



# **IBOR TRANSITION**

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Market Update as of 1st December 2021

## 1. GLOBAL MARKET DEVELOPMENTS

### FCA'S PROPOSED DECISIONS ON THE USE OF LIBOR (16 NOVEMBER)

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On Nov. 16 the FCA published: (1) A [Notice](#) of prohibition on new use of a critical benchmark under Article 21A; (2) A [draft Notice](#) of permitted legacy use by supervised entities under Article 23C. (3) A [Feedback Statement](#) following its consultation and subsequent decisions on the use of LIBOR (Articles 23C and 21A BMR).

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### FSB STATEMENT (22 NOVEMBER)

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The FSB issued a [statement](#) urging market participants to finalize preparations to cease new use of LIBOR by end-2021, as it monitors progress on ceasing new use of USD LIBOR and provides support for action taken by home authorities in all LIBOR currencies.

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### ISDA PUBLICATION (10 NOVEMBER)

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On November 10, 2021, ISDA [published](#) : (1) Supplement 88 to the 2006 ISDA Definitions, the addition of fallbacks for USD LIBOR ICE Swap Rate and JPY LIBOR Tokyo Swap Rate. (2) A Form of Amendment to enable parties to incorporate fallbacks for provisions in the 2006 ISDA Definitions for USD LIBOR ICE Swap Rate, JPY LIBOR Tokyo Swap Rate, and GBP LIBOR ICE Swap Rate.

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## 2. US MARKET DEVELOPMENTS

### SOFR FIRST INITIATIVE CROSS CURRENCY SWAPS PART II (2 DECEMBER)

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On Dec. 2<sup>nd</sup>, the CFTC's MRAC [announced](#) that Dec. 13 will be the date to switch interdealer trading conventions from LIBOR to SOFR for the USD leg of newly-executed cross-currency derivatives, per the SOFR First Initiative.

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### FED SUPERVISION FAQs (19 NOVEMBER)

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On Nov. 19, the Federal Reserve published a [revised](#) version of FAQs focusing on defining new contracts, circumstances of entering them, and supervisory focus with respect to LIBOR transition.

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### 1-WEEK AND 2-MONTH STATUTORY FALLBACKS (3 DECEMBER)

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The ARRC released a [statement](#) selecting and recommending forms of SOFR, along with associated spread adjustments and conforming changes, to replace references to 1-week and 2-months USD LIBOR in certain contracts affected by the State LIBOR Legislation ([FAQ](#) regarding this Legislation).

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### REFINITIV USD LIBOR CASH FALLBACKS (30 NOVEMBER)

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ARRC welcomed on Nov. 30 Refinitiv's [announcement](#) that its USD LIBOR Institutional Cash Fallbacks are now available for immediate use as production benchmarks and that, pending final approvals, its USD IBOR Consumer Cash Fallbacks for 1-week and 2-month settings would launch on Jan. 3, 2022.

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### ADJUSTABLE INTEREST RATE (LIBOR) ACT OF 2021 (DECEMBER 6)

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The ARRC welcomes passage of [LIBOR Transition](#) Bill by U.S. House of Representatives. The bill will minimize the risk of disruptive litigation and adverse economic impacts associated with the transition—providing greater certainty to investors, businesses, and consumers as the financial system continues its transition away LIBOR.

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### 3. EURO MARKET DEVELOPMENTS

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#### EUR RFR WG ON PART II OF THE RFR FIRST INITIATIVE FOR CROSS CURRENCY SWAPS (9 DECEMBER)

The EUR RFR WG issued a [statement](#) recommending alignment with [part II](#) of the RFR First initiative for CCS in EU interdealer market; as well as the adoption of €STR for the EUR leg of EUR vs USD CCS as of Dec. 13, 2021.

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#### LETTER FROM THE CHAIRMAN OF THE EUR RFR WG TO THE EC (16 NOVEMBER)

The Chairman of the Euro RFR WG [wrote](#) on Nov. 16 to the Head of Securities Markets at the EC, on the designation of statutory replacement rates for GBP LIBOR and JPY LIBOR suggesting alignment with the approach taken by the UK.

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#### ESMA ON CLEARING AND DERIVATIVE TRADING OBLIGATIONS (18 NOVEMBER)

ESMA, published on Nov. 18 its [final report](#) on the clearing (CO) and derivative trading (DTO) obligations, proposing changes to the scope of the CO and DTO : (1) remove GBP and USD LIBOR IRD from CO and DTO, (2) remove EONIA and JPY LIBOR IRD from CO, and (3) introduce €STER, SONIA and SOFR IRD to CO.

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### 4. ASIAN MARKET DEVELOPMENTS

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#### RESULTS ON TOUGH LEGACY CONSULTATION IN JAPAN (19 NOVEMBER)

The Cross-industry Committee on JPY LIBOR issued the [final report](#) on positive results of the public consultation on the treatment of tough legacy contracts in Japan. The report also mentioned that [results](#) (Nov. 1<sup>st</sup>) of the brief survey on the use of JPY LIBOR published by FSA and BoJ, showed that a significant progress in transitioning has been made in loans, bonds and derivatives.

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#### THBFIX TRANSITION (15 NOVEMBER)

Bank of Thailand [communicated](#) on Nov. 15, to accelerate the transition of THBFIX legacy contracts to other benchmarks, in particular THOR. (1) Jul. 1<sup>st</sup>, 2022: cessation of new THBFIX derivatives, except for risk management for legacy contracts. (2) Reduce notional outstanding of THBFIX derivatives maturing after 2025.

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### 5. UK DEVELOPMENTS

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#### WG ON STERLING RFRS (DECEMBER)

The WG on Sterling RFR published a [statement](#) urging market participants to focus ahead of the cessation of most LIBOR at end-2021, and encourages firms to: use SONIA linked contracts, where appropriate, for all new business; continue to pursue active transition, and; ensure readiness for upcoming operational events.

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## 6. MARKET NEWS

- The FCA published a [speech](#) delivered by Edwin Schooling Latter at Risk.net's [LIBOR Telethon](#).
- Clearing of OTC IRS based on the BSBY went live on Nov. 15 at [CME](#) and on Nov. 29 at [LCH](#).
- ICE Benchmark Administration provided [update](#) regarding LIBOR cessation and "Synthetic" LIBOR.
- ICMA provided information on the issue of "tough legacy" bonds in its latest [quarterly review](#).
- The National WG on CHF Reference Rates published the [executive summary](#) its latest meeting (Nov. 9<sup>th</sup>).
- ISDA [IQ publication](#) released on Nov. 16 a [set of responses](#) from a group of senior policy-makers and industry working group chairs regarding the key challenges that lie ahead of LIBOR cessation.
- FINMA published its [Risk Monitor 2021](#), providing an overview of the most important risks currently faced by supervised institutions.
- ISDA published its monthly [ISDA-Clarus RFR Adoption Indicator](#) for IRD.

LMA published on Nov. 30 an updated version of the [list](#) of RFR syndicated and bilateral loans.

## 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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