regimes under the Freedom of Information Act 2000 or the Data Protection Act 1998, or otherwise as required by law or in discharge of statutory functions. Respondents should indicate if they regard all, or some of, the information they provide as confidential. If a request for disclosure of this information is received, respondents' indications will be taken into account, but no assurance can be given that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by a respondent's IT system on emails will not, of itself, be treated as constituting notice that such respondent regards any information supplied as confidential.

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## 5 Annexes

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| Annex 1 | Overall reporting instructions               |
| Annex 2 | Reporting instructions for the annual return |
| Annex 3 | Reporting instructions for the daily return  |
| Annex 4 | Proposed changes to the MMLC survey          |

## Annex 1 Overall reporting instructions

### Institutional arrangements:

Data should be reported at an **individual legal entity level**, rather than at consolidated group level.

Only trades transacted in the **money market** in the individual legal entity's **own name** should be reported. Returns should take into account all turnover activity traded across the **main money market desk(s) of your UK operation**. "Own-name" money market trades associated with custodial services provision and stock lending programmes should be included, along with trades conducted in the UK but booked elsewhere (as long as they are conducted in your institution's own name).

### Definition of sterling money market transactions:

Transactions should be limited to those involving the borrowing of **sterling**; do not include transactions where the primary currency is not sterling. Transactions below £1million should be excluded.

- Unsecured borrowing covers negotiated **cash deposit transactions**. Do not include balances held in call and/or nostro accounts. Neither certificates of deposit nor commercial paper should be included.
- Secured borrowing covers all secured money market transactions for **sterling cash** where your institution is the cash borrower, against **UBG-eligible collateral** (see below). Transactions should include:
  - repurchase transactions against either specific or general collateral;
  - sell/buy-back agreements;

'**UBG-eligible collateral**' includes all secured sterling transactions where the collateral would be eligible to be included in the Unstripped British Government Stock DBV category; specifically, when secured against:

- unstripped gilts;
- sterling Treasury Bills;
- Bank of England securities (when applicable).

NB: although the range of collateral is restricted to the DBV category, all repo against these collateral types should be included, rather than just DBV repo.

### Maturity coverage

Only transactions with an original maturity of **up to and including one year** should be included.

Overnight transactions are defined as having an **original maturity** of the transaction as **one London business day**. This should include open-ended or rolling transactions (e.g. rolling overnight DBV repo).

Forward-starting trades should be reported on the trade date. The maturity of forward transactions is determined by the number of days between the settlement date and the final maturity date, even if that settlement date falls outside the reporting period. Include forward-starting transactions agreed up to one year in advance of settlement.

## Transactions to exclude

### **Intra-group transactions, including the following, should be excluded:**

- trades that are executed as back-to-back deals;
- trades to facilitate internal bookkeeping and internal risk management within a given institution or banking group;
- internal trades between desks and offices of the reporting institution;
- trades with subsidiaries.

**Retail deposits should be excluded.** As a guide, we consider the following to be key aspects of retail transactions:

- business booked through your branch banking network;
- any transactions booked via a centralised lending/deposit gathering centre on a regular rollover basis;
- transactions where the prevailing rate is provided to counterparties on a non-negotiable basis;
- non-treasury business booked through your sales desks.

All transactions undertaken **as part of the Bank of England's sterling market operations should be excluded completely from the survey.** However, you should **include:**

- sterling money market transactions with the UK Debt Management Office;
- commercial trades in sterling with central banks and monetary authorities other than the Bank of England;
- commercial trades in sterling with supranational organisations, such as the European Investment Bank (EIB), or the European Bank for Reconstruction and Development (EBRD).

## Annex 2 Reporting instructions for the annual return

Return to be completed by the reporting institutions **once per year**. Data should be reported for a one year period prior to the reporting date.

Only **sterling transactions** should be reported.

The data to report are **nominal amounts**, for cash transactions only. For secured transactions, please report the nominal cash value of the repo, not the value of the collateral.

Values of transactions should be recorded in **millions of pounds sterling**.

**Turnover** is defined as the gross value of all borrowing transactions where the trade execution date falls within the survey period, whether in primary or secondary markets. Transactions related to the roll-over of previous positions (including evergreen deals) should also be reported as new activity where the rolled-over trade execution date falls within the survey period.

### Template return

|           | All maturities       |               | Overnight only       |               |
|-----------|----------------------|---------------|----------------------|---------------|
|           | Total turnover (£mn) | No. of trades | Total turnover (£mn) | No. of trades |
| Unsecured | 10,825               | 410           | 2,150                | 43            |
| Secured   | 3,250                | 20            | -                    | -             |

### Annex 3: Reporting instructions for the daily return

#### For unsecured and secured transactions

Data should be provided each UK business day.

Trade date: the date that the transaction is entered into between counterparties. For open-ended or rolling transactions, each day should be considered as a new transaction. Data should be provided in the format DD/MM/YYYY.

Settlement date: the date that the funds are received – or intended to be received – on deposit. Data should be provided in the format DD/MM/YYYY.

Maturity date: the date that the funds are returned to the depositor. For open-ended or rolling transactions, each day should be considered as a new transaction. Data should be provided in the format DD/MM/YYYY.

Transaction time: the time that the transaction is agreed between counterparties. In practice, this may represent the time that the transaction is entered into deal entry systems, rather than the deal strike time. Data should be provided in the format HH:MM, using a 24-hour clock.

Transaction size: Values of transactions should be recorded in nominal amounts for cash transactions only; for secured transactions, please report the nominal cash value of the repo, not the value of the collateral. Transactions should be provided in pounds sterling, with no rounding. Transactions below £1million should be excluded.

Interest rate: the interest rate paid on the cash borrowing. Data should be provided as a percentage to 3 decimal places.

Deal arrangement: 'Brokered' transactions are those deals that are arranged by a third party broking firm, on behalf of the reporting firm. Please provide "Yes" if the deal is brokered; "No" if not.

Counterparty LEI: the Legal Entity Identifier of the cash lender, as defined by ISO 17442. Please refer to the Global Legal Entity Identifier System, maintained and updated in the UK by the London Stock Exchange.<sup>28</sup>

Counterparty name: the name of the cash lender. The Bank acknowledges that each reporting firm may use different naming conventions for their counterparties. Therefore, provide the name as collated in internal systems. This will be used as a cross-check to the LEI field.

Aggregate amounts: in addition to individual transactions, submitters should report daily aggregate amounts. This acts as a check that no rows of data have been lost in transmission.

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<sup>28</sup> For further information, see: [www.leiroc.org/](http://www.leiroc.org/) and [www.lseg.com/LEI](http://www.lseg.com/LEI)

**For secured transactions only:**

Repo settlement mechanism: report one of:

- **‘Bilateral repo’** includes all transactions conducted on a wholly bilateral basis. Repos with the Bank of England should be excluded.
- **‘Triparty repo’** includes all transactions conducted using a triparty agent. DBV trades should only be reported as triparty repos where a triparty agent has been used.
- **‘CCP/Cleared repo’** includes all transactions conducted via central counterparties. Please include transactions concluded via the matching of trade details as well as those novated into a central counterparty arrangement.

International Securities Identifier Number (ISIN) of the security used as collateral in the transaction, as defined by ISO 6166. Where the underlying collateral does not have a single ISIN (for example, Delivery by Value (DBV) transactions, or transactions settled by triparty repo agents) leave blank.

Collateral type: report one of:

- **‘General Collateral: DBV’** includes transactions conducted using the CREST DBV or the CREST Term DBV settlement mechanisms.
- **‘General Collateral: Other’** includes all other transactions where the underlying collateral is unspecified by the collateral receiver (the cash lender) at the point of striking the trade.
- **‘Specific Collateral’** includes transactions where the collateral is specified by the collateral receiver at the point of striking the trade.
- **‘Other Collateral’** includes all other collateral types.

Collateral haircut:<sup>29</sup> the percentage discount deducted from the market value of a security that is being offered as collateral in a repo in order to calculate the purchase price. Thus, the formula for a haircut is:

$$\frac{\text{market value of collateral} - \text{repo purchase price}}{\text{market value of collateral}} \times 100$$

As such, haircuts should be expressed as the percentage difference between the market value of the collateral and the purchase price of the repo. Data should be provided to 3 decimal places.

<sup>29</sup> Definition taken from the ICMA European Repo Council, “Haircuts and Initial Margins in the Repo Market”, found at: [www.icmagroup.org/assets/documents/Maket-Practice/Regulatory-Policy/Repo-Markets/Haircuts%20and%20initial%20margins%20in%20the%20repo%20market\\_8%20Feb%202012.pdf](http://www.icmagroup.org/assets/documents/Maket-Practice/Regulatory-Policy/Repo-Markets/Haircuts%20and%20initial%20margins%20in%20the%20repo%20market_8%20Feb%202012.pdf)





## Annex 4 – Proposed changes to the MMLC survey

The existing MMLC survey form can be found here:

[www.bankofengland.co.uk/publications/Pages/other/mmlc/mmlc15q1.aspx](http://www.bankofengland.co.uk/publications/Pages/other/mmlc/mmlc15q1.aspx).

The daily data provided to the Bank will be used to complete some components of the quantitative part of the survey. As such, the following fields will be removed from the MMLC survey:

- Unsecured borrowing
  - Item 1a - interbank deposits
  - Item 1b - other financial deposits
  - Item 1c - non-financials deposits
- Secured borrowing
  - Item 3a - Interbank (excluding CCP repo)
  - Item 3b - Bilateral repo
    - Item 3bi – of which DBV
    - Item 3bii – of which term DBV
    - Item 3biii – other
  - Item 3c - Tri-party repo
  - Item 3d - CCP repo
    - Item 3di – of which DBV
    - Item 3dii – of which term DBV
    - Item 3diii – other
  - Item 3e - UBG-eligible collateral

All other fields, including qualitative data, will remain and will continue to be completed on a semi-annual basis by the reporting sample.