

Refinitiv Term SONIA

UK Finance

October 2020

REFINITIVTM



Agenda

1. Introduction to Refinitiv
2. Methodology
3. Performance
4. Governance
5. Access and delivery timelines



Section 1

Introduction to Refinitiv

Introduction to Refinitiv

Company overview

- Refinitiv is one of the world's largest providers of financial markets data and infrastructure, serving over 40,000 institutions in over 190 countries



Operate regulated trading venues (e.g. FX All, Matching)



Distribute data via real time (e.g. Elektron) and end of day feeds (e.g. DataScope) as well as terminals (e.g. Eikon and Workspace)

Benchmarks & indices overview

- Financial Benchmarks and Indices is a core Refinitiv business
 - Many years' experience designing, calculating, administrating, and distributing benchmarks
 - Administer submission, trade-based and quote-based benchmarks
 - Cover multiple asset classes including FX (WM/R), commodities (Thomson Reuters/CoreCommodity CRB) interest rates (CDOR, SAIBOR) and convertibles (Thomson Reuters Convertible Indices)
 - Major benchmarks are administered by RBSL¹, an authorised Benchmark Administrator under European Union Benchmark Regulation (EU BMR) and are compliant with the IOSCO Principles for Financial Benchmarks

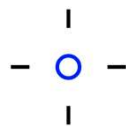

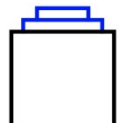


1. Refinitiv Benchmark Services (UK) Limited



Section 2

Methodology

Design principles

-  **Accurate:** Source the highest quality data that accurately reflects market pricing
-  **Robust:** Waterfall methodology allows publication of an accurate rate in even the most challenging market conditions
-  **Replicable:** Users can easily replicate the rate by trading during the collection window
-  **Anti gaming:** Conduct pre-publication quality checks and post-publication monitoring and surveillance as well as numerous anti-gaming methodology features
-  **Strong governance:** Subject to the highest regulatory standards



Refinitiv Term SONIA prototype is based on the SONIA OIS market

Waterfall methodology

1 | Interdealer MTF sourced electronic executable quotes from aggregated order books for centrally cleared, spot starting SONIA OIS contracts

2 | Institutional trading platform sourced streaming bid and offer quotes from individual dealers for centrally cleared spot starting SONIA OIS contracts



Output

- Tenors: 1M, 3M, 6M, 12M
- 11:50UK

+fallback | Compounded SONIA in advance

Note: Expert Judgment is not exercised

Methodology (1/3)

Waterfall: Level one

Features & benefits

Topic	Description
Source	<ul style="list-style-type: none">Two major interdealer MTF CLOBs
Data type	<ul style="list-style-type: none">Executable bid and offer quotes from order books for centrally cleared, spot starting SONIA OIS contracts
Eligibility	<ul style="list-style-type: none">Volume-weighted bid and offer prices subject to a maximum spread and minimum size
Collection Window	<ul style="list-style-type: none">20-minute window 10:50 to 11:10 is divided into 40 30-second segments
Sampling	<ul style="list-style-type: none">Data collected at a predefined point in each 30 second segment
Calculation	<ul style="list-style-type: none">Volume weighted average bid and offer prices calculated from each side of the order book based on clearing a configured notional amount through either side of the order bookMid price calculated as the simple average from the volume weighted bid and offerThe mid price for each segment from all MTF CLOBs is determined and sorted from high to lowThe median rate is determined and used as the final term reference rate
Minimum threshold	<ul style="list-style-type: none">If fewer than 36 eligible mid-prices are generated (out of a potential of 80), level 2 will be adopted

- Data source is consistent with recommendations from Consultation on Term SONIA Reference Rates¹
- Multiple sources capture majority of interdealer activity; and ensure robust rate if loss of liquidity in single venue
- Collection window optimises balance between anti-gaming and replicability
- Calculation has anti-gaming features

1. Published by The Working Group on Sterling Risk-Free Reference Rates in November 2018



Methodology (2/3)

