



BANK OF ENGLAND

News release

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Bank confirms SONIA's compliance with IOSCO benchmark principles

The Bank has today published its [Statement of compliance with the IOSCO principles for Financial Benchmarks](#). This shows the Bank complies with the principles, and therefore with international best practice, in its administration of SONIA. The statement has been independently assured by Ernst and Young.

SONIA was recommended by the Working Group on Sterling Risk-Free Reference Rates as the preferred risk-free rate for sterling markets in April 2017 and work is underway to transition away from sterling Libor to SONIA. At its June 2018 meeting the Financial Policy Committee judged that "continued reliance of financial markets on Libor poses a risk to financial stability that can be reduced only through a transition to alternative rates".

This IOSCO compliance statement plays an important role in this transition process by providing transparency over the administration of SONIA to the expanding set of SONIA users.

The IOSCO Principles were published in 2013 and have since been endorsed by the Financial Stability Board, the G20's body for international coordination of financial sector policies, as part of their reform work following benchmark manipulation scandals. The principles have since been adopted widely by benchmark administrators.

Today's publication is an important step in demonstrating the Bank's commitment to meeting international best practice in its administration of SONIA. In complying with the principles, the Bank is meeting best practice in governance, quality of benchmark determinations, quality of methodology and accountability.

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Notes to editors:

1. SONIA is a measure of the rate at which interest is paid on sterling short-term wholesale funds in circumstances where credit, liquidity and other risks are minimal. It is widely used by wholesale market participants including as the reference rate for the sterling Overnight Indexed Swap (OIS) market and as the basis of the discounting of sterling denominated liabilities.
2. The International Organization of Securities Commissions (IOSCO) set out principles for benchmark administrators in its report [Principles for Financial Benchmarks July 2013](#).
3. The [Record of the Financial Policy Committee meeting held on 19 June 2018](#) shows the Committee's discussion of the risks posed by continued reliance of financial markets on Libor. The topic was further discussed in the [June 2018 Financial Stability Report](#), in particular Box 5: Financial stability risks around Libor.
4. Recent published materials relating to RFR transition include: Andrew Bailey (Chief Executive of the Financial Conduct Authority) speech [Interest rate benchmark reform: transition to a world without LIBOR](#); a FSB Official Sector Steering Group paper: [Overnight risk-free rates and term rates](#); an ISDA consultation on [Libor fallbacks in derivative contracts](#); a Working Group on Sterling Risk-Free Reference Rates (RFR WG) [Consultation on Term SONIA Reference Rates](#); and a RFR WG paper on [New issuance of Sterling bonds referencing Libor](#).
5. The [SONIA Key features and policies document](#) provides users of SONIA with relevant information regarding benchmark determination, publication and governance. Further information can be found at www.bankofengland.co.uk/markets/sonia-benchmark.
6. [The Financial Stability Board's endorsement of the IOSCO Principles for Financial Benchmarks](#).