LIBOR transition

Market update:
1-15 May, 2021

229 days to **31 December 2021**
775 days to **30 June 2023**

1 Highlights

ARRC's SOFR symposium: In defense of RFRs

What happened? The Alternative Reference Rates Committee (ARRC) held its second SOFR Symposium: The Final Year. The event opened with a moderated discussion between the co-chairs of the Official Sector Steering Group at the Financial Stability Board (FSB): Andrew Bailey, Bank of England (BOE) Governor, and John Williams, FRB NY president and CEO. A subsequent panel, which includes representatives from corporate lenders, borrowers and industry groups, discussed developments in the loan markets, including the use of SOFR as a lending rate and the prospect of a forward-looking term SOFR.

Andrew Bailey's opening remarks centered around progress made in the transition from GBP LIBOR to SONIA in both derivatives and cash markets, expectations for limited use of forward-term SONIA and a discussion of emerging credit-sensitive alternatives to LIBOR. Bailey questioned whether "alternative credit-sensitive benchmarks have truly addressed the weakness of LIBOR," as many of them reference the same commercial paper and certificates of deposit markets that have exposed LIBOR to illiquidity and sudden rate dislocation at times of stress. Rather than relying on "small and shrinking markets," Bailey made the case for risk-free rates (RFRs) as the most sensible and robust replacement option.

John Williams struck many of the same chords, calling for the embrace of SOFR as the cornerstone of a robust foundation of reference rates to underpin the financial system in the long term. Just as Bailey did before him, Williams cautioned market participants against making choices that could "land us back in the same situation we've worked so hard to solve."

At the panel discussion that followed, participants challenged the conventional wisdom on the role of corporates in the transition. First, reflecting on the need and desire for a forward-looking SOFR term rate, one panel participant suggested that it was a fallacy to believe that the entire corporate sector was demanding such a term rate. Recent transactions in both commercial and consumer markets have shown that using SOFR as a lending rate, either compounded in arrears or in advance, can be done successfully. Second, several participants suggested that many corporates had found banks unprepared to provide information on, let alone offer, loans based on SOFR at this time. The Association of Financial Professionals' (AFP) Director of Treasury Services echoed that sentiment, referring to its recently released testimony to the House Financial Services Committee. Results of a recent survey suggested that a large majority of respondents had "been unable to receive detailed proposals or timelines for implementation from their bankers" when inquiring about the transition from USD LIBOR to SOFR.

Our take: Talk around forward-looking term and credit-sensitive rates (CSRs) has featured prominently in the LIBOR transition news cycle in recent months. The remarks made at the SOFR symposium (and earlier in the week at ISDA's AGM) served as a concerted reminder of the fundamental issues that led to LIBOR's demise in the first place. The problems surrounding dwindling volumes of real transactions on a daily basis used to derive a specific benchmark tenor — and the resulting need for management judgment — have been discussed at length. While the CSRs currently under consideration aren't expected to rely on management judgment, it isn't clear that they solve another issue: Liquidity in underlying markets might dry up at certain moments in the business cycle, resulting in market dislocation and sharp, amplified rate moves. Many of the proposed CSRs continue to reference the markets that underpin LIBOR and hence continue to face some of the same issues.

In some ways, the transition from LIBOR isn't much different from other large-scale, transformative regulatory or market initiatives: The regulators' long-term focus on systemic stability is contrasted with banks trying to meet the tactical challenges of implementing required changes. Market participants don't necessarily have the luxury to look at the transition from LIBOR as an overarching, systemic problem. Rather, they are faced with the challenges of operationalizing an overnight rate for a market that typically pays interest on a periodic basis.

That being said, this week's comments don't represent an outright dismissal of credit-sensitive or term reference rates. Rather, they seem to encourage market participants to give a strong preference to RFRs as their first option, while availing themselves of alternatives only if absolutely necessary.

The role of corporates

Life is rarely black and white. There are certainly some smaller lenders that are struggling with establishing the capabilities to transact in RFRs or are finding it difficult to coordinate relationship managers in delivering a clear and consistent message to all of their corporate customers. Similarly, there are probably some corporates that have not paid much attention to the transition from LIBOR at all up to this point. With only 229 days to go until USD LIBOR effectively becomes unavailable for the use in new products, the time has arrived to make up ground on both the borrower and lender sides.

ISDA's Annual General Meeting

What happened? LIBOR transition was a main topic at ISDA's Annual General Meeting. Day 1 featured a renewed call by the FCA's Edwin Schooling Latter "to put the foot down on the accelerator," an update on the uptake of ISDA's IBOR Fallbacks Protocol and an outlook on how liquidity in RFRs and other alternative reference rates may develop. The Day 2 agenda moved on to other topic areas, but not before a panel discussion on LIBOR transition in Japan that touched on the potential adoption of term reference rates.