Waterfall: Level two

		Features & benefits
Topic	Description	
Source	<ul style="list-style-type: none">One major institutional trading platform	<ul style="list-style-type: none">Input data is persistent during volatile periods; for example sufficient liquidity was maintained during S&P 500's fifth-biggest one day fall on record allowing continued publication of the rate
Data type	<ul style="list-style-type: none">Streaming bids and offers from individual dealers for centrally cleared spot starting SONIA OIS contracts	
Eligibility	<ul style="list-style-type: none">Each dealer quote is subject to<ul style="list-style-type: none">a maximum bid-offer spread, and;a minimum volume on both bid and offer	
Collection Window	<ul style="list-style-type: none">20-minute window 10:50 to 11:10 is divided into 40 30-second segments (as per L1)	
Sampling	<ul style="list-style-type: none">Data collected at a predefined point in each 30 second segment	<ul style="list-style-type: none">Produces near identical results to level 1
Calculation	<ul style="list-style-type: none">The mid price for each dealer bid-offer quote is determined and sorted from high to lowThe median rate is determined and used as the final term reference rate	
Minimum threshold	<ul style="list-style-type: none">Both conditions (1) and (2) must be met or the following level will be adopted<ol style="list-style-type: none">4 dealers must each have 10 eligible mid pricesAt least 100 eligible mid prices	<ul style="list-style-type: none">Adopts same anti-gaming features as level 1

Methodology (3/3)

Waterfall: Integrated fallback

Features & benefits

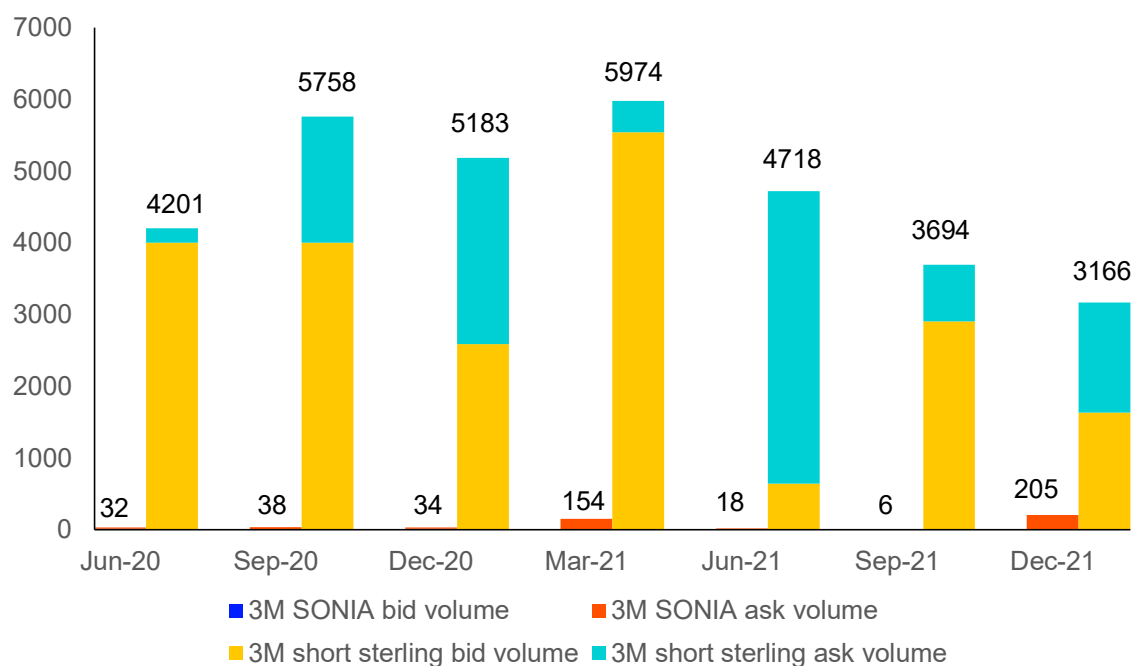
Topic	Description
Source	<ul style="list-style-type: none">Refinitiv compounded SONIA index calculation (using standard compounding methodology)
Data type	<ul style="list-style-type: none">Compounded SONIA in advance
Eligibility	<ul style="list-style-type: none">Valid publication of SONIA
Collection Window	<ul style="list-style-type: none">Single collection of SONIA on publication and Refinitiv compound calculation
Sampling	<ul style="list-style-type: none">N/A
Calculation	<ul style="list-style-type: none">T-1 Term Reference Rate spread to T-1 compounded SONIA Index applied to compounded SONIA Index on T
Minimum threshold	<ul style="list-style-type: none">If SONIA benchmark is not published by the Bank of England, a “No Fix” notice will be issued

