

CONTACT

Further information is available at www.repofundsrate.com

For all enquiries, including design, commercial licence and additional data enquiries, please email indices@nexdata.com

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DISTRIBUTION

RepoFunds Rate is available from

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Methodology

RepoFunds Rate (“RFR”) is a series of daily euro repo indices that have been created in response to market demand and consists of

- RepoFunds Euro (“RFR Euro”)
- RepoFunds Germany (“RFR Germany”)
- RepoFunds France (“RFR France”)
- RepoFunds Italy (“RFR Italy”)
- RepoFunds Spain (“RFR Spain”)
- RepoFunds Netherlands (“RFR Netherlands”)
- RepoFunds Belgium (“RFR Belgium”)

RepoFunds Rate represents the effective cost of funding for the majority of one-day repo trades in each of the relevant sovereign bond markets, and includes both general collateral and specific collateral trades. Equivalently, RepoFunds Rate can be viewed as a secured, trade-backed one-day interest rate index. RepoFunds Rate is reported on an Act/360 day count convention.

Algorithm

Each daily RFR index is the volume-weighted average rate of a defined set of eligible repo trades and is calculated as

$$RFR = \frac{\sum_i rate(i) \times quantity(i)}{\sum_j quantity(j)}$$

where $rate(i)$ and $quantity(i)$ are the repo rate and nominal size of repo trade i , and the sum is over all repo trades in the defined set of eligible repo trades for that day’s RFR index. Fixed repo rates only are used in the calculation. Where a repo trade uses a floating rate, the corresponding fixed rate is derived on the settlement date before being included in the RFR calculation.

Each RFR index is published as a percentage (i.e. 0.523% is published as “0.523”) and to 3 decimal places. The corresponding total size of all trades used in the index calculation is also published.

Eligible Repo Trades

Eligible repo trades for each daily RFR index calculation must meet the following criteria:

- Executed on either the BrokerTec or the MTS electronic markets
- Prices available to all dealers on the relevant market prior to being executed (no bilaterally negotiated or otherwise off-platform trades)
- Centrally cleared following execution
- Repo term (from settlement date to maturity date) of one business day
- Trade settlement period (from trade date to settlement date) of zero business days (“Overnight”) or one business day (“Tom-Next”) or two business days (“Spot-Next”)
- Settle on the day for which the RFR index is being calculated (“Common Settlement”)
- Repo collateral to be any bill, bond, floating-rate note or inflation-linked bond issued by the sovereign government of the relevant country or, in the case of RFR Euro, by the sovereign government of any Eurozone country
- Repo trade to be either general collateral or specific collateral
- Repo trades to be fixed rates, with the exception of French specific collateral trades that are floating rates only
- Specific collateral trades to be in the remaining 75% of trades after applying the Specific Collateral trade filtering algorithm to remove 25% of outlying trades.

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Specific Collateral Trade Filtering Algorithm

Specific collateral trades specify precisely the bond to be used as collateral in the repo transaction prior to being executed. Most such trades are priced at or around a typical market level which is usually close to general collateral rates. If there is a higher than normal demand for the specific bond being used as collateral, the repo rate will be below typical market levels, often significantly (“special trades”). A distribution of specific collateral repo trades is characteristically skewed towards lower repo rates.

As RepoFunds Rate measures general secured interest rates, specific collateral repo trades that are trading away from typical market levels are removed from the defined set of eligible trades. Such trades are identified and removed using the following iterative process:

- All relevant specific collateral repo trades for the same settlement date and the same RFR index are sorted by descending rate
- The volume-weighted average repo rate of all trades in the sorted list is calculated
- Either the first or last repo trade in the sorted list is identified as being absolute furthest in rate terms from the volume-weighted average repo rate of the whole sorted list and is deleted from the list (if there are more than one repo trade with the same rate, the smallest trade is deleted)
- The new volume-weighted average repo rate of the remaining trades in the sorted list is calculated and the process is repeated iteratively until a pre-determined percentage of the original number of trades has been deleted.

This filtering process removes the outlying trades and has the feature that if the trades are symmetrically distributed at the start, trades are deleted evenly from both sides of the distribution. A threshold of 25% has been established as a suitable figure to remove all special trades and leave a symmetric and tightly distributed set of specific collateral repo trades. The threshold may be altered in response to market conditions and any changes will be announced at www.repofundsrate.com.

The specific collateral repo trades used for the calculation of RFR Euro, which include as collateral sovereign bonds issued by any eurozone country, are grouped as a single set of trades when applying the filtering algorithm.

Note: The Trade Filtering Algorithm only applies to Specific Collateral trades.

Additional Data

Additional RepoFunds Rate data is available:

Level 2: RFR indices for additional eurozone countries together with general and specific collateral breakdowns

Level 3: i) Maximum, minimum, vol-weighted average price and total quantity aggregated by ISIN
ii) Price, quantity, issuer and general/specific collateral flag for all trades included in RFR calculations

Index Maintenance

A Market Advisory Group (“MAG”) reviews the design and its suitability in changing market conditions and submits recommendations to the Repo Index Steering Committee (“RISC”). The RISC is comprised of representatives from the NEX Group and MTS and is responsible for enacting advice received from the MAG or for responding to exceptional circumstances and events.