As has been the case for previous events, ISDA provided an update on key takeaways in real time.

A renewed call to action

Schooling Latter reinforced LIBOR's cessation deadline and stressed that market participants should not expect any additional extensions. That is especially true for USD LIBOR, where the more significant end of 2021 target date for an end to new USD LIBOR issuances is fast approaching. He included users of USD LIBOR in other markets, such as Asia, in his appeal to see transition efforts accelerate, which was echoed by the HKMA's Deputy Chief Executive Arthur Yuen.

ISDA
ISDA @ISDA · May 10 ···
The US dollar LIBOR panel is going to end at the end of June 2023 – it is not going to be extended. Previously, there was perhaps some doubt about precisely when or even whether LIBOR was going to come to an end. There is no doubt now, says Edwin Schooling Latter @TheFCA

ISDA
ISDA @ISDA · May 11 ···
Five of the most popular US dollar #LIBOR settings will continue until mid-2023, but this should not be seen as a delay. As big users of LIBOR, and US dollar LIBOR in particular, institutions in Asia cannot afford to take their foot off the pedal, says @ScottOMalia

ISDA
ISDA @ISDA · May 10 ···
The amount of US dollar LIBOR contracts that will expire after June 2023 in Hong Kong still accounts for about one third of outstanding positions. So, the market will still need to soldier on in terms of migrating legacy contracts, says Arthur Yuen @hkmagovhk #isdaagm

Source: twitter.com/ISDA

Synthetic LIBOR

Schooling Latter suggested that the FCA's decision on which LIBOR settings to publish on a synthetic basis could be expected in late Q3 or early Q4 of this year. He noted that he thought it was unlikely that either non-cleared or cleared derivatives would be allowed to reference synthetic LIBOR.

> **ISDA** @ISDA · May 10
> A decision on whether certain sterling and yen LIBOR settings should be published on a non-representative, synthetic basis for a further period from end-2021 will be made by the @TheFCA at the end of Q3 or start of Q4, says Edwin Schooling Latter #isdaagm @ISDAConferences

> **ISDA** @ISDA · May 10
> Where there is a feasible way of moving to alternative benchmarks, then that isn't tough legacy in the FCA's view and "we don't see any need to permit those contracts to use synthetic LIBOR". That would likely include cleared derivatives, says Edwin Schooling Latter @TheFCA

Liquidity in RFRs and adoption of other alternatives

Both regulators and market participants spoke out in support of a broad adoption of RFRs in the interest rate markets, suggesting that compounding in arrears would become the norm for most derivatives.

> **ISDA** @ISDA · May 10
> The experience in the UK in sterling can give very substantial confidence that the RFR model works across economic use cases, says Edwin Schooling Latter @TheFCA. RFRs will be the "center of gravity" for interest rate markets, he adds #isdaagm @ISDAConferences

> **ISDA** @ISDA · May 10
> For the overwhelming majority of derivatives, compounding in arrears via risk-free rates will become the market standard. This will be the most liquid instrument so any divergence from that will come at a cost in liquidity, says Chirag Dave @GoldmanSachs #isdaagm @ISDAConferences

> **ISDA** @ISDA · May 10
> 2021 #isdaagm Poll: What will typical rates portfolios look like at the end of 2023? 46% conference attendees say "Primarily #RFRs with #OIS conventions but with a mix of RFRs with other conventions and other alternatives" @ISDAConferences

> **ISDA** @ISDA · May 10
> We will support as many of the configurations of RFRs as we can. We're open to alternative benchmarks, so to the extent there is demand for that from different cash product pockets, we will respond to that, says Philip Whitehurst @LCH_Clearing #isdaagm

LIBOR transition in Japan

Opinions on the role that forward-looking term rates will play as part of the transition in Japan continue to evolve. While there appears to be demand from corporate borrowers, limited liquidity in underlying markets remains a concern.

> **ISDA** @ISDA · May 11
> The majority of Japanese corporate clients prefer to use TORF, the forward-looking term rate based on TONA, says Toshikazu Nakagawa @mizuhobank. Corporates want visibility on future cashflows, and adapting existing systems is difficult, he says #isdaagm

> **ISDA** @ISDA · May 11
> There are relatively few transactions underlying TORF at the moment. Widespread use of TORF could therefore lead to systemic risk and could be open to manipulation, says Shinichiro Itozaki @mufgbk_official #isdaagm

Source: twitter.com/ISDA

Our take: Regulators and industry leaders are seemingly confident that RFRs will become the centerpiece of future markets. It also appears clear that, at the very least in the US market, forward-looking term versions of the RFRs and some of the credit-sensitive rates will play a supporting role. But evidently, market participants will continue to have different views on exactly which — and to what extent — alternative reference rates will be broadly adopted.