- Ensures rate is published in almost all circumstances

Methodology development

L3: Best bid / ask volume – 3M SONIA vs. 3M Short Sterling

Contracts (#) by delivery month, 19-May at 11:10 (London time)



1. 12-March 2020

- Futures data has initially been excluded from the methodology as
 - Level 2 is highly robust: Sufficient liquidity to calculate Refinitiv Term SONIA on S&P 500's fifth-biggest one day fall on record due to COVID-19¹
 - Insufficient liquidity in SONIA futures: Depth of market on 3M SONIA futures is ~1% of the 3M short sterling futures
- Refinitiv continue to monitor liquidity in the futures market and will review inclusion in Refinitiv Term SONIA methodology once complementary to OIS data

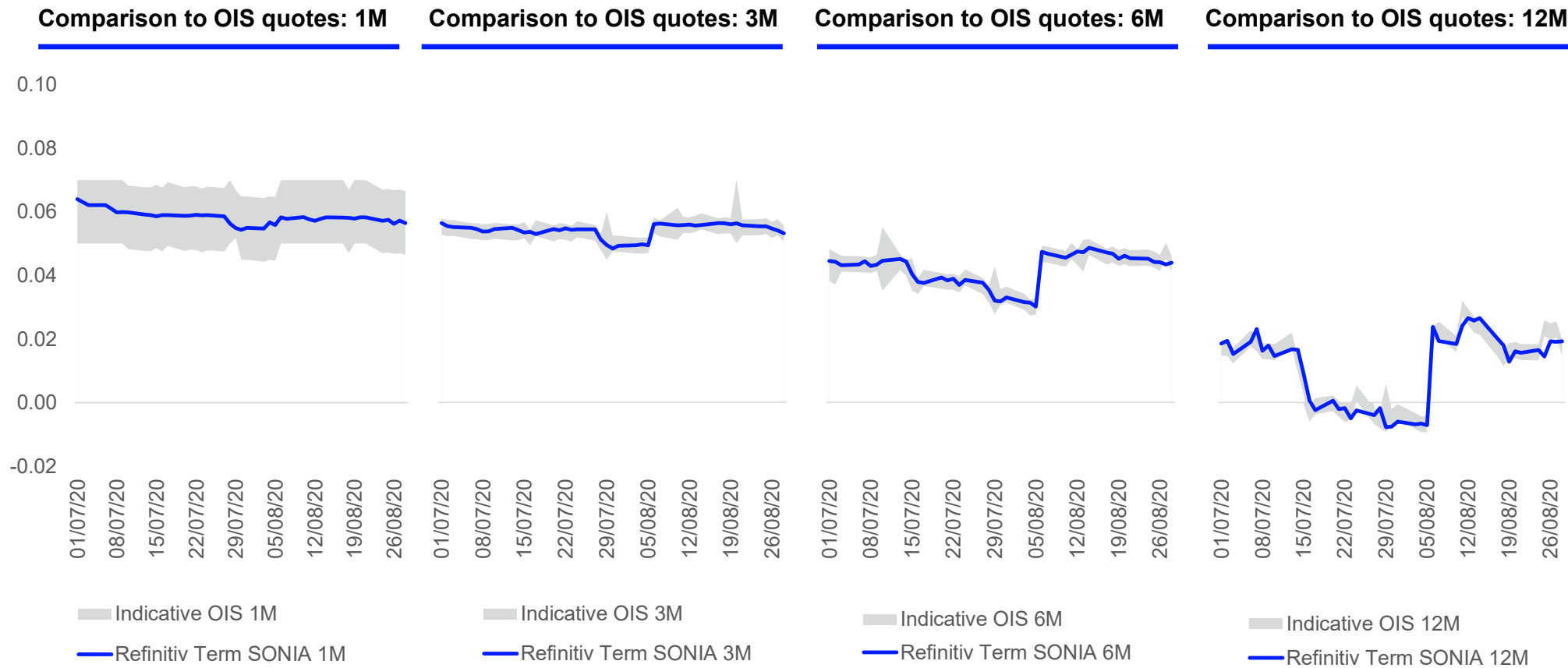


Section 3

Performance

Refinitiv Term SONIA vs. indicative OIS quotes

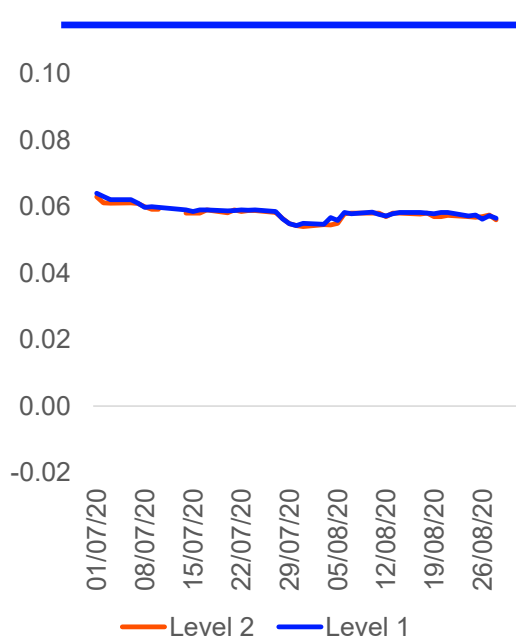
Refinitiv Term SONIA performance is consistent with GBP OIS indicative quote data



Refinitiv Term SONIA Level 1 vs. Level 2 output

Refinitiv Term SONIA values produced using Levels 1 and 2 of the waterfall have an absolute difference materially smaller than 0.1 bps

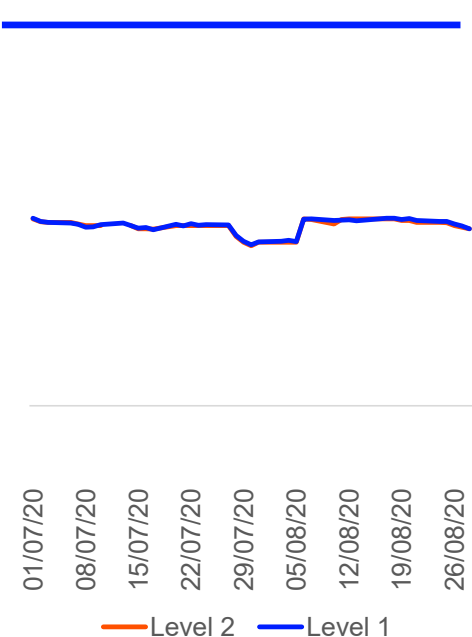
L1 vs. L2: 1M



Absolute difference (bps)

Avg.	0.055
Max	0.222
Min	0.000

L1 vs. L2: 3M



Absolute difference (bps)

Avg.	0.030
Max	0.101
Min	0.000

L1 vs. L2: 6M



Absolute difference (bps)

