



Update to Consultation on introduction of ICE Swap Rate based on SONIA

February 21, 2020



Consultation update

Introduction

On January 16, 2020, ICE Benchmark Administration Limited (IBA) published a [consultation](#) on specific aspects of the implementation of ICE Swap Rate (ISR) GBP rates based on SONIA alongside the existing LIBOR-based benchmark.

A questionnaire was attached for completion and more general feedback by email or letter was also welcomed.

Day counts and interest rate basis

In the consultation paper, IBA proposed to use spot starting (forward looking) SONIA swaps for ISR GBP SONIA, as follows:

1Y tenor		Tenors over 1Y	
Day-count	Interest rate basis (M= month)	Day-count	Interest rate basis (M= month)
Actual/365	3M SONIA	Semi-annual actual/365	6M SONIA

IBA would like to clarify that the above reference to 6M SONIA is to the O/N SONIA compounded for 6M.

In addition, market participants will be aware of a recent [Statement](#) made on behalf of the Working Group on Sterling Risk-Free Reference Rates.

The Statement provides an aggregated and anonymised summary of the results of a survey conducted by the Bank of England and the FCA of 15 dealers in non-linear Sterling interest rate derivatives to understand the preferred approach of market participants for the trading of interbank SONIA swaptions and caps and floors.

Question 6 of the survey asked:

“Which swap conventions/frequencies might be preferred?”

- a. Annual/Annual Act/365 (matching Sonia OIS)
- b. Other, please state”.

All respondents were in favour of option “a” to match the SONIA OIS swap.

Accordingly, IBA proposes to amend the day count for ISR GBP SONIA to Annual/Annual Act/365.

The updated table is as follows:

1Y tenor		Tenors over 1Y	
Day-count	Interest rate basis (M= month)	Day-count	Interest rate basis (M= month)
Actual/365	3M SONIA	<u>Semi-annual actual/365</u> <u>Annual/Annual Act/365</u>	<u>6M SONIA</u> <u>O/N SONIA</u> <u>compounded for 6M</u>



Respondents to IBA's consultation are asked to take the above points into account in replying to questions 7, 8 and 9 in the questionnaire:

- Q7 Do you agree that the day counts and interest rate basis for the underlying interest rate swaps for ISR GBP SONIA should be as above? Yes/No
- Q8 Please explain the rationale for your answer to Q7.
- Q9 If your answer is No to Q7, what would you propose?

Extension of consultation period

The consultation paper asked for feedback by 5pm London time on Friday March 20, 2020. In view of this Update, IBA is extending the consultation period and seeks comments to IBA@theice.com by 5pm London time on Wednesday April 15, 2020.

After the feedback period has closed, IBA will publish a feedback statement summarising responses. IBA will also publish the comments received unless confidentiality has been requested by the originator of the comments.

Disclaimers

IBA's Disclaimers in the consultation paper apply to this Update.