We continue to hear noise from firms looking for consensus, whether it is on conventions for use of RFRs in different products or on the use of alternative reference rates. Building consensus requires time — which the market does not have. As global regulators, not just those in the US and the UK, are turning up the volume around the need to move away from LIBOR, firms will need to evaluate the suitability of specific alternatives — and be prepared to explain the rationale behind their choices to their supervisors and, perhaps more importantly, to their customers. For most banks, that will require establishing a framework and governance for the evaluation of rate options, as well as the management of conduct risks.

SOFR term rate: the chicken, the egg and derivatives

What happened? The ARRC published a set of qualitative indicators it expects to monitor as it is making a decision on the recommendation of a forward-looking SOFR term rate. The measures align to the ARRC's previous declaration that its ability to make a formal term rate recommendation would depend on robust liquidity in derivative markets underpinning the calculation of SOFR term rates: continued growth in SOFR-based derivatives trading volume, progress in market making of SOFR-based products and continued growth in the offering of cash products tied to SOFR. The ARRC expresses confidence that these indicators would be met as market participants transition from USD LIBOR to SOFR, which could allow the committee "to recommend a SOFR-based term rate relatively soon."

Although the Chicago Mercantile Exchange (CME) launched their forward-looking SOFR term rate (for limited use in cash products) just over two weeks ago, the ARRC reaffirmed that it had not yet made a recommendation of a SOFR term rate. Such a formal recommendation is important in the context of the ARRC's suggested fallback language for cash products, which stipulates an ARRC-recommended term rate as the first replacement option at the point of USD LIBOR's cessation.

Our take: The omission of specific quantitative metrics or thresholds is bound to leave many market participants frustrated. How much does liquidity in SOFR derivatives need to increase for a formal term rate recommendation to be possible? The answer, as it turns out, is “when it’s robust enough to allow for such a recommendation.” At the same time, the explicit suggestion that a term rate could be recommended “relatively soon” should calm those market participants who had feared that the announced delay of a formal recommendation might represent an outright dismissal of a potential term SOFR.

The situation is reminiscent of the old chicken and the egg problem. A SOFR term rate requires trading in SOFR derivatives. Trading in SOFR derivatives would supposedly increase with increased SOFR lending, as demand for hedging instruments that are indexed to SOFR would increase. Finally, there are a number of market participants who suggest that a SOFR term rate is required to significantly increase SOFR-based lending. And so we are seemingly left with a circular dependency. The ARRC’s inclusion of an increase in SOFR-based lending as a condition could be thought of as a way to save the chicken from stepping on the egg. There are concerns that too extensive use of a forward-looking term rate could undermine activity in overnight, or backward-looking averages, of RFRs, and in turn of derivatives based on RFRs. That could lead to a less robust forward-looking term rate, which might no longer be fit for broad adoption in the cash markets.

Different segments of the market will likely show different levels of preparedness and willingness to lend based on SOFR. Larger institutions would not hesitate to move forward with SOFR compounded in arrears or even in advance, as is the case in SOFR-based ARMs. Some smaller lenders appear committed to wait for a formal term rate recommendation.

It’s worth noting that a formal recommendation of a SOFR term rate isn’t explicitly required for a market participant to use a published SOFR term rate in a new transaction. Many lenders, however, will wonder whether it is worth drawing attention to yourself by using a SOFR term rate prior to the ARRC making a formal recommendation.

WG on Euro RFR recommendations on fallbacks for EURIBOR

What happened? The WG on Euro RFRs published recommendations on €STR-based EURIBOR fallback rates and trigger events, following consultations on the topic that had concluded earlier this year. The WG’s recommendations seek to promote consistency across currencies and asset classes and include considerations on the possible implications of introducing significant variability of fallbacks between different contracts and products. While there aren’t any definitive plans for EURIBOR to be discontinued at this time, the inclusion of robust fallback language is a requirement in contracts subject to the EU Benchmark Regulation (BMR).

	Corporate lending	Retail mortgages / Consumer loans / SME loans	Current accounts	Trade finance	Export and emerging markets finance products	Debt securities	Securitisations
Level 1	Forward-looking[1]	Forward-looking	Backward-looking payment delay	Forward-looking	Forward-looking[1]	Backward-looking lookback period	Same as underlying asset[3]
Level 2	Backward-looking lookback period	Backward-looking lookback period OR last reset (up to 3 months)[2]	N/A	Backward-looking last reset (up to three months)	Backward-looking lookback period OR last reset (up to three months)[2]	N/A	

Source: WG on EURO RFRs, adapted

[1] Market participants desiring consistency between a hedged loan and derivative would omit the first step in the waterfall.

[2] Market participants desiring consistency between a hedged loan and derivative would choose a fallback to a backward-looking rate with a lookback period. In cases where knowing the rate at the start of the interest period is of greater importance, market participants would choose to employ a reset rather than a lookback.

[3] For securitizations, market participants could also consider consistency with other debt securities.

