

SONIA, €STR and Enhanced CORRA FAQs

1) What is SONIA?

SONIA stands for Sterling Overnight Index Average. SONIA is that it was first introduced in March 1997 and was later reformed in April 2018. In April 2017 the Working Group on Sterling Risk-Free Reference Rates (RFRWG), commissioned by the Bank of England (BoE), recommended that SONIA is to be the successor ARR to GBP LIBOR. SONIA is measured as the trimmed mean, rounded to four decimal places, of interest rates paid on eligible sterling denominated deposit transactions. The trimmed mean is calculated as the volume-weighted mean rate, based on the central 50% of the volume-weighted distribution of rates. The top and bottom 25% of transactions are trimmed.

2) When are LIBOR and other IBORs going away?

The following chart outlines the cessation dates for the different currencies of LIBOR as well as 6 month and 12 month CDOR:

Old Benchmark	ARR	Cessation Date
USD LIBOR	SOFR	1 week & 2 month settings – December 31, 2021
		Overnight, and one-, three-, six- and 12-month settings - June 30, 2023.
GBP LIBOR	SONIA	December 31, 2021
EUR LIBOR	€STR	December 31, 2021
JPY LIBOR	TONAR	December 31, 2021
CHF LIBOR	SARON	December 31, 2021
CDOR	CORRA	6 and 12 month settings - May 17, 2021

3) What are the key differences between LIBOR and SONIA?

LIBOR	SONIA
<ul style="list-style-type: none"> • Unsecured rate. • Interbank funding market participants (panel banks). • Consensus-based; depends on expert judgements. • May be prone to the risk of manipulation. • Forward-looking rate with a term structure. • Built-in credit component based on credit conditions amongst panel banks. • \$500 million underlying transactions. • Not durable during stressed market conditions. 	<ul style="list-style-type: none"> • Unsecured rate. • Broad-array of Sterling money market participants. • Fully transaction-based. • Low risk of manipulation. • Backward looking overnight rate. • Historical credit mean/median adjustment relative to LIBOR needs to be added. • Historically, may have spot volatility, but once compounded, SONIA is more stable than GBP LIBOR.

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4) What is €STR?

The Working Group on Euro Risk Free Rates selected the Euro Short-term Rate (€STR) to replace EONIA and EUR LIBOR. €STR reflects the wholesale euro unsecured overnight borrowing costs of banks located in the euro area. €STR is administered by the European Central Bank (ECB) and was first published in October 2019. €STR is calculated as a volume-weighted trimmed mean rounded to the third decimal place. €STR is published on each business day at 8:00AM CET based on transactions conducted and settled on the previous business day (the reporting date “T”) with a maturity date of T+1. This is deemed to have been executed at arm’s length and thus reflect market rates in an unbiased way. €STR replaces EONIA in the Euro market. EONIA and EUR LIBOR will be discontinued but EU Countries will continue to remain a multi-rate environment with €STR and EURIBOR coexisting until 2024.

5) What is CORRA/Enhanced CORRA?

The Canadian Alternative Reference Rate Committee (CARR) has proposed to enhance the existing Canadian Overnight Repo Rate Average (CORRA) as its candidate to eventually replace CDOR. CORRA was first published in 1997 and is a measure of the cost of Canadian dollar overnight general collateral funding in the repurchase agreement (repo) market. It is a risk-free overnight rate based on repo transactions. CORRA is calculated as the volume weighted average rate of overnight repo transactions, conducted on-screen through designated inter-dealer brokers (IDBs), which involve general (non-specific) Government of Canada Collateral. The Bank of Canada will be the administrator of enhanced CORRA and published for the first time June 15, 2020. For enhanced CORRA, the lower volume-weighted 25th percentile is trimmed with the intent to exclude “specials” and just include general collateral. While the Bank of Canada will seek to promote the adoption of CORRA over CDOR by financial markets, Canada will remain a multi-rate jurisdiction.

6) Does CDOR have a cessation date?

The Bank of Canada has indicated that Canada will remain a multi-rate jurisdiction, meaning both CDOR and Enhanced CORRA will continue to be published for the foreseeable future (except for 6- and 12-month CDOR, which will be discontinued). Refinitiv Benchmark Services (UK) Limited has confirmed that the last day of publication for the 6-month and 12-month CDOR tenors will be May 14, 2021. The 1-month, 2-month and 3-month tenors will not be affected by this action. Enhanced CORRA’s adoption is expected to increase overtime with it eventually becoming the dominant Canadian interest rate benchmark.

In the event that CDOR ceases to be published, and the fallback to CORRA is triggered, the Supplement to the 2006 ISDA Definitions states that Bloomberg (or its successor) will publish the relevant term adjusted tenors.

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