The Working Group on
Sterling Risk-Free Reference Rates

Term SONIA Reference Rate Publication Summary

October 2020

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This paper is a summary of the key attributes of Beta versions of Term SONIA Reference Rates ("TSRRs") published by independent benchmark administrators. The information presented is to the best of the RFRWG's knowledge up to date at the point of publication.

Overview

- The Sterling Risk Free Rate Working Group (RFRWG) consulted on Term SONIA Reference in 2018 [Ref 1]. Following this, the Working Group acknowledged the need for a forward-looking term rate for some participants in the cash markets and to support the transition of certain legacy contracts.
- In December 2018, the RFRWG published a statement inviting interested benchmark administrators to consider the summary of responses to the TSRR consultation and to share any views on the development of such benchmarks [Ref 2]. Since then, three benchmark administrators have made available free to use Beta TSRRs at the time of publication - FTSE Russell, ICE Benchmark Administration and Refinitiv.
- The benchmark administrators who are producing TSRRs have agreed to do so in 'beta' form initially and have indicated that the beta period would continue through the summer and autumn of 2020. Discussions around removal of the beta tag are expected towards the end of 2020.
- The RFRWG has recommended the market adopt a broad-based transition to SONIA compounded in arrears, with use of a TSRR being limited.
- The RFRWG's Term Rate Use Case Task Force (the "Task Force") was formed to identify where the usage of SONIA compounded in arrears is appropriate and provide guidance where the usage of alternative approaches, such as a TSRR, may be necessary. This paper should be read in conjunction with the "Use Cases of Benchmark Rates: Compounded in Arrears, Term Rate and Further Alternatives" released by the Task Force in January 2020. [Ref 4].

References:

1. https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/term-sonia-reference-rates-consultation-summary-of-responses.pdf?la=en&hash=CFD2AB11A3156B31CB15030962ECA9987BEFCED8
2. https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/libor-transition-and-development-of-a-term-rate-based-on-sonia.pdf
3. https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/rfr-working-group-roadmap.pdf?la=en&hash=92D95DFA056D7475CE395B64AA1F6A099DA6AC5D
4. https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/use-cases-of-benchmark-rates-compounded-in-arrears-term-rate-and-further-alternatives.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 and ii) consider whether any amendments may be required to their systems or products ahead of transition to TSRRs (where such transition is appropriate).
- The focus of this paper has been restricted to SONIA term rates and is purely an overview of key features. This paper aims to cover:
    - Current availability of 'Beta' TSRRs
    - High level features of 'Beta' TSRRs
    - Helpful links to sites to enable market participants and vendors to access information and undertake their own analysis and determinations.

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.

Term SONIA Reference Rate - Capability Matrix

SONIA Term Rates are evolving and rates are presently available on some sites of independent benchmark administrators. The undernoted table highlights the key attributes of the TSRRs provided by independent benchmark administrators as of the date of this publication.

	FTSE Russell	ICE Benchmark Administration (IBA)	Refinitiv
Tenors Published (*In Beta form*)	1,3, 6 & 12 month forward looking Beta term rates	1,3 & 6 month forward looking Beta term rates	1,3, 6 & 12 month forward looking Beta term rates
First Publication Date	06-Jul-20	26-Jun-20	01-Jul-20
Where can it be found	https://www.ftserussell.com/products/indices/tsrr-sonia	www.theice.com/iba/rfr-portal	http://www.refinitiv.com/termsonia
History since	31-Mar-20 (via website)	26-Jun-20 (via website)	1-Jul-20 (via website and Refinitiv products)
Publication Frequency	Daily at around 11.50am	Daily at around 11.55am	Daily at 11.50am
Methodology Available	https://content.ftserussell.com/sites/default/files/indicative_ftse_term_sonia_reference_rates_methodology_overview_1.pdf	https://www.theice.com/publicdocs/data/TSRR_-_Calculation_Methodology.pdf	http://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/term-sonia-methodology.pdf
Methodology Waterfall	Yes	Yes	Yes
Level 1	Based upon SONIA OIS Order Book data (committed quotes) from 2 Interdealer Brokers MTFs (TPICAP's iSwap and Tradition's TradX (10 minute window, 10:55-11:05am London time))	Based upon SONIA OIS Order Book data (committed quotes) from 3 Interdealer Brokers MTFs (TPICAP's iSwap, BGC Partners' BGC Trader and Tradition's TradX (120 minute window, 9-11am London time))	Based upon SONIA OIS Order Book data (committed quotes) from 2 Interdealer Brokers MTFs (TPICAP's iSwap and Tradition's TradX (20 minute window, 10:50-11:10am London time))
Level 2	Based upon SONIA Futures quotes data - *under development*	Based upon Tradeweb (Dealer to Client) OIS Quotes - *under development*	Based upon Tradeweb (Client to Dealer) OIS Quotes
Level 3		Based upon ICE SONIA Futures quotes data from 9-11am - *under development*	Apply T-1 compounded SONIA to previous day's Term SONIA rate
Level 4		ICE 1 month SONIA Futures T-1 settlement prices (data available since Oct 2018)	
Comments		12 month through 30 years SONIA ICE Swap Rate to be added from late Sept in 'beta' form	12 month rate added officially from 1st September 2020