Note: No recommendations were made for transfer pricing models or investment funds.

The WG´s recommendations for trigger events cover the permanent cessation, temporary unavailability and non-representativeness (or pre-cessation) of a benchmark, and they are based on publicly available statements. This generally aligns with language proposed by working groups in other geographies, such as the ARRC or the WG on Sterling RFRs. The recommendations are also consistent with the trigger events included as part of recent amendments to the EU BMR itself, which provided the European Commission (EC) with the power to designate a statutory replacement for LIBOR in legacy contracts upon LIBOR's cessation. In addition to recommendations similar to those made in other geographies, the WG suggests that market participants also consider triggers related to the use of EURIBOR becoming unlawful, as well as triggers related to EURIBOR's cessation without any related official announcement. As both of these potential triggers may cause unintended complexities and complications, the WG cautions market participants to examine their suitability in light of their specific circumstances.

The recommendations for €STR-based fallback rates vary by asset class. For most lending products, the WG suggests a two-tiered waterfall consisting of a forward-looking €STR term rate as the first option, followed by backward-looking averages of €STR. Similar to recommendations made by the ARRC, market participants who desire alignment between fallbacks in loans and derivatives are given the choice to exclude an €STR term rate as the first option. Please see the table on the previous page for additional details on the recommendations for different products.

The WG also included recommendations for a credit spread adjustment to account for the economic differences between EURIBOR and €STR. The proposed methodology aligns to that used by ISDA as part of its IBOR Fallbacks and is based on the five-year historical median difference between €STR and EURIBOR at the time fallbacks are triggered. A "call for interest" for a benchmark administrator to publish such a spread adjustment is planned for later this year.

Our take: There are few, if any, surprises in the WG's recommendations, which are consistent with the results of previous consultations and the recommendations made by working groups in other jurisdictions. Institutions should make every effort to future-proof contracts to the greatest extent possible.

There are currently no plans to scrap EURIBOR — and market participants generally expect publication to continue for at least another three to five years. Since late 2019, EURIBOR has been published by its administrator, the European Money Market Institute (EMMI), under a new hybrid methodology based on observed transactions, formulaic calculations and panel bank submissions based on related transactions, markets or models. Not unlike LIBOR, however, a number of tenors already often rely heavily on the latter of these sources, i.e., panel bank submissions, rather than real transactions. The European Securities and Markets Authority (ESMA) will assess EURIBOR's representativeness, a condition for publication, in Q4 2021 (and on an annual basis thereafter). The results of that assessment should provide some indication as to the validity of firms' expectation for EURIBOR's continued publication.

The recommendation of an €STR-based forward-looking term rate as a primary fallback option reflects market participants' need to comply with national consumer laws. In a number of jurisdictions, regulations aimed to ensure transparency for retail customers require interest rates to be known at the beginning of the period. The widespread use of EURIBOR in retail markets will make the amendment of contracts a challenge, but a valuable investment in easing future transition efforts nevertheless.

Listen **here**

Safe harbor for use of synthetic LIBOR

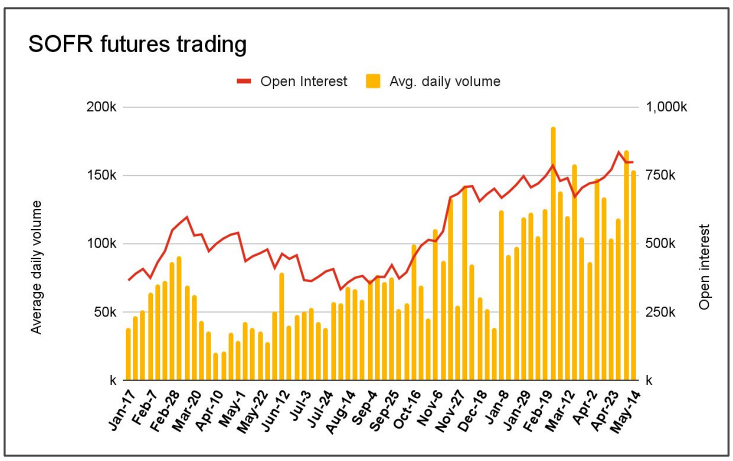
What happened? The UK's HM Treasury published a summary of the outcome of its consultation on a potential legislative safe harbor associated with the use of synthetic LIBOR. In a letter responding to an inquiry on the issue from the WG on Sterling RFRs, the Economic Secretary confirmed that HM Treasury would seek to bring forward further legislation that would "seek to reduce disruption that might arise from LIBOR transition with regard to the potential risk of contractual uncertainty and disputes in respect of contracts that have been unable to transition from LIBOR to another benchmark."

Our take: Some market participants might scoff at the UK Treasury's caveat that further legislation would be introduced "when (...) time allows." In reality, the caveat is more likely to reflect the realities and constraints of the legislative process. At the same time, the risk of litigation is very real. Further, the longer the delay in introducing legislation to mitigate such risks, the higher the risk that legislation cannot be passed in time.

