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
         o Credit
         o Liquidity premia
         o 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