

WMBA RONIA SPECIFICATION

Definition

RONIA is the Repurchase Overnight Index Average (RONIA). This index tracks actual market secured overnight funding rates in sterling

RONIA is the weighted average rate to four decimal places of all secured sterling overnight cash transactions brokered in London by contributing WMBA member firms between midnight and 4.15pm with all counterparties with no minimum deal size.

RONIA eligible transactions are Delivery by Value (DBV) which is a mechanism whereby a CREST member who has borrowed money against overnight gilt collateral may have gilts on its account to the required value delivered automatically by the system to the CREST account of the money lender.

The index is a weighted average overnight deposit rate for each business day. Each rate in the average is weighted by the principal amount of deposits which were taken on that day.

Eligible trades for RONIA

Eligible trades are those arranged between 0000hrs and 1615hrs London time on settlement day, where repayment is made on the following business day. The Index is published at 1700hrs each day.

Contingent methodologies

No trades during a working day: Should there be no trades during a business day, an average will be taken of the previous three business days. A notation will be made on the Index page to that effect.

Definition of a Secured Overnight Index Swap (SOIS)

A Secured Overnight Index Swap (SOIS) is a repurchase agreement in which securities are sold provided that they will be repurchased on the following day. Financial institutions use overnight repos as a means of raising short-term money for financing inventories through either:

- a short-term loan funded by an overnight deposit, or
- an overnight loan funded by a short-term deposit

In this way, SOIS allow banks to manage their liquidity requirements more effectively.

Required documentation

SOIS structures are completed using International Swaps and Derivatives Association (ISDA) documentation.