

Criteria to Consider for New GBP RFR

(1) Basic properties of current or future benchmark

- a. Assessment v IOSCO and evolving regulatory requirements, e.g.
 - Sufficient and reliable market data to produce robust and reliable index (quantity, quality, availability of data for the administrator)
 - Robustness to changes in market structure over time
 - Minimal opportunities for market manipulation
 - Published and governed by an appropriate administrator
 - Commercial sustainability for administrator and data contributors
 - Appropriate controls and governance for administrator and data contributors
- b. Transparency and sustainability
 - Clarity of definition
 - Clarity of calculation/setting
 - Acceptable/stable fallback mechanisms
 - Clarity in possible future states of the market and procedures for evolution
 - Does not constrain monetary policy
- c. Sensitivities – clarity and appropriateness of sensitivities, in present and future, to e.g.:
 - Market conditions
 - Credit
 - Liquidity premia
 - Period-end effects
 - Proximity to policy rate
 - Regulatory change
 - Changes in the monetary policy framework

(2) Existence of actual and potential end-user demand for RFR-linked derivatives based on Working Group assessment and outreach to end users

- a. Suitability as reference rate in wholesale markets (e.g. collateral agreements, swaps, clearing agreements, loans, deposits, FRNs), e.g.
 - Extent to which reflects actual market funding rates
 - Benchmark behaves in generally expected manner during normal and non-standard conditions
 - Robust and resilient in times of market stress
 - Ability to be used as a discounting curve for valuation
 - Ability to be used as a risk-free rate for accounting purposes
 - Useable for collateral
 - Ability to develop futures contracts based on benchmark
- b. Suitability as reference rate in retail markets
 - Ease of understanding by non-sophisticated users
- c. Assessment of likely end-user demand for RFR derivatives arising from its prospective use as a reference rate in wholesale/retail applications (e.g. does it decrease basis risk in aggregate?)

(3) Other considerations for adoption/transition

- a. Sterling focussed
 - Ease of calculation
 - Ease /low cost of implementation
 - Ease of adoption as an alternative to LIBOR for relevant contracts
 - Ease of transition from SONIA, in the OIS market, if necessary
 - Same day availability (e.g. at close of business)
 - Ease of building a term curve extension
- b. International considerations
 - Consistent with RFRs chosen for other currencies
 - Accepted internationally