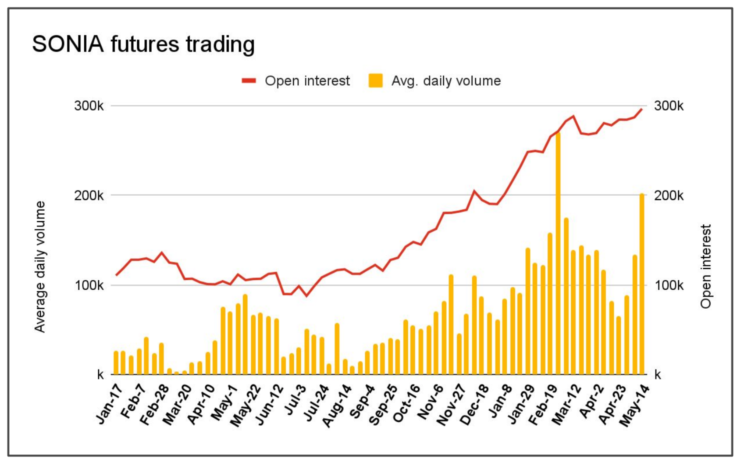
With only a few months to go, the primary option for market participants to manage litigation risk associated with legacy exposures referencing a synthetic rate remains the reduction of legacy exposures.

2 RFR adoption: Derivatives

Futures and options



Source: CME, ICE (accessed 17 May 2021)



Source: CME, LCH, ICE (accessed 17 May 2021)

Our take

The launch of CME's term SOFR reference rate has renewed the importance of liquidity in the underlying SOFR futures markets. So far, so good. Open interest climbed to over 800,000 contracts at the CME alone at the end of April. That momentum carried over into May, where both average daily volume and open interest continued at historical high levels. While the majority of SOFR futures trading takes place at the CME, trading volumes at ICE have increased as well. Open interest climbed to 18,918 contracts at the end of the second week in May — the highest number since SOFR futures began trading on the exchange.

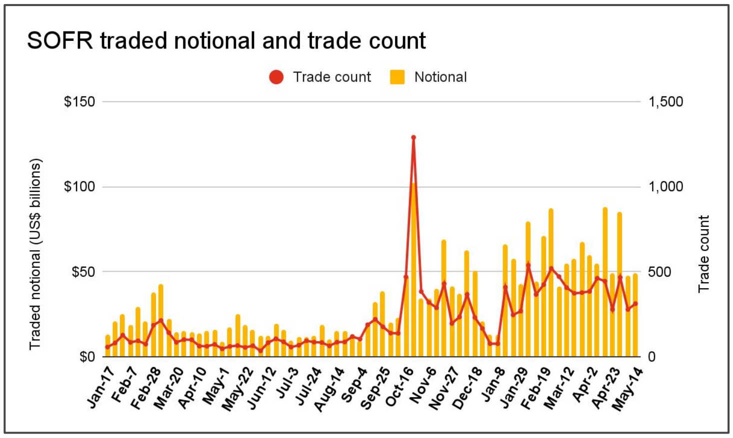
Market participants will be closely watching the continued development of liquidity in SONIA futures trading for much of the same reasons, as a number of forward-looking SONIA term reference rates are already being published. While average daily volumes have had their ups and downs over the past few weeks, open interest has increased steadily. The 296,877 contracts outstanding at the end of the second week of May represent the highest number to date.

ISDA IBOR Fallbacks Protocol adherence
(as of 14 May 2021)

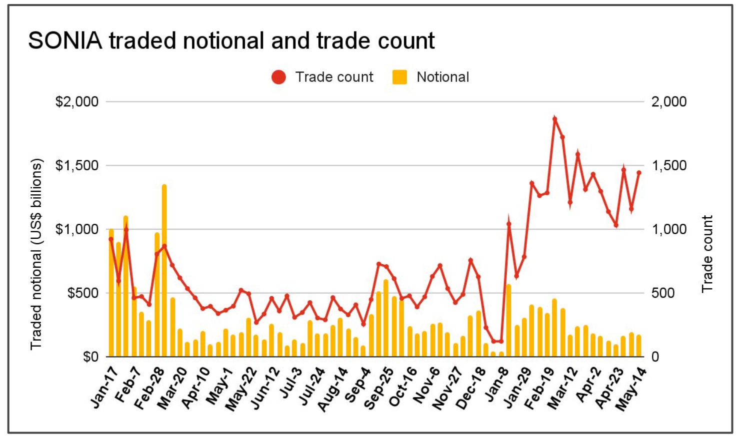
- 14,067 total entities (up from 13,947)
- 1,853 sign-ups on or after the effective date
- 29 out of 30 G-SIBs (unchanged)