Avg.	0.032
Max	0.094
Min	0.002

L1 vs. L2: 12M

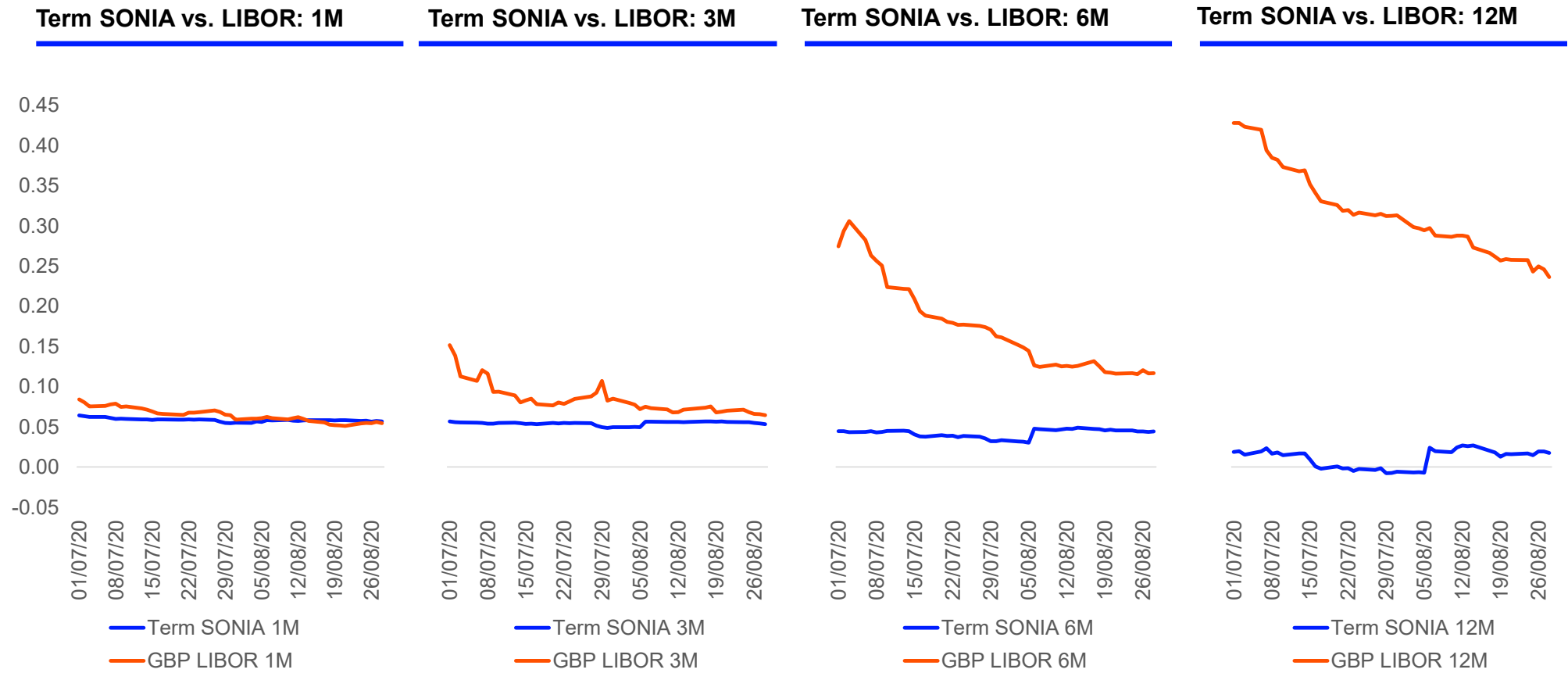


Absolute difference (bps)

Avg.	0.036
Max	0.125
Min	0.000

Refinitiv Term SONIA vs. GBP LIBOR

Due to a lack of credit spread Refinitiv Term SONIA behaves differently to GBP LIBOR

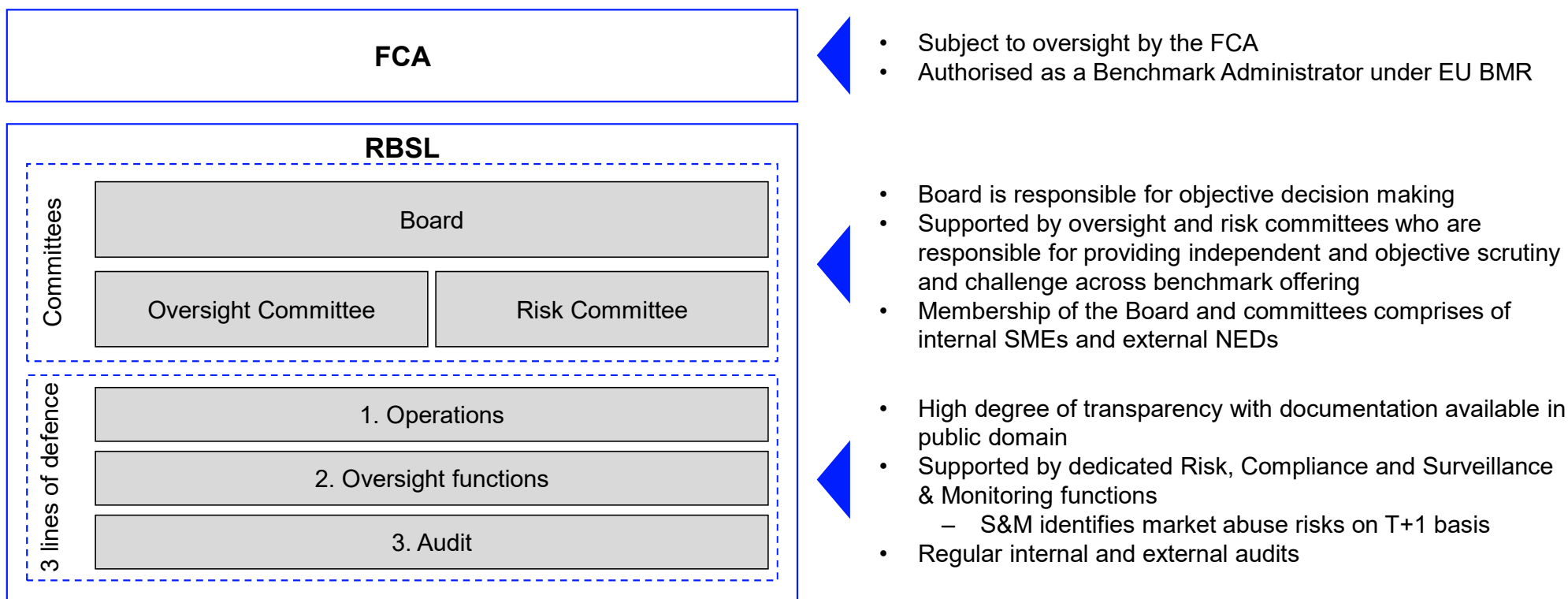




Section 4

Governance

Governance





Section 5

Access and delivery timelines

Refinitiv Term SONIA is available through Refinitiv products and our website



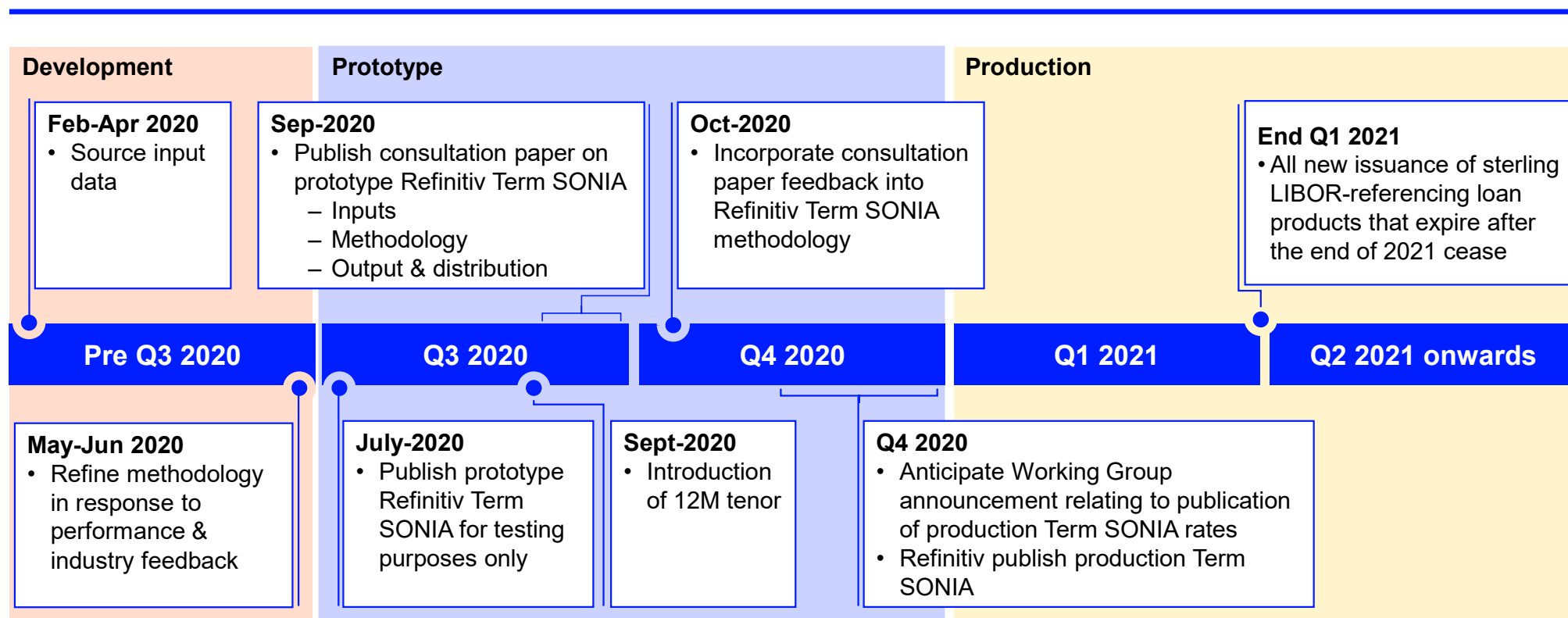
REFINITIV TERM SONIA

Website

- Multiple delivery channels
 - Real time feed: Elektron
 - Intra / end of day feed: DataScope
 - Terminal: Eikon & Workspace
 - Web: refinitiv.com/termsonia
- Accessible using RIC identifiers
 - 1M: <GBPTRR1M=RFTB>
 - 3M: <GBPTRR3M=RFTB>
 - 6M: <GBPTRR6M=RFTB>
 - 12M: <GBPTRR1Y=RFTB>
- Seeking to integrate with extensive network of partners

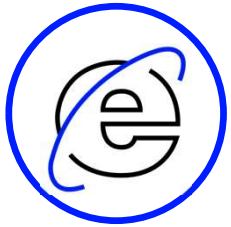
Date	1 Month TSRR	3 Month TSRR	6 Month TSRR	12 Month TSRR
02/09/2020	0.05650	0.05265	0.04177	0.01327
01/09/2020	0.05689	0.05284	0.04222	0.01706
28/08/2020	0.05650	0.05300	0.04375	0.01911
27/08/2020	0.05725	0.05389	0.04325	0.01900
26/08/2020	0.05625	0.05450	0.04394	0.01915
25/08/2020	0.05749	0.05524	0.04398	0.01440
24/08/2020	0.05718	0.05523	0.04505	0.01643
21/08/2020	0.05825	0.05553	0.04516	0.01555
20/08/2020	0.05825	0.05615	0.04595	0.01600
19/08/2020	0.05790	0.05585	0.04505	0.01270
18/08/2020	0.05809	0.05617	0.04659	0.01790
17/08/2020	0.05820	0.05628	0.04698	0.01999
14/08/2020	0.05828	0.05561	0.04848	0.02643
13/08/2020	0.05783	0.05545	0.04705	0.02562
12/08/2020	0.05714	0.05575	0.04733	0.02638
11/08/2020	0.05768	0.05559	0.04626	0.02400

Refinitiv Term SONIA roadmap

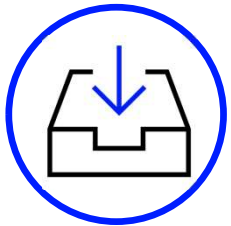


Note: Subject to revisions and amendments

Contact details



<https://www.refinitiv.com/termsonia>



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Thank you