November 2025

FTSE Term SONIA

Methodology consultation March 2025 outcome statement

FTSE
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Contents

1. Introduction

Refinitiv benchmarks have been rebranded and are now part of FTSE Russell, a London Stock Exchange Group business. For further details about this change, please visit https://www.lseg.com/content/dam/lseg/en_us/documents/faq/benchmark-and-indices-rebrand-faqs.pdf.

FTSE Russell is a leading calculator and administrator of benchmarks and indices. FTSE Russell administers various interest rate benchmarks including but not limited to Saudi Arabian Interbank Offered Rate (SAIBOR), FTSE USD IBOR Cash Fallbacks (the ARRC's recommended fallback rates), Tokyo Swap Rate and FTSE Term €STR.

Following a prototype period, on 11 January 2021 FTSE Russell commenced production of the FTSE Term SONIA benchmark. This rate was designed to support those markets and market participants identified by the Working Group on Sterling Risk-Free Reference Rates, who were not well suited to using SONIA compounded in arrears.

The benchmark comprises four tenors: 1 month, 3 months, 6 months and 12 months and is published at 11:50 (London Time) on each business day. It is calculated using a waterfall methodology that is comprised of two levels: "Level 1", the primary source, and "Level 2", the secondary source that's used if there is insufficient Level 1 data. If neither Levels 1 nor 2 have sufficient data, the integrated fallback level is used to determine the published benchmark. Input data for the calculation of Level 1 is executable quotes for spot starting SONIA Overnight Index Swap ("OIS") contracts taken from dealer-to-dealer Multilateral Trading Facilities ("MTFs"). Input data for the calculation of Level 2 is a dealer-to-client trading platform. Input data for the integrated fallback level is compound overnight SONIA and historical FTSE Term SONIA values.

In March 2025, FTSE Russell issued a consultation paper to collect feedback on the proposed addition of a new Level 3 to the FTSE Term SONIA methodology. This new level 3 would only be used to determine the published benchmark if there was insufficient data to calculate the benchmark using either of the existing levels 1 and 2. The new proposed level 3 methodology is similar in design to Level 2 of the Tokyo Swap Rate methodology, where indicative bid and offer quotes are combined with any individual dealer executable bid and offer quotes that may be available from Tradeweb (but where such executable bid and offer quotes from Tradeweb are not sufficient to achieve the threshold required for Level 2 of the methodology's waterfall).

FTSE Russell received no feedback on this consultation paper.

2. Executive summary

As FTSE Russell received no responses to the consultation, it is assumed that users of the FTSE Term SONIA benchmark had no concerns with the proposed changes to the methodology, so FTSE Russell intends to implement the new level 3 as specified in the consultation paper. This methodology change is scheduled to take effect on 15 December 2025.

3. Summary of feedback received and planned changes to FTSE Term SONIA

The March 2025 FTSE Term SONIA consultation was published on the FTSE Russell website, and FTSE Russell notified users, for whom it had contact details, about the consultation paper multiple times but received no responses. FTSE Russell assumes this is because:

- the proposed new "level 3" will be used to determine the published benchmark only when there is insufficient data to calculate it using levels 1 and 2, and the historical analysis suggests that this scenario will likely occur on an infrequent basis; and,

- analysis included in the consultation paper for the period December 2023 to November 2024 showed the proposed new level 3 output is similar to the published FTSE Term SONIA rate.

FTSE Russell intends to implement the proposed new level 3 methodology summarised below. It will only be used to determine the published rate if there is insufficient data to calculate the benchmark using levels 1 or 2.

On the day of benchmark determination, FTSE Russell will sample the most recent indicative SONIA OIS bid and offer quotes published by each of BGC Partners, Fenics, and Tradition, as well as Tradeweb composites every 30 seconds from 10:50 to 11:10 London time. For each pair of quotes with a bid offer spread within the predefined tolerance a mid is calculated as the average of the bid and offer. Single sided quotes or those with a bid offer spread that exceeds the predefined tolerance will be excluded from the calculation. These indicative mids (for which there can be up to 40 of them per data provider) are then combined with any Level 2 executable mids from Tradeweb (if available) and the benchmark is calculated as the median of the combined mid rates.

If an individual data provider (i.e., BGC Partners, Fenics, Tradition, or Tradeweb) has not published updated bid and offer quotes on the day of benchmark determination, FTSE Russell will collect the most recent bid and offer quotes from that data provider by sampling the data from that source every 30 seconds between 15:50-16:10 London time on a previous business day (“EOD Rate”). If there are no updated SONIA OIS bid and offer rates published by that data provider on the previous business day, FTSE Russell will sample that data provider’s EOD Rate published two business days prior to benchmark determination day. If no SONIA OIS rates were published by the provider two business days before benchmark determination, FTSE Russell will sample their EOD Rate three business days prior to benchmark determination. This look back process is extended by one business day at a time to a maximum of four business days prior to benchmark determination date.

In the event there are fewer than 90 valid mids, Level 3 will not be used, and the published benchmark will be calculated using the integrated fallback.

The introduction of Level 3 does not affect the methodology for calculating levels 1, 2, or the integrated fallback.

4. Next steps

Effective 15 December 2025, FTSE Russell will update the FTSE Term SONIA methodology to incorporate the changes outlined above. This will have no impact on the RICs, display or publication time. Further details about the change can be found in DN214333.

ABOUT FTSE RUSSELL

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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