Source: ISDA

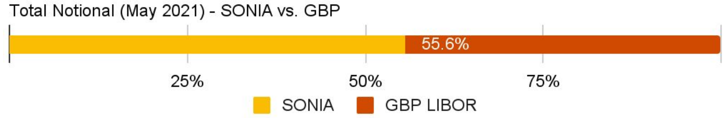
Swaps trading

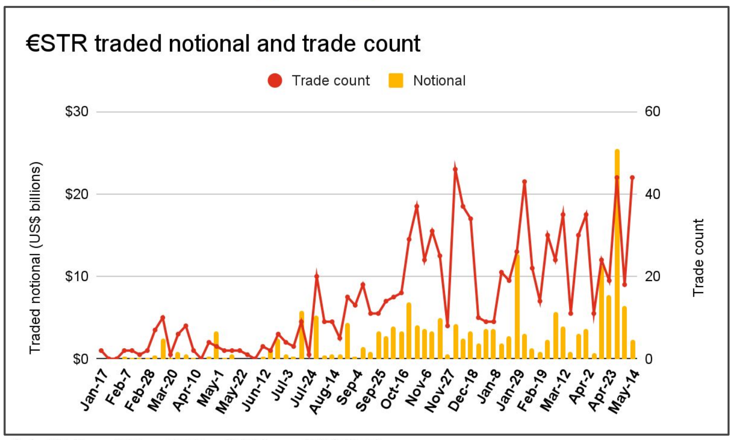


Total Notional (May 2021) - SOFR vs. USD LIBOR

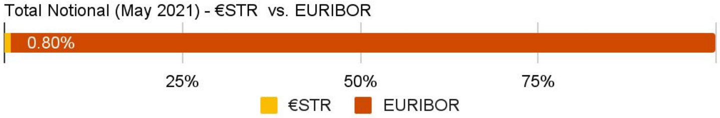


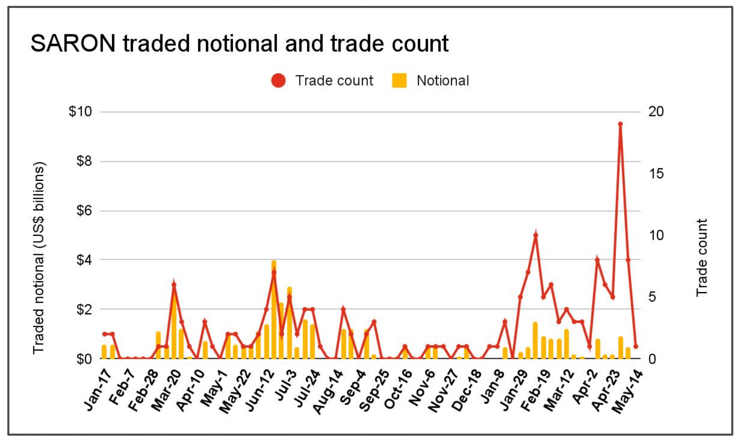
Total Notional (May 2021) - SONIA vs. GBP



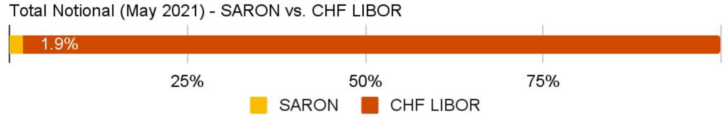


Total Notional (May 2021) - €STR vs. EURIBOR





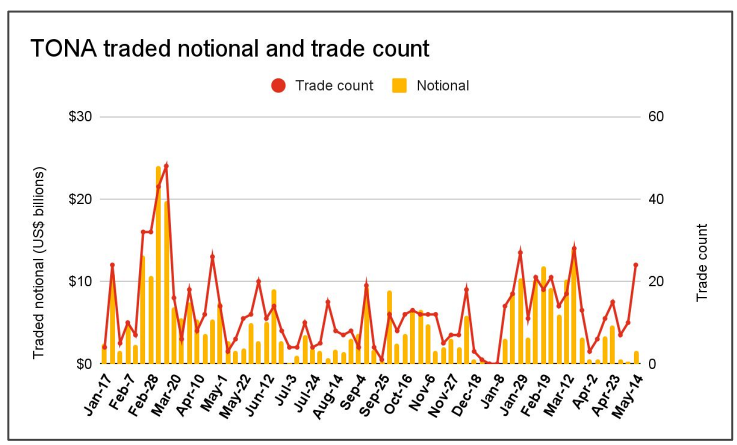
Total Notional (May 2021) - SARON vs. CHF LIBOR



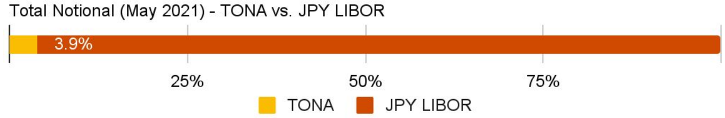
Our take

In his remarks at the ARRC's SOFR symposium, BOE Governor Andrew Bailey suggested that activity in SONIA swaps trading might even be stronger than the data suggests. Specifically, he pointed to the inter-dealer market, where the BOE estimates the share of SONIA-based transaction to be "in excess of 90%." He echoed comments made by the FCA's Edwin Schooling Latter in late April, who had suggested that much of the volumes in GBP LIBOR swaps trading could be attributed to risk management activities in advance of the benchmark's cessation at the end of the year.

