

FTSE Term SONIA



The industry challenge

At the end of 2021, LIBOR, the benchmark rate that had previously underpinned trillions of dollars of financial instruments and contracts, was retired and market participants were instructed to seek an alternative rate.

In January 2020, the Working Group on Sterling Risk-Free Reference Rates published a study that identified that certain market participants and products would likely be well suited to a forward-looking version of the Bank of England's risk-free rate, SONIA (Sterling Overnight Index Average). This includes smaller corporate, wealth and retail clients, since they are likely to find adopting the technology to use compounded SONIA to be prohibitively expensive and unduly complex. In addition, from a product perspective, loans, trade and working capital, export finance, emerging markets and Islamic facilities all have features that would benefit from a reference rate with a term structure.

Our offering

The FTSE Term SONIA leverages our extensive experience in administering benchmarks to create a GBP forward-looking term risk-free rate, published prior to noon on a daily basis. It is available in one-month, three-month, six-month and twelve-month tenors.

The underlying input data is sourced from a variety of providers and processed under a waterfall methodology, allowing LSEG to publish the rate in even the most challenging market conditions. The primary source of data is executable quotes from electronic interdealer platforms for centrally cleared, spot-starting GBP SONIA OIS contracts. We then calculate the mid-price based on clearing a predetermined notional amount. If, during periods of stress, the electronic interdealer platforms do not have sufficient liquidity, the rate switches to similar data from an electronic institutional (client-to-dealer) platform. In the unlikely event that there is a complete loss of liquidity in electronic trading of GBP SONIA OIS, we are still able to publish a rate by adopting our integrated fallback. This applies the change in compounded SONIA in advance to the previous day's rate.



How to access it

FTSE Term SONIA is available through the full suite of LSEG Data & Analytics products, using the following RICs:

- **FTSE Term SONIA one-month:** GBPTRR1M=RFTB
- **FTSE Term SONIA three-month:** GBPTRR3M=RFTB
- **FTSE Term SONIA six-month:** GBPTRR6M=RFTB
- **FTSE Term SONIA twelve-month:** GBPTRR1Y=RFTB

Benefits to you

- **Published in almost all circumstances:** FTSE Term SONIA has been designed with a robust waterfall methodology to ensure the rate can be published in even the most volatile periods.
- **Anti-gaming features:** Preproduction methodology and monitoring and surveillance protect against the risk of manipulation.
- **Strong governance:** The production rate is administered by FTSE International Limited in compliance with UK Benchmark Regulation.

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.

Contact Us

To learn more, visit lseg.com/ftse-russell; email benchmarks@lseg.com, or contact your client service team at info@ftserussell.com or your local office:

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