



BANK OF ENGLAND

News release

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Sterling money market data collection and the reform of SONIA

The Bank of England has today published the revised arrangements for its new sterling money market data collection. This reflects feedback received on the Bank's July 2015 consultation, *A new sterling money market data collection and the reform of SONIA*.

Respondents to the consultation expressed broad support for the Bank's plans for the reform of the Sterling Overnight Index Average (SONIA) benchmark interest rate. Many noted that the inclusion of deposit transactions negotiated bilaterally as well as those arranged via brokers was a logical step which should significantly increase the volume of transactions in the calculation of the benchmark, thereby enhancing its robustness.

The Bank has responded to feedback by allowing approximately three further months preparation time for reporting institutions to prepare for the start of the new data collection.

The Bank today also confirms that the daily publication of the SONIA benchmark will be moved to 09.00 on the business day following that to which the rate refers, as was proposed in the July consultation. This change will come into effect at the point the Bank commences the publication of reformed SONIA, anticipated to be in Q2 2017.

The Bank will consult on its detailed plans for the reform of SONIA in late summer 2016.

Notes to Editors

1. The Bank's Executive Director for Markets, Chris Salmon, announced in March 2015 (www.bankofengland.co.uk/publications/Documents/speeches/2015/speech811.pdf) that the Bank planned to begin a new data collection exercise and that it was working with the WMBA on the future evolution of SONIA.

2. The new data collection will secure and improve the information available to the Bank on conditions in sterling money markets, which is an important input to the decisions of the Monetary Policy Committee and Financial Policy Committee. The Bank will collect transaction-level data from banks, building societies and major investment firms on their secured and unsecured sterling money market activity. This will provide the Bank with a better understanding of developments in short-term interest rates, benefiting the Bank's analysis of both monetary and financial conditions. It will also provide a richer picture of activity in the sterling money market, enabling the Bank to better assess overall market effectiveness.

3. The Bank published its consultation *A new sterling money market data collection and the reform of SONIA* in July 2015: <http://www.bankofengland.co.uk/publications/Pages/news/2015/062.aspx> .

4. The *Summary of consultation feedback and the Bank's response* sets out the issues raised through the July 2015 consultation and the Bank's response, describing, where applicable, how the Bank has modified its plans for its data collection and the reform of SONIA (<http://www.bankofengland.co.uk/markets/Documents/sonia1115.pdf>).

5. The *Sterling Money Market Data Collection Reporting Instructions* detail how the sterling money market data collection will operate, incorporating the feedback received from the July 2015 consultation (www.bankofengland.co.uk/statistics/Documents/reporters/defs/instructions_smm.pdf).

6. SONIA was introduced in March 1997 and is currently administered by the WMBA. SONIA is currently calculated as the daily weighted average interest rate of unsecured sterling overnight cash transactions over £25 million which are brokered in London by contributing members of the WMBA. It is currently published approximately 40 minutes after the 16.20 daily close of the sterling money markets.

7. SONIA is a critical benchmark and is widely used by wholesale market participants including as the reference rate for the sterling Overnight Indexed Swap (OIS) market. The notional value of outstanding sterling OIS contracts exceeds £10 trillion and, in addition, the OIS curve is used to value major sterling swap portfolios with an estimated notional outstanding value of £35 trillion.

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