

# Freely Available Independent RFR Calculator Summary

**Published in September 2020 – Updated in September 2022**

The Bank of England and the Financial Conduct Authority ("FCA") are each ex-officio members of the Working Group. The content and views set out in this summary do not constitute guidance or legal advice from the Bank of England (including the Prudential Regulation Authority ("PRA")) or the FCA and are not necessarily endorsed by the Bank of England (including the PRA) or the FCA.

This paper has been prepared for educational purposes only and is not a substitute for market participants' own research and professional advice. The information in this paper is given in summary form and does not purport to be a comprehensive outline of all relevant factors or considerations. This paper has not sought to validate or authenticate the methodologies or approaches presented herein and nothing in the paper should be considered a promotion or recommendation of any particular calculator, calculator provider, methodology or approach.

# Freely Available Independent RFR Calculator Summary

This paper is a summary of the freely available independent RFR calculators in the market. The information presented is to the best of the RFRWG's knowledge up to date at the point of publication.

## Overview

- Following the successful cessation of the sterling LIBOR panel at end-2021, the Working Group on Sterling Risk-Free Reference Rates ("RFRWG") concluded at its January 2022 meeting that it had met its objective to “catalyse a broad-based transition to SONIA across sterling derivative, loan and bond markets”. From 2022, the RFRWG decided it would move forwards in an amended form, and with an updated overall objective to assist in finalising the transition away from LIBOR, via:
  - i. Supporting the continued active transition of legacy contracts from synthetic sterling LIBOR to SONIA, and
  - ii. Considering any implications of non-sterling LIBOR transition in UK markets
- As the calculation of a compounded rate can be complex, independent RFR calculators could be beneficial in helping market participants calculate and validate the amount of interest due under their agreements.
- This paper follows the January 2019 RFRWG paper that recommended that a calculator be built to support the adoption of SONIA based instruments and suggested some features and parameters such a calculator should support: <https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/infrastructure-sub-group-calculator-specifications.pdf>

## Aims of this Paper

- The RFRWG's Infrastructure Sub-Group have issued this paper to assist market participants and vendors to i) remain informed ii) consider whether any amendments may be required to their systems or products if they choose to adopt SONIA compounding methods and iii) provide links to assist with accessing the free to use online tools available.
- This paper provides an overview of the key features of the freely available independent RFR calculators. It is intended merely as an overview of the RFRWG's understanding of the key features and available functions of the freely available RFR calculators as at the date of publication. It should not be considered a promotion or recommendation of any specific calculator or calculator provider. Providers of other freely available RFR calculators are welcome to contact the RFR Secretariat to make us aware of further tools for consideration.
- The paper does not validate the accuracy of the calculators. Users need to independently validate the calculators to ensure they are accurate.
- Whilst this paper focuses on those independent RFR calculators which are currently free to use, there are a number of other RFR calculators which users must pay to use and market participants may wish to use one of those instead.

Please email any comments/ feedback you may have to the RFR Secretariat [RFR.Secretariat@bankofengland.co.uk](mailto:RFR.Secretariat@bankofengland.co.uk), who will aggregate the feedback to support any further refinement of this paper.

# Freely Available Independent RFR Calculator Summary

The undernoted table lists some current and potential features of RFR calculators and identifies whether those features are available in the free online RFR calculators that are currently available.

		ICE Benchmark Administration	NatWest	Comments
Website Link		<a href="http://www.theice.com/iba/rfr-portal">www.theice.com/iba/rfr-portal</a>	<a href="http://www.RealisedRate.com">www.RealisedRate.com</a>	
Compounded Rate method	Cumulative Compounded Rate	✓	✓	
	Non Cumulative Compounded Rate	✗	✗	Users may find it beneficial to calculate non cumulative rate as this is the RFRWG recommended method.
Principal Amount	Same Principal	✓	✓	
	Multiple Prepayments	✗	✗	
Observation Shift	Business Day Observation Shift	✗	✓	
Lookback Days	Multiple Business Days Lookback	✓	✓	
Other Interest Components	Margin + Credit Adjustment Spread	✓	✓	
Interest at Prepayment	Interest not paid	✗	✗	
Floors	Daily Floor	✗	✓	Floor applied daily
	Period Floor	✗	✓	Floor applied at the end of the interest period.
Rounding	Compounded Rate	✓	✓	
	Interest Amount	✓	✓	All-in interest amount should be rounded and not the individual components of the interest.
Others	Daily breakdown	✗	✗	
	Withholding Tax	✗	✗	This may not be a key requirement, some users may find it beneficial.

## RFR Calculators – Support, Documentation & Governance Best Practice

The RFRWG's Infrastructure Sub-Group considers that users of a calculator would benefit from calculator providers adhering to the following best practice on Support, Documentation & Governance\*

### Documentation & Transparency

- Clear documentation covering:
  - Description of what the calculator is designed to be used for
  - Comprehensive usage instructions
  - A description of the support which users can expect or rely upon, and the method for getting the support
  - Any limitations which aren't clear from the interface
  - An explanation of the compounding methodology, including how possible but uncommon situations are calculated
  - The direct source of its input data
  - A description of what data is retained when the calculator is used, if any
  - A clear statement on the timeframe for which they commit to providing the calculator
- Clarity within the calculator user interface on:
  - Which market convention is being used in the calculation
  - Functionality to give breakdowns of the compounding calculations

### Governance

- Clear Governance Statements explaining:
  - How the calculator is developed and released in a robust way
  - That they have satisfactory performance monitoring to ensure on-going reliability
  - Whether or not they have independent validation of the implementation (and whether internal or carried out by a 3rd party)

### Support

- Easy to find contact details for support and hours of coverage

\*This slide is not intended to impose any legal or regulatory obligations on calculator providers. It has been prepared for the purpose of highlighting to calculator providers and market participants some of steps that the RFRWG's Infrastructure Sub-Group considers to be best practice on Support, Documentation & Governance. It does not constitute a comprehensive outline of all relevant steps. Calculator providers should seek their own advice in relation to their legal, regulatory and other obligations and as to any other considerations or risks that may arise or be relevant.