

# RFR Working Group – Sub-Group for the Adoption of SONIA by Pension Funds and Insurance Companies

## 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 sub-working group (‘sub-Group’) with a specific focus on the adoption of SONIA by pension funds and insurance companies. The sub-Group continues to be bound by the Working Group’s overall terms of reference.<sup>1</sup>

### Objectives and output:

- Develop a strategy to promote the widespread adoption of SONIA as an interest rate hedging and trading instrument by pension fund managers and insurance companies.
- Identify any potential obstacles to the adoption SONIA and propose corresponding solutions, potentially through the publication of technical documents.
- Develop a strategy to encourage the conversion of existing portfolios which currently reference Libor, to instead reference SONIA.
- Develop metrics of success for sub-group members, possibly by issuing surveys for market participants to complete.

### Chairs

- Chirag Dave (Goldman Sachs); David Cobbald (Pension Protection Fund)

### Membership and consultative procedures

- Working Group members, who wish to participate in this sub-Group, will nominate representatives from their organisations to join the sub-Group.
- Other relevant market participants may join 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). If admittance is refused the applicant may appeal to the Bank or FCA.
- 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 otherwise. The types of market participants who may be invited to attend, or be consulted, includes but is not limited to: pension fund managers, liability-driven investment managers, banks or dealers, insurance companies, pension fund investment consultants, trustees and relevant trade associations.
- Interested stakeholders, who would like to be consulted on the work, or join the sub-Group, should contact [RFR.Secretariat@bankofengland.gsi.gov.uk](mailto:RFR.Secretariat@bankofengland.gsi.gov.uk).
- Representatives from the Bank of England and the FCA will participate as *ex-officio* members.

### Governance

- Any recommendations, actions or publications shall be agreed by consensus by the members 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.

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<sup>1</sup> See: <https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr-terms-of-reference.pdf?la=en&hash=8AFDB1E6B8F0353EF38C516B65C5A439E9EFE867>

- In all other respects, the sub-group will be subject to the Governance procedures of the Group. In particular, sub-group members will comply with competition law and will be responsible for taking their own legal advice in that regard.

### **Reporting and transparency**

- The Sub-group will make regular verbal or written updates to the Working Group, including summarising the views of any other market participants consulted. A summary of these updates will be recorded in the Working Group's published minutes.

### **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.