



# **IBOR TRANSITION**

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Market Update as of 01/07/2021

## 1. GLOBAL DEVELOPMENTS

### FCA CONSULTS ON PROPOSED DECISION TO REQUIRE SYNTHETIC LIBOR FOR 6 GBP AND JPY SETTINGS (24 JUNE)

After the [announcement](#), FCA published a [consultation](#) to use its powers to require:

1. The more widely used **1M, 3M and 6M GBP and JPY LIBOR settings to be determined under a changed methodology** (i.e. on a ‘synthetic’ basis) **after end-2021**. For the **3 JPY LIBOR settings**, they intend to compel their publication for **1 year only until end-2022**.
2. **A synthetic LIBOR** to be calculated using a **forward-looking term version** of the relevant RFR (i.e. SONIA and TONA) **and the fixed ISDA spread adjustment** published for the purposes of the ISDA IBOR Fallbacks Supplement and Protocol for the respective LIBOR setting.

FCA will aim to consult further in Q3 on a proposed decision on precisely what legacy use to allow for any synthetic Sterling and Yen Libor.

### FSB URGES ACTION TO COMPLETE THE TRANSITION AWAY FROM LIBOR BY END-2021 (6 JULY 2021)

FSB [announced](#) the publication of a [progress report to the G20 on Libor Transition and remaining issues](#). FSB strongly urges market participants to act now to complete the steps set out in its [Global Transition Roadmap](#). In June 2021, FSB issued [a set of documents](#) that outlined recommendations for financial and non-financial firms, as well as authorities, to consider to ensure an orderly transition away from LIBOR by end-2021.

### ISDA CONSULTATION ON FALLBACKS FOR GBP AND USD IRS (11 JUNE 2021)

[In its latest consultation](#), ISDA seeks feedback on proposed fallbacks for GBP and USD ICE Swap Rates (ISRs). Fallbacks in ISDA’s supplement do not apply to instruments referencing benchmarks indirectly linked to Libor, like GBP or USD Libor ISR. The consultation proposes using fallbacks based on work by [UK RFR Working Group](#) and [ARRC](#).

## 2. US MARKET DEVELOPMENTS

### ‘SOFR FIRST’- OFFICIAL SECTOR POSITION (8 JUNE 2021)

ARRC [welcomed](#) MRAC Subcommittee’s [recommendations](#) that interdealer brokers change USD linear swap trading conventions from USD Libor to SOFR on 26 July 2021. ARRC encouraged widespread support for the recommendations and expects that once the convention switch is in place, its market indicators for a SOFR term rate will have been met which **will allow the ARRC to formally recommend CME SOFR term rates shortly thereafter**.

FCA and BoE [released](#) a statement encouraging market participants in a switch to SOFR in USD interest swap markets.

### ARRC WELCOMES MESSAGES FROM RECENT FSOC PRINCIPALS MEETING (15 JUNE 2021)

ARRC [highlights](#) key points made during Treasury's the Financial Stability Oversight Council (FSOC) meeting hosted by the [Secretary Janet Yellen](#), **which included updates on the transition away from LIBOR by several US banking regulators** and reconfirm their position on the use of Libor for new transactions and voiced strong concerns about adopting new alternative rates.

#### **ARRC HOSTS THIRD SOFR SYMPOSIUM (8 JUNE 2021)**

Opening the third in ARRC's series of SOFR symposia, [CFTC Acting Chair Rostin Benham noted](#) that SOFR-based derivatives remain modest compared to those referencing Libor USD. He also warned counterparties and regulators would take notice of **large, active firms yet to adhere to ISDA's IBOR Fallbacks Protocol**, and advocated adopting 'SOFR First' as a best practice to move away from Libor.

### **3. EURO MARKET DEVELOPMENTS**

#### **EUROPEAN AUTHORITIES ISSUE A JOINT PUBLIC STATEMENT (24 JUNE 2021)**

EC, ECB, ESMA and EBA **strongly encourage** through a joint [statement](#) **market participants to reduce their Libor exposures** to ensure an active **transition and not wait for the exercise by the EC of its new powers** to designate a replacement for Libor pursuant to Article 23b of Regulation (EU) 2016/1011.

#### **NEW CHAIRMAN FOR EURO RFR WG (29 JUNE 2021)**

ESMA [announces](#) the appointment of **James Von Moltke as Chairman of the Euro RFR Working Group**.

### **4. STERLING MARKET DEVELOPMENTS**

#### **WG ON STERLING RFRS**

**UK RFR Working Group updated** two documents aimed to support transition away from Libor in the GBP loan market:

- [Best practice guide for GBP loans](#). **Updates relate to the calculation of SONIA-based cost of carry for traded loans.**
- [Q&A document](#) on its Q1 milestone for the cessation of new GBP Libor issuances, **clarifying that the milestone included existing facilities containing an extension option past the end of 2021.**

### **5. ASIAN MARKET DEVELOPMENTS**

#### **KEY RESULTS OF THE SURVEY ON THE USE OF JPY LIBOR & USD LIBOR IN JAPAN**

FSA and BoJ published the results of the [survey](#) **on the number of contracts and the total amounts referencing JPY and USD Libor outstanding at end-2020 and end-2021.**

## 6. MARKET NEWS

- Edwin Schooling Latter, Director of Markets and Wholesale Policy at the FCA, [delivered](#) at UK Finance's Commercial Finance a speech titled LIBOR-6 months to go on 5 July.
- CME [published](#) an updated plan for the preemptive conversion of cleared Libor swaps planned for December of this year.
- AMERIBOR [launched](#) its term structure of interest rates on 22 June. Spot AMERIBOR interest rates for yield curve grid points up to two years will publish daily at 6 pm CT, with a view to extending beyond two years as maturities of the AMERIBOR futures strip are extended.
- LMA [published](#) an exposure draft to help secondary loan market with Libor transition.
- LMA updated its [list](#) of RFRs referencing syndicated and bilateral loans with [JLEN Environmental Assets \(JLEN\)](#) that signed a £170m-RCF referenced to compounded SONIA and EURIBOR for euros.
- FCA [published](#) new webpage giving information to borrowers who have Libor linked mortgages.
- ISDA published supplement 75 to the 2006 ISDA Definitions includes the provisions required to implement the RFR compounding/averaging approaches. ISDA FAQs related are available [here](#).
- ISDA published its monthly [ISDA-Clarus RFR Adoption Indicator](#) for interest rate derivatives (IRD) in cleared OTC and ETD that reference RFRs for the six major currencies.

## 7. STAY INFORMED ON THE IBOR TRANSITION

More information on our website: [click here to access our dedicated IBOR transition webpage](#).

Contact us for any queries: [sgcib-regulatory-support.par@sgcib.com](mailto:sgcib-regulatory-support.par@sgcib.com).

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