



# Minutes

## SONIA Advisory Committee

16 March 2017

---

**Location:** Bank of England

**Members:** Sarah John (Chair)  
Alex McDonald  
David Clark  
Philip Chilvers  
Brad Jeffery  
Will Parry  
Rob Thurlow  
Peter Weston  
Philip Whitehurst

**Attendees:** Rob Harris  
Steve Wright  
Joanna McLafferty

**Apologies** Ian Mair

---

Minute no.	Minute	Action
1.	<p><b>Review of the SONIA Dashboard</b></p> <p>The Committee reviewed the SONIA Dashboard covering the period of December 2016 to February 2017.</p> <p>SONIA had been stable throughout the period, with the exception of year-end, when the rate fell significantly compared to previous quarter-ends. It was noted that daily trading volumes had increased over the quarter with the exception of year-end. There was a brief discussion of possible reasons driving the volume increase, including: substitution out of Treasury Bills or secured markets; substitution down the maturity curve; and cross-currency arbitrage.</p> <p>There were five contributor reporting issues during the quarter; none had impact on SONIA above the 1 basis point re-publication threshold. The Committee members expressed their general impression that the number of contributors' reporting and system issues had been steadily falling.</p>	N/A
2.	<p><b>Reform of SONIA: supplementary consultation</b></p> <p>The Bank updated the Committee on the supplementary consultation for reformed SONIA and the revised timeline of the reform. The consultation was due to close on 16 March.</p> <p>Overall, the Committee members agreed that the currently proposed methodology (volume-weighted trimmed mean) was preferred to the previously proposed volume-weighted median. There was some support for an untrimmed volume-weighted mean, but it was recognised that reduction of the influence of outliers, through trimming, would be beneficial.</p> <p>There was also a discussion on the appropriate level of additional information the Bank intended to publish alongside the SONIA rate. The Committee noted that there was no specific need for any additional statistics to be made public but agreed that the Bank's proposal to publish aggregate volumes and 10<sup>th</sup>, 25<sup>th</sup>, 75<sup>th</sup> and 90<sup>th</sup> percentile rates would not risk disclosing information that</p>	N/A

could aid benchmark manipulation attempts, while maintaining some transparency around the benchmark inputs. In the discussion, it was noted that transparency would benefit infrequent or inexperienced market participants understanding of the distribution of interest rates. By contrast, some felt that it could lead to queries within market participants as to why they are trading at a specific point within the distribution of rates.

3. **Operational Impact Assessment: incident escalation lines and procedures** N/A

WMBA summarised their new approach to categorising events and procedures for escalation. The purpose of this operational impact assessment was to determine the level of impact that an event had on the SONIA benchmark; to set out the mitigating controls in place to avoid the occurrence or repeat of an event; and outline the actions that would be taken by the WMBA, including when an incident report would be raised and identifying when and to who the escalation of events would be required.

The Committee noted the document was comprehensive and agreed with the proposed event categorisation and escalation processes.

4. **Operational update** N/A

WMBA updated the Committee on the progress of the Business Continuity Testing which had reached its final stage and was due to be completed soon.

WMBA informed the Committee that an external assurance review of SONIA was due to start in April. The broad scope of the review would cover the WMBA's operations compared to the IOSCO Principles for Financial Benchmarks and the FCA's Market Conduct sourcebook (MAR 8.3).