

LIBOR-SONIA: Providing a compounded index

Bank of England discussion paper

Consultation response

Summary

In this document, the National Housing Federation has responded to the Bank of England's (the Bank's) discussion paper: [Supporting Risk-Free Rate transition through the provision of Compounded SONIA](#).

In the below response we:

- State our support for the publication of the SONIA Compounded Index.
- Support the Bank's design of the compounded index.
- Ask the Bank to ensure it has consulted sufficiently with smaller organisations to understand if there are benefits in producing SONIA Period Averages.

We have previously called for the Bank to publish this index to support smaller organisations and ensure a more level playing field in the transition from LIBOR.

Responses to questions

Question 1

Do you support the Bank producing a SONIA Compounded Index?

The National Housing Federation (NHF) is the voice of housing associations in England. With almost 800 housing association members providing homes for around six million people, we are at the forefront of tackling the nation's housing crisis. Our members include a range of organisations, from those with more than 100,000 properties, to smaller, specialist organisations with a handful of homes that provide support services to some of the most vulnerable in our society.

We are pleased that the Bank has decided to produce a SONIA Compounded Index as this is something we previously called on the Bank to do.

The many smaller housing associations within our membership, many with LIBOR-linked loans, have no treasury department and often no finance director. The ability to independently verify the interest that a bank is charging to organisations is a significant step in ensuring that the LIBOR-SONIA transition is not discriminatory. The Compounded Index should enable this process to exist.

Question 2

Do you have any comments on the Bank's proposed design of the SONIA Compounded Index?

The NHF supports the Bank's proposed design of the SONIA Compounded Index.

Question 3

Do you think the Bank should produce SONIA Period Averages?

- If no, please explain why.
- If yes, which of the three options for determining the start date of the reference period do you prefer, and why?

The NHF does not, at the present time, have a firm view on whether SONIA Period

Averages should be calculated. It is possible that this information may be of benefit to our smaller members. However, with more information to deal with, it may add to further confusion in an already complicated area for some organisations.

Due to these unprecedented times caused by the coronavirus outbreak, we have not had an opportunity to discuss this with our smaller members. We would therefore like to request that the Bank ensures it engages with smaller organisations to establish if there is a need for SONIA Period Averages.