SOFR-based swaps trading as a percentage of overall USD swaps trading increased markedly following the CCP discounting switch last October, but continues to pale in comparison to USD LIBOR. The proportion of SOFR swaps trading volume, however, appears to be larger on a risk basis, suggesting that we are indeed seeing a slow, but increasingly steady shift.



Total Notional (May 2021) - TONA vs. JPY LIBOR



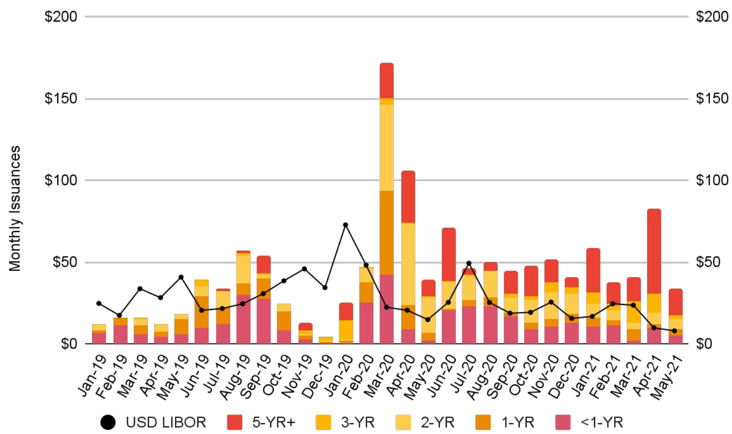
Source: analysis.swapsinfo.org (interest rate and credit derivatives weekly trading volume): Week ending May 14, 2021, accessed May 17, 2021.

3 RFR adoption: Cash products

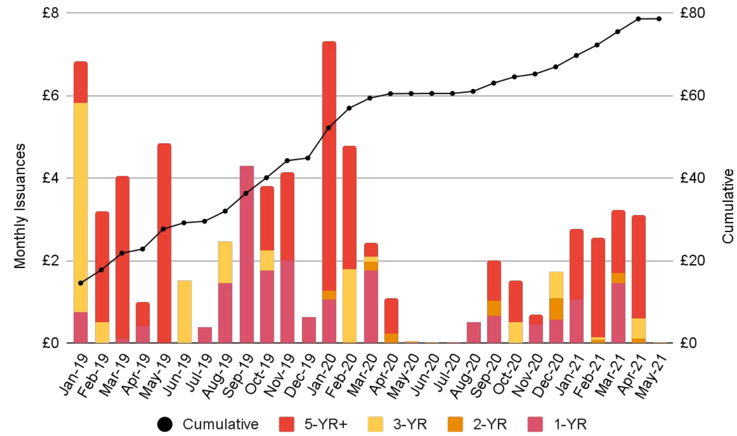
FRN issuances (as of 15 May 2021)

Source: Bloomberg. Includes callable issuances.

USD FRN issuances (in billions)



SONIA FRN issuances (in billions)



Our take: While issuances of SOFR FRNs continue at a steady pace, issuances of USD LIBOR FRNs continue to decline further — which is especially true for long-dated issuances. Of just over $7 billion in USD LIBOR FRN issuances in May, only about $340 million came in issuances with a maturity date after June 2023.

The seemingly low levels of SONIA-based GBP LIBOR FRNs don't tell the entire story. During the ARRC's second SOFR Symposium, BOE Governor Andrew Bailey noted that about £40 billion in additional bonds had seen their reference rate switched to SONIA by means of consent solicitation.

Notable cash product issuances and other RFR adoption[1]

RFR	Company	Detail	Resources
SOFR	United Airlines	Entered into an agreement with the US Treasury for an initial $390 million of SOFR-based funding linked to the Payroll Support Program (PSP).	Press coverage
	Freddie Mac	Continued the issuance of multifamily K-Deals backed by floating-rate multifamily SOFR-based mortgages.	Press release
	JP Morgan	Issued 51 classes of RMBS of which the Class A-11 notes' coupon is indexed to SOFR with a Moody's assigned rating of Aaa.	Rating action
	Goldman Sachs	Issued 38 classes of RMBS of which the Class A-15 notes' coupon is indexed to SOFR with a Moody's assigned rating of Aaa.	Rating action
SONIA	L&Q	Transitioned £500 million of debt finance onto SONIA.	Press coverage
	London Wall Mortgage Capital	Issued a notice of intention to explore transitioning notes and DCIs from GBP LIBOR to SONIA.	Notice to noteholders
	Aviva	Gained consent to switch two FRNs from GBP LIBOR to SONIA, while extending the consent solicitation deadline for one other FRN.	Reg filing
	Macquarie Asset Management	Announced a £276 million financing agreement with funds managed by Equitix comprised of inflation and SONIA-linked debt.	Press release
SORA	DBS	Issued over $450 million SORA-linked SME loans.	Press coverage

In addition to what is noted above, issuances of SOFR ARMs have increased rapidly over the past few months. Between April and the beginning weeks of May, Fannie Mae and Freddie Mac alone have issued more than $750 million in SOFR-based mortgage-backed securities (MBS) combined.

For additional details on employed conventions and other parameters of recent RFR-based loans, see the Loan Market Association's (LMA's) regularly updated list of RFR referencing syndicated and bilateral loans. Given the private nature of the loan market, neither the LMA's list nor our highlights should be considered an accurate representation of activity in loan markets. Especially with the WG on Sterling RFR's target date for an end of GBP LIBOR use in new products now behind us, publicly available data likely doesn't tell the whole story with respect to SONIA-based lending. The same will increasingly become true for SOFR-based lending, as expectations for lenders to shift away from USD LIBOR continue to increase.

[1] Please note: This information has been obtained from publicly available sources.

4 Publications at a glance

National working groups

Alternative Reference Rates Committee (ARRC)

- Held its second SOFR Symposium "The Final Year."
- Published a set of qualitative indicators it expects to monitor as it is making a decision on the recommendation of a forward-looking SOFR term rate.
- Published a guide on the use of published SOFR averages, including considerations for the selection of an ARR.
- Asked vendors of products used by nonfinancial corporations to complete a survey on LIBOR transition readiness.

WG on Sterling RFRs

- Published its newsletter for April 2021.

WG on Euro RFRs

- Published recommendations on fallback triggers and €STR-based fallback rates for contracts tied to EURIBOR.

Regulators

- **FRB NY:** President and CEO John Williams spoke at the ARRC's SOFR symposium.
- **Bank of England:** The Bank's Governor spoke in support of a transition to RFRs at the ARRC's SOFR symposium.
- **Financial Conduct Authority / Bank of England:** Encouraged market participants and liquidity providers to change standard conventions in sterling exchange traded derivatives markets from GBP LIBOR to SONIA on 17 June.
- **Financial Conduct Authority:** Noted that it would consult on the consequences of LIBOR transition for the Derivatives Trading Obligation (DTO) later this summer. The plans were noted as part of a consultation on changes to MIFID's conduct and organizational requirements.
- **HM Treasury:** Published a summary of the outcome of its consultation on a potential legislative safe harbour associated with the use of synthetic LIBOR. In a letter to the WG on Sterling RFRs, the Economic Secretary confirmed that the UK Government would seek to bring forward further legislation.
- **UK Government Actuary's Department:** Published a blog post on the transition from GBP LIBOR to SONIA.
- **U.S. Treasury:** In its latest report to the Secretary, the Treasury Borrowing Advisory Committee (TBAC) renewed its recommendation for issuance of a 1-year SOFR based FRN in 2021 in support of the transition from USD LIBOR to SOFR.
- **State of Alabama:** Passed a bill providing for a statutory replacement of references to LIBOR in contracts with no, or inadequate, fallback language upon its cessation. The bill closely mirrors legislation passed in New York earlier this year.

Industry groups, infrastructure providers and other items

- **ISDA (w/ ClarusFT):** Published its RFR Adoption Indicator for April 2021, showing an increase to 10.8%.
- **ISDA:** Scott O'Malia provided the opening remarks at ISDA's Annual General Meeting. ISDA recapped key takeaways in daily special issues of IQ in Brief. Day 1 focused on Edwin Schooling Latter's comments, liquidity in RFRs and ISDA's protocol. Day 2 addressed the future of TONA, Japan's RFR replacement for JPY LIBOR.
  Published supplements 72 and 73 to its 2006 definitions, adding the AMERIBOR term rate and BSBY as rate options.
  Published a series of supplements (member access only) and supporting documents that describe the contractual provisions required to implement different RFR compounding or averaging conventions that would enable closer alignment with standard conventions developed in the cash markets. ISDA also published a supplement that would enable use of the GBP SONIA index published by the Bank of England in confirmation or as part of a floating rate option (FRO). A memorandum published earlier describes potential approaches to documenting derivatives using various RFR conventions.
- **LSTA:** Published an updated version of its LIBOR transition library, including its suite of concept documents for credit facilities referencing daily SOFR (and other RