

# Refinitiv Benchmark Services (UK) Limited

Benchmark Statement  
Refinitiv Term SONIA

Date of issue: 25 January 2021

Date of last update: N/A



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## Introduction

Refinitiv Term SONIA (“RTS” or “the Benchmark”) is a daily benchmark for risk-free interest rates for Sterling over the relevant forward-looking tenors as implied by Overnight Index Swap contracts that reference SONIA (“SONIA OIS”).

Refinitiv tested RTS using a Prototype methodology from July 2020 and launched RTS in January 2021 as a regulated benchmark that can be referenced in financial contracts, financial instruments and by funds. As of 11 January 2021 Refinitiv Benchmark Services (UK) Limited (“RBSL” or “the Administrator”) became the administrator of Refinitiv Term SONIA.

Refinitiv Term SONIA is a readily available data benchmark subject to the UK Benchmark Regulation<sup>1</sup> (“BMR”). RBSL has adopted policies and procedures to comply with this Regulation. RTS is a “non-significant” benchmark for the purposes of the BMR. RTS is not determined using contributions of input data. RTS does not have an ISIN. RTS does not have any geographical boundaries.

Refinitiv Term SONIA is calculated using a waterfall Methodology comprised of two levels (“Level 1” and “Level 2”) and a final integrated fallback level. Input data for the calculation of Level 1 and Level 2 are committed (i.e. executable) quotes for spot starting SONIA OIS taken from, respectively, dealer-to-dealer Multilateral Trading Facilities (“MTFs”) and a dealer-to-client trading platform. Input data for the integrated fallback level is compounded overnight SONIA published by the Bank of England and historical RTS benchmark values published by RBSL.

Refinitiv Term SONIA comprises four tenors: 1 month, 3 months, 6 months and 12 months. RTS is considered to be reliable provided that:

- there is sufficient activity on the underlying MTFs and dealer-to-client platform to allow RBSL to establish a representative market level for risk-free Sterling interest rates when determining the Benchmark in accordance with Level 1 or Level 2 of the waterfall Methodology; and
- the underlying MTFs and dealer-to-client platform are sufficiently representative of overall market activity in SONIA OIS.

Both conditions should be satisfied in order for Refinitiv Term SONIA to be a reliable term benchmark for risk-free Sterling interest rates. The underlying MTFs and dealer-to-client platform are representative of wider market activity in SONIA OIS.

This benchmark statement shall be updated whenever there is a material change to either the type of the Benchmark or to the Methodology used in the determination of the Benchmark.

## Overview of Methodology

Refinitiv Term SONIA is calculated using a waterfall Methodology comprising two levels (“Level 1” and “Level 2”), each subject to a threshold, and a final integrated fallback. If the threshold for Level 1 is not reached, the Benchmark is calculated using Level 2 of the Methodology subject to a second threshold. If the second threshold is not met, the Benchmark is calculated using the integrated fallback. The Level 1 and Level 2 thresholds have been calibrated to ensure a sufficient quantity of eligible input data. Any use of the integrated fallback level is indicated when the resulting Benchmark value is published.

Input data for each tenor for the calculation of Level 1 and Level 2 are committed (i.e. executable) quotes for spot starting SONIA OIS contracts taken from, respectively, dealer-to-dealer Multilateral Trading Facilities (“MTFs”) and a dealer-to-client trading platform. Input data for the integrated fallback level is overnight SONIA published by the Bank of England and historical RTS values published by RBSL.

For Level 1, committed (i.e. executable) quotes from each MTF are captured every 30 seconds over a 20 minute window from 10:50am to 11:10am London time. The precise time of capture within each 30 second period varies. Quotes are captured 40 times for each MTF over the 20 minute window. Quotes are captured for spot starting SONIA OIS in respect of the relevant tenors for the Refinitiv Term SONIA benchmark.

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<sup>1</sup> Following the UK’s withdrawal from the EU and the end of the transition period, the BMR has been onshored and brought into UK law (UK BMR). The BMR is Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016.

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For each set of captured quotes, volume weighted bid and volume weighted offer rates are calculated using a standard clearing notional amount that is specified for each tenor. A mid-rate is calculated using the volume weighted bid and offer rates, resulting in up to 40 mid-rates for each of the two MTFs. Refinitiv Term SONIA is then determined as the median rate of the mid-rates.

In order for a mid-rate to be valid, the volumes of the captured quotes must exceed the standard clearing notional amount on both the bid side and the offer side, and the spread between the volume weighted bid and volume weighted offer rates must be less than or equal to a maximum spread that is specified for each tenor.

The threshold for use of Level 1 in the determination of Refinitiv Term SONIA is that at least 36 valid mid-rates are available.

For Level 2, quotes from each dealer captured every 30 seconds over a 20 minute window from 10:50am to 11:10am London time. The precise time of capture within each 30 second period varies. Quotes are captured 40 times over the 20 minute window. Quotes are captured for spot starting SONIA OIS in respect of the relevant tenors for the Refinitiv Term SONIA benchmark.

In order to be valid, each bid rate to offer rate must be less than or equal to a maximum spread that is specified for each tenor, and the volume on the bid and offer rate must be greater than or equal to a minimum notional amount. A mid-rate is calculated using each valid bid rate and offer rate pair. Refinitiv Term SONIA is then determined as the median rate of the mid-rates.

The threshold for use of Level 2 in the determination of Refinitiv Term SONIA is that at least 100 valid mid-rates are available and that these rates comprise at least a minimum number of valid mid-rates from each of a minimum number of separate dealers.

If the thresholds for use of Level 1 and Level 2 of the waterfall are not reached, Refinitiv Term SONIA is determined in accordance with the integrated fallback. Under the integrated fallback, the spread between the Refinitiv Term SONIA benchmark on the previous business day and overnight SONIA compounded to the previous business day is applied to SONIA compounded to the day of the benchmark determination<sup>2</sup>.

Refinitiv Term SONIA is published at 11:50am London time on each Business Day. The benchmark is published to 4 decimal places. Any use of the integrated fallback level is indicated when the resulting Refinitiv Term SONIA benchmark value is published. If following publication, a material error is identified in the input data or the determination of the Benchmark before 12:50pm London time, the administrator, Refinitiv, will re-fix the Benchmark. A material error is one that results in a change of + or – 0.1 basis points to the published value of the benchmark.

No models or method of extrapolation or interpolation are used by RBSL when determining RTS in accordance with Level 1 or Level 2 of the waterfall. The compound return of SONIA over 30 calendar days is calculated when RTS is determined in accordance with the integrated fallback. RTS is not determined by means of a portfolio of constituents. No expert judgment or discretion is exercised by RBSL in the determination of Refinitiv Term SONIA.

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<sup>2</sup> For further details, refer to the Refinitiv Term SONIA Methodology at <https://www.refinitiv.com/en/financial-data/financial-benchmarks/term-sonia-reference-rates>

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## Potential Limitations of the Benchmark

Determination of Refinitiv Term SONIA is dependent on receiving sufficient input data from the MTFs and the dealer-to-client trading platform for each RTS tenor. Technical problems or extreme market events may lead to insufficient input data as defined by the thresholds for Level 1 and Level 2 of the waterfall, resulting in the determination of RTS in accordance with the integrated fallback. RBSL considers that the MTFs and the dealer-to-client trading platform provide input data that is representative of market activity among a wide range of market participants and that the input data avoids any concentration in sources of input data.

The Methodology of Refinitiv Term SONIA is therefore resilient in the event of a lack of liquidity in the underlying market for SONIA OIS. However, an extreme market event may lead to a loss of liquidity on the platforms that supply input data, preventing the determination of RTS in accordance with Level 1 or Level 2 of the waterfall and resulting in the use of the integrated fallback in its determination.

## Methodology Changes and Benchmark Cessation

The Methodology of Refinitiv Term SONIA has been adopted as being a reliable and resilient means for providing a benchmark that accurately represents risk-free interest rates for Sterling over the relevant forward-looking tenors.

The RTS Methodology is subject to a review in order to assess its ongoing fitness for purpose on at least an annual basis. In the event that the review leads RBSL to believe that a change to the Methodology is required and that the change is material in its effect on the benchmark, a market consultation will be conducted in accordance with the RBSL Benchmark Methodology Change Policy in order to seek feedback from a representative range of stakeholders. RBSL will review all feedback and, if following such review it resolves to proceed with the proposed change or changes, will provide sufficient notice to users of the benchmark before implementing such change or changes.

Circumstances beyond the control of RBSL may necessitate an immediate change to or the cessation of the benchmark. Such circumstances include without limitation a loss of liquidity in the underlying SONIA OIS markets.

In the event that an immediate change is required, RBSL will provide as much notice as is practicable and following such change will conduct an internal review of the Methodology.

If it becomes necessary to cease calculation and distribution of the benchmark, RBSL will implement the RBSL Benchmark Cessation Policy. This includes conducting an analysis of the estimated usage of the benchmark and, where feasible, the selection of a credible alternative benchmark. In all cases, RBSL will take all reasonable steps to ensure that all users and other stakeholders are made aware as soon as possible of any intention or possible necessity to cease the benchmark.

Any material change to the Methodology or cessation of the benchmark may have an impact on any financial contract or financial instrument that references the benchmark or on the measurement of the performance of an investment fund that uses or refers to the benchmark. A material change to the Methodology may lead to a change in the economic reality represented by the benchmark and therefore to the economic exposure of any financial contract or financial instrument that references the benchmark. A cessation of the benchmark would require the selection of an alternative benchmark or the implementation of any fallback procedures for financial contracts or financial instruments that reference the benchmark.

## Further Information

The Methodology used in the determination and administration of Refinitiv Term SONIA is available at [www.refinitiv.com/en/financial-data/financial-benchmarks/term-sonia-reference-rates](http://www.refinitiv.com/en/financial-data/financial-benchmarks/term-sonia-reference-rates).

For further information about Refinitiv Term SONIA, please contact RBSL at [index\\_queries@refinitiv.com](mailto:index_queries@refinitiv.com).

## Annex: Climate Related Disclosures

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE BENCHMARK STATEMENT	
SECTION 1 – CONSIDERATION OF ESG FACTORS	
Item 1. Name of the benchmark administrator.	Refinitiv Benchmark Services (UK) Limited
Item 2. Type of benchmark or family of benchmarks.	Other
Item 3. Name of the benchmark or family of benchmarks.	Refinitiv Term SONIA
Item 4. Are there in the portfolio of the benchmark administrator any EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks, benchmarks that pursue ESG objectives or benchmarks that take into account ESG factors?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Item 5. Does the benchmark or family of benchmarks pursue ESG objectives?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Date on which information has last been updated and reason for the update:	25 January 2021 Initial version