



LLOYDS BANK

# Benchmark Factsheet

## Term SONIA Reference Rate (TSRR)

This document must be read in conjunction with the respective Product Summary

### What is Term SONIA?

- TSRR is a Sterling forward-looking interest rate (similar to LIBOR) that is published every London business day for tenors of 1, 3, 6, and 12 months.
- TSRR reflects the markets expected average SONIA rate over a given period.
- Whilst SONIA is based on overnight cash deposit transactions, TSRR is derived from executable quotes for SONIA-based interest rate swaps
- Note - the Sterling Risk Free Rate Working Group (RFRWG) had recommended that use of TSRR is limited. Further detail can be found in "Use Cases of Benchmark Rates: Compounded in Arrears, Term Rate and Further Alternatives" released by the Task Force in January 2020" - [https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/Use\\_cases\\_of\\_Benchmark\\_Rates\\_Compounded\\_in\\_Arrears\\_Term\\_Rate\\_and\\_Further\\_Alternatives](https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/Use_cases_of_Benchmark_Rates_Compounded_in_Arrears_Term_Rate_and_Further_Alternatives) ([bankofengland.co.uk](https://www.bankofengland.co.uk))

### Differences between Term SONIA and LIBOR

1. TSRR is described as a risk-free, or near risk-free rate as unlike LIBOR it does not contain a premium for term or bank credit risk.
2. Unlike LIBOR, there is no TSRR for overnight, 1 week or 2-month tenors
3. Whilst LIBOR was derived from expert panel submitters, TSRR is derived from executable quotes for SONIA interest rate swaps.
4. The availability of TSRR is limited in accordance with the RFRWG's recommendations.

### Administrators

There currently are two administrators of TSRR ICE Benchmark Administration (IBA) and Refinitiv. Lloyds Banking Group preference is the IBA published rates.

### How is ICE Term SONIA calculated?

Each published ICE Term SONIA Reference Rate (each an "ICE TSRR Rate") is calculated using eligible prices and volumes for specified SONIA-linked interest rate derivative products, provided by trading venues in accordance with a "Waterfall" Methodology.

### Term SONIA Limitations

Term SONIA is derived from executable quotes for SONIA-based interest rate swaps. Its robustness therefore depends on the liquidity in such swap markets, so it is in the interest of all potential users of Term SONIA for those markets to remain primarily based on overnight SONIA. If the volume of swaps data available is not consistently as large as in overnight funding markets, then Term SONIA cannot be as robust as overnight SONIA.

## ICE Benchmark Administration (IBA) TSRR key attributes

Tenors Published	1,3, 6 & 12 month forward looking term rates
First Publication Date	8th July 2020
Where can it be found	<a href="https://www.theice.com/iba/risk-free-rates#sonia">https://www.theice.com/iba/risk-free-rates#sonia</a>
History since	26th June-2020 (via website)
Publication Frequency	Daily at 11.55am
Methodology Available	<a href="https://www.theice.com/publicdocs/data/TSRR_-_Calculation_Methodology.pdf">https://www.theice.com/publicdocs/data/TSRR - _Calculation_Methodology.pdf</a>
Methodology Waterfall	Yes
Level 1	Based upon SONIA OIS Order Book data (committed quotes) from 3 Interdealer Brokers MTFs (TPICAP's iSwap, BGC Partners' BGC Trader and Tradition's TradX (120 minute window, 9-11am London time))
Level 2	Based upon Tradeweb (Dealer to Client) OIS quotes
Level 3	Based upon Tradeweb (Dealer to Client) OIS quotes Level 3 A step function model is used to determine, from the published overnight SONIA rates and SONIA-linked futures' settlement prices, the implied average daily SONIA rates. The implied average daily SONIA rates are then compounded over the relevant tenor period SONIA

### Further Information

- <https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/rfrwg-term-sonia-reference-rate-summary.pdf>
- <https://www.bankofengland.co.uk/markets/sonia-benchmark/administration-of-sonia>
- <https://www.bankofengland.co.uk/markets/sonia-benchmark>
- <https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/discussion-paperconventions-for-referencing-sonia-in-new-contracts.pdf>
- [https://www.theice.com/publicdocs/data/TSRR - Calculation Methodology.pdf](https://www.theice.com/publicdocs/data/TSRR_-_Calculation_Methodology.pdf)

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*Issue date: Lloyds Banking Group 30/07/2021*

*Sources:*

[Term SONIA reference rate publication summary \(bankofengland.co.uk\)](https://www.bankofengland.co.uk/term-sonia-reference-rate-publication-summary)

[What is compounded SONIA and term SONIA slides \(bankofengland.co.uk\)](https://www.bankofengland.co.uk/what-is-compounded-sonia-and-term-sonia-slides)