



BANK OF ENGLAND



# News release

**BoE Press Office**

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

[press@bankofengland.co.uk](mailto:press@bankofengland.co.uk)

[www.bankofengland.co.uk](http://www.bankofengland.co.uk)

**WMBA Press Office**

Warnford Court

29 Throgmorton Street

London EC2N 2AT

T 020 7947 4900

F 020 3292 1592

[wmba@wmba.org.uk](mailto:wmba@wmba.org.uk)

[www.wmba.org.uk](http://www.wmba.org.uk)

---

13 April 2016

## **Bank of England to become administrator of SONIA interest rate benchmark**

The Bank of England and the Wholesale Markets Brokers' Association (WMBA) are today announcing that the Bank of England will become the administrator of the Sterling Overnight Index Average (SONIA) interest rate benchmark on 25 April 2016.

From 25 April the Bank will assume overall responsibility for the SONIA benchmark and will provide oversight and governance. The WMBA will continue to calculate and publish SONIA, in exactly the same way as at present, but on behalf of the Bank. The Bank will administer SONIA in line with international best practice, as encapsulated by the IOSCO Principles for Financial Benchmarks. Further details have been published today on the Bank's website [www.bankofengland.co.uk/markets/Pages/benchmarks/sonia.aspx](http://www.bankofengland.co.uk/markets/Pages/benchmarks/sonia.aspx).

The Bank becoming administrator is a key step in the SONIA reform process it announced in July 2015.

The Bank views reform of SONIA as necessary, given its role as a critical benchmark in sterling markets, and in view of the limited size of the market for brokered deposits, on which SONIA is currently based.

The Bank plans to broaden the range of transactions underpinning SONIA to include bilaterally negotiated, as well as brokered, transactions in order to make it more resilient.

The Bank's new money market data collection, also announced in July 2015, will provide comprehensive coverage of sterling unsecured overnight deposit transactions and, once fully established, will be used as the data source for reformed SONIA. It is anticipated that SONIA will transition to the new basis in Q2 2017.

The Bank will issue a further consultation on its plans to reform the SONIA benchmark in late summer 2016.

ENDS

## 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](http://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 – currently the administrator of SONIA – on the future evolution of the benchmark.
2. SONIA was introduced in March 1997 by the WMBA and is currently administered by the WMBA Limited. 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 ([www.wmba.org.uk](http://www.wmba.org.uk)).
3. SONIA 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, as reported by DTCC at end-March 2016, exceeded £4 trillion.
4. Following the recommendation by the Fair and Effective Markets Review ([www.bankofengland.co.uk/markets/Documents/femraug2014.pdf](http://www.bankofengland.co.uk/markets/Documents/femraug2014.pdf)) and subsequent consultation by HM Treasury, SONIA was designated as a specified benchmark under the Financial Services and Markets Act 2000. WMBA Limited has been regulated by the Financial Conduct Authority (FCA) as a Benchmark Administrator, since April 2015.
5. The Bank published its consultation *A new sterling money market data collection and the reform of SONIA* in July 2015: [www.bankofengland.co.uk/markets/Documents/cpsonia0715.pdf](http://www.bankofengland.co.uk/markets/Documents/cpsonia0715.pdf). This anticipated that with the support of WMBA, the Bank would take over the administration of SONIA.
6. The Bank published its *Summary of consultation feedback and the Bank's response* in November 2015: [www.bankofengland.co.uk/markets/Documents/sonia1115.pdf](http://www.bankofengland.co.uk/markets/Documents/sonia1115.pdf). This set out the issues raised through the July 2015 consultation and the Bank's response, describing, where applicable, how the Bank had modified its plans for its data collection and the reform of SONIA.
7. The International Organisation of Securities Commissions (IOSCO) set out principles for benchmark administrators in its report *Principles for Financial Benchmarks, July 2013*: [www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD415.pdf).