

FTSE Russell launches £SONET

- New secured reference rate for sterling overnight funds
- Reflects current sterling wholesale funding markets which are substantially based on secured lending
- Will provide a benchmark for the daily funding activities of sterling market participants
- Developed by FTSE Russell with the support of Euroclear and leading inter-dealer brokers
- Captures approximately two thirds of the overnight secured funding market; up to £99bn daily transaction volume

FTSE Russell is delighted to announce the launch of £SONET (Sterling Secured Overnight Executed Transactions) following an industry-wide initiative to create a new secured reference rate for sterling overnight funds, in response to the Financial Stability Board's July 2014 recommendations on the reform of major interest rate benchmarks. £SONET has been developed by FTSE Russell and London Stock Exchange Group, in partnership with Euroclear and leading inter-dealer brokers.

£SONET includes cleared and uncleared repo activity, and captures approximately two thirds of the overnight gilt repo market, representing up to £99 billion of daily transaction volume.

The sterling wholesale funding market is substantially based on secured lending activity. As a nearly risk free secured index £SONET reflects this market and is distinct from legacy unsecured benchmarks. £SONET can be used as a benchmark for the daily funding activities of sterling market participants; to underpin the discounting of long term sterling cash flows; and as a reference rate for derivatives and other contracts.

The rate is currently being published* in indicative form to allow prospective users to evaluate and provide feedback. FTSE Russell intends to move £SONET to a definitive basis later in 2017. Definitive £SONET will be administered in line with the forthcoming European regulation on indices used as benchmarks in financial instruments and with the IOSCO Principles for Financial Benchmarks.

£SONET reflects LSEG's long held open access principles. In addition to assisting with the creation and refinement of £SONET, Euroclear will provide aggregated uncleared DBV repo transactions. Leading inter-dealer brokers will provide cleared repo transactions from a growing portion of the marketplace. £SONET is based on a transparent and publicly available methodology* overseen by an independent advisory committee of market participants from both the buy-side and the sell-side.



Press Release



FTSE
Russell

Mark Makepeace, CEO of FTSE Russell, said:

“We are delighted to be able to announce the launch of £SONET from FTSE Russell, a new secured reference rate for sterling overnight funds. We have taken care to work closely with our partners, such as Euroclear, as well as industry participants from the buy- and sell-side community to develop a robust, impartial and credible rate, which can be used as a benchmark for the markets daily funding activities.”

Adrian Pogson, Head of Solutions Management at Insight Investment, said:

“As a significant participant in the sterling repo market and user of derivatives we welcome the introduction of £SONET, which will provide a number of benefits to market participants. Being based on secured transactions, £SONET will capture a significant portion of the most relevant funding market. In addition, FTSE Russell’s Methodology and Governance will enable £SONET to remain relevant in the future as the secured sterling funding markets develop and expand.”

* <http://www.ftse.com/Products/indices/gbp-sonet>

Disclaimer: Indicative £SONET is not intended for or to be relied on or otherwise used for the purposes of any valuation, pricing, or financial products; and FTSE Russell makes no warranty as to the underlying data or methodology or the rate being fit for any purpose, or the rate continuing to be published or published regularly. FTSE Russell does not make any representation or warranty, express or implied, as to the accuracy, completeness or correctness of Indicative £SONET, and does not accept any liability for any loss or damage, howsoever caused, arising from any reliance on Indicative £SONET.

– Ends –

For further information:

Global Media

Lucie Holloway
Ed Clark

+44 (0)20 7797 1222
newsroom@lseg.com

Regional Contacts

Hong Kong: Fennie Wong
Sydney: Laura McCrackle

+852 2164 3267
+61 2 8823 3526

Notes to editors:

About FTSE Russell:

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. More than \$10 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.



London
Stock Exchange Group

Press Release

FTSE
Russell

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit www.ftserussell.com

© 2017 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE TMX Global Debt Capital Markets Inc. and FTSE TMX Global Debt Capital Markets Limited (together, "FTSE TMX") and (4) MTSNext Limited ("MTSNext"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE TMX and MTS Next Limited. "FTSE®", "Russell®", "FTSE Russell®", "MTS®", "FTSE TMX®", "FTSE4Good®" and "ICB®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, MTSNext, or FTSE TMX.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE Russell Indexes or the fitness or suitability of the Indexes for any particular purpose to which they might be put.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this communication should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence from FTSE, Russell, FTSE TMX, MTSNext and/or their respective licensors.



London
Stock Exchange Group