

Freely Available Independent RFR Calculator Summary

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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

- The overall objective of the Working Group on Sterling Risk-Free Reference Rates ("RFRWG") is to catalyse a broad-based transition to SONIA by the end of 2021 across the sterling bond, loan and derivative markets, in order to reduce the financial stability risks arising from the widespread reliance of financial markets on GBP LIBOR.
- 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 published 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, who will aggregate the feedback to support any further refinement of this paper.

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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.

		IHS Markit	ICE Benchmark Administration	NatWest	Comments
Website Link		https://rfrcalculator.ihsmarkit.com	www.theice.com/iba/rfr-portal	www.RealisedRate.com	
Compounded Rate method	Cumulative Compounded Rate	✓	✓	✓	Markit calculator is mainly based on “Compound the balance method” but also calculates 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.