

Working Group on Sterling Risk-Free Reference Rates – Technical Sub-Group for Infrastructure Related Issues

Terms of Reference

Background

- The Working Group on Sterling Risk-Free Reference Rates (the ‘Working Group’) was set up by the Bank of England to recommend a near risk-free reference rate (RFR) and promote its adoption as an alternative to sterling Libor. The Working Group has recommended SONIA as its preferred RFR.
- These terms of reference are for a Technical Sub-Working group (‘sub-Group’) with a specific focus on developing solutions to infrastructure matters relating to transitioning to the SONIA reference rates. The sub-Group continues to be bound by the Working Group’s overall terms of reference.¹

Objectives and output:

- Overall, the sub-Group will catalyse the necessary development by technology, infrastructure and service firms so that the necessary facilities, infrastructure and tools (e.g. clearing, data, messaging, analytics, broker platform, execution facilities and regulatory requirements if applicable, etc.) are available to market participants to enable the adoption of risk free rates (SONIA for GBP)
- The sub-group will assess and examine mechanisms to facilitate a smooth transition of legacy LIBOR linked instruments/ across sterling bond, loan and derivative markets.
- The sub-Group will identify, assess and reach a consensus on the scope and prioritisation of technology and infrastructure changes required in relation to a successful transition to a Sterling RFR reference rate, considering all relevant use cases.
- The sub-Group shall share the transition timeline (key decisions and dates) with the Working Group in order to get approval for publication or formal outreach to the relevant vendors and infrastructure providers to increase awareness of the adoption of SONIA. The sub-Group will also recommend to the Working Group and the communication sub-group a strategy to engage with the vendors and infrastructure providers on the agreed scope of technology and infrastructure changes to identify potential impediments to delivering the changes within the transition timeline.
- The sub-Group will monitor progress of industry readiness in relation to infrastructure change implementation.
- The sub-Group will make recommendations to the Working Group on infrastructure changes, updates and solutions which facilitate the transition away from sterling Libor towards a rate or rates based on SONIA reference rates, having due regard to developments in the broader RFR WG transition work.

Chair

- Siobhan Clarke (M&G)
- Oliver Cooke (NatWest Markets)

Membership and consultative procedures

- Working Group members and other relevant market participants may attend the sub-Group, by invitation or application, with the approval of the sub-Group and Working Group Chairs and subject to logistical constraints (as managed by the sub-Group Chair).
- In any event, the sub-Group will consult with a broad cross-section of market participants where appropriate, through the publication of consultative papers, hosting roundtable events, or

¹ See: www.bankofengland.co.uk/markets/Documents/sterlingoperations/rfr/tor.pdf

otherwise. The types of market participants who may be invited to attend, or be consulted, include but is not limited to: issuers, arrangers, investment firms, asset managers and trading firms.

- Membership of the sub-Group may be reviewed by the sub-Group chair(s) in consultation with the secretariat.
- Interested stakeholders, who would like to be consulted on the work of the sub-Group or attend the meetings, should contact RFR.Secretariat@bankofengland.gsi.gov.uk.
- Representatives from the Bank of England and the FCA will participate as ex-officio members.

Governance and transparency compliance

- Any recommendation to the Working Group shall be agreed by consensus by the members and attendees of the sub-Group. If agreement cannot be reached, the sub-Group Chair will present the relevant options, as well as the final output, for agreement by the Working Group.
- Subject to their approval by the Working Group, updates on the deliberations of the sub-Group will be published regularly, and interim updates may be published if more timely transparency on a particular topic is warranted.
- Any publication relating to the progress and discussed work of the sub-Group (including but not limited to interviews, emails and calls) shall be sent to the Working Group for prior approval. All requests shall be sent in a timely manner allowing adequate time for review and approval of any request.

Confidentiality, competition law and conflicts

- The sub-Group will be subject to the terms of reference of the Working Group in relation to confidentiality, competition law and conflicts of interest.
- In particular, sub-Group members will be responsible for taking their own legal advice in regard to competition law; and any actual or potential conflicts of interest by members, or their representatives, shall be noted by the organisations/individuals concerned and passed back to the Chair of the Working Group.

Conflicts of interest

- Any actual or potential conflicts of interest by members, or their representatives, shall be noted by the organisations/individuals concerned and passed back to the Chair of the Working Group. The Chair of the Working Group will assess any raised conflict of interest in conjunction with the impacted members' assignments and responsibilities, and engage with its own legal advisors, the BoE and the FCA for possible actions, including the replacement of the conflicted members.
- The BoE or the FCA may provide guidance to the sub-Group, including by suggesting specific objectives, amending these Terms of Reference, or refreshing the membership as necessary, in order to achieve the overall objective set out above.