



# **IBOR TRANSITION**

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Market Update as of 1<sup>st</sup> January 2022

## 1. GLOBAL MARKET DEVELOPMENTS

### IBOR CESSATION (DECEMBER 31)

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As of Dec 31<sup>st</sup>, publication of EONIA and 24 [LIBOR settings](#) has ended: (1) all Eur and CHF settings, (2) the ON / spot next, 1W, 2M and 12M GBP and JPY settings, (3) the 1W and 2M USD settings. Whilst the 6 most widely used GBP and JPY settings (1M, 3M, and 6M), are now in production under a “Synthetic Methodology” for a limited time.

### SOFR FIRST EXCHANGE-TRADED DERIVATIVES (DECEMBER 16)

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As part of the final phase of the [SOFR First Initiative](#), the CFTC MRAC [recommended](#) that market participants (i) "transact in SOFR exchange-traded derivatives as soon as possible" and (ii) adopt the best practice of replacing LIBOR with SOFR for new contracts after year-end 2021.

### ICE BENCHMARK ADMINISTRATION UPDATES (DECEMBER 21/22)

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- ❖ On Dec 21<sup>st</sup>, IBA [announced](#) it had transitioned all open interest held in its LIBOR-based 3M GBP futures and options and 3M Euro CHF futures into their RFR equivalent contracts.
- ❖ IBA also [announced](#) it launched GBP SONIA Spread-Adjusted ICE Swap Rate for use as a benchmark in financial contracts and financial instruments by licensees on January 4, 2022.

### ISDA NEW FALLBACKS FOR ADDITIONAL IBORs (DECEMBER 16)

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- ❖ ISDA published a [new set of fallbacks](#) for derivatives referenced to certain interbank offered rates (IBORs) not covered by ISDA's initial fallbacks rollout earlier this year.
  - ❖ The new fallbacks cover IBORs in India (MIFOR), Malaysia (KLIBOR), New Zealand (BKBM), Norway (NIBOR), the Philippines (PHIREF) and Sweden (STIBOR), ensuring a robust replacement based on risk-free rates would automatically take effect if any of those benchmarks permanently ceases to exist.
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## 2. US MARKET DEVELOPMENTS

### ARRC LIBOR TRANSITION PROGRESS REPORT (DECEMBER 16)

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The ARRC released the “Year-End Progress [Report: The Transition from U.S. Dollar LIBOR](#)”, a report highlighting progress in the transition away from U.S. dollar (USD) LIBOR. The report highlights the significant, positive momentum in the transition to the Secured Overnight Financing Rate (SOFR), the ARRC's preferred alternative to USD LIBOR, across cash and derivatives markets.

### CME SWAPS RULE TO FACILITATE TRANSITION TO SOFR (DECEMBER 29)

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The CME [amended](#) a rule on swap elections in connection with the transition from LIBOR to SOFR to change the floating rate option from USD LIBOR to SOFR. The amended rule will affect all Treasury invoice swap spreads traded on CME. The rule will become effective on Jan 23, 2022, for the trade date of Jan 24, 2022.

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### 3. EURO MARKET DEVELOPMENTS

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#### EUR WG STATEMENT ON PREPAREDNESS FOR THE CESSATION OF LIBOR (DECEMBER 13)

The EUR WG issued a [statement](#) on preparedness for LIBOR cessation: For EUR, GBP, CHF, and JPY LIBORs, the WG recommends the adoption of the selected alternative risk-free rates identified by the relevant national working groups in new and legacy contracts. The RFRWG supports guidance published by the US regulators authorities to cease new use of USD LIBOR in new contracts as of the end of 2021.

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#### ESMA ON SUPERVISION OF CO AND DTO (DECEMBER 16)

- ❖ ESMA published a [statement](#) encouraging national competent authorities to take a risk-based approach to their supervisory tasks and not to prioritize their supervisory actions in relation to the CO and DTO for certain interest rate derivative classes from 3 January 2022.
- ❖ ESMA recommends voluntary clearing of derivative classes that will be included in the scope of the CO ahead of its start date.

### 4. ASIAN MARKET DEVELOPMENTS

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#### HKMA REFORM OF INTEREST RATE BENCHMARKS (DECEMBER 23)

- ❖ HKMA issued a [notice](#) stating that authorized institutions have made substantial progress in migrating to ARR but they nonetheless remind them with outstanding contracts requiring remediation before the close of the year to complete the residual contract re-negotiation work as soon as practicable.
- ❖ Furthermore, HKMA also mentioned in the notice that they will switch the reporting frequency of the Survey on Reform of Interest Rate Benchmarks from monthly back to quarterly from January 2022.

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#### REFINITIV'S TSR FALLBACK (DECEMBER 10)

Refinitiv [announced](#) that on Jan 4<sup>th</sup> 2022, Tokyo Swap Rate Fallback will become a production benchmark administered by Refinitiv Benchmark Services (UK) Limited (RBSL).

### 5. UK DEVELOPMENTS

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#### BANK OF ENGLAND: SEMI-ANNUAL FINANCIAL STABILITY REPORT (DECEMBER 13)

The BoE issued a [report](#) on Dec 13, stating that the FPC will continue to manage key operational risks associated with the transition over the coming weeks, reminds that market participant should be prepared for LIBOR cessation, to cease new use of the continuing US, and that the synthetic LIBOR is a temporary solution. FPC considers credit sensitive rates to have the potential to reintroduce some financial risks associated with LIBOR.

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#### DERIVATIVES CLEARING OBLIGATION – INTRODUCTION OF CONTRACTS REFERENCING TONA (DECEMBER 03)

BoE Published a [Final Policy](#) to Introduce a CO for OIS that references TONA maintaining the proposal in the September CP to add TONA OIS contracts with an original maturity between 7 days and 30 years to the CO. And, has amended the date on which this change will come into force from Dec 6, 2021 to Jan 31, 2022.

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#### THE CRITICAL BENCHMARKS ACT (DECEMBER 15)

On December 15<sup>th</sup>, [the Critical Benchmarks Act](#) gains royal assent and became law. This act details provides more certainty pertaining to the contracts that contain references to critical benchmarks.

## 6. MARKET NEWS

- The staff of the SEC published a [new statement](#) to remind investment professionals of their obligations when recommending LIBOR-linked securities.
- CFTC Staff [Revises](#) No-Action Letters Regarding Market Participants Transitioning from LIBOR.
- Review of [final rule on US tax implications of LIBOR switch](#) reportedly completed.
- [LCH](#) completed on Dec 18, the successful conversion of around 185,000 GBP LIBOR swaps to SONIA.
- The minutes for the November meeting of the UK RFR Working Group have now been [published](#).
- LSTA [published](#) a LIBOR Transition Checklist which addresses certain key considerations in the countdown to 2022 as market participants prepare for the next phase in LIBOR transition.
- LMA issued a [notice](#), pointing members to refer to its RFR Destination Table to determine RFR equivalents for LMA facility documents referencing LIBOR post Dec 31.

ISDA published its monthly ISDA-Clarus RFR Adoption Indicator for IRD for [November](#) and [December](#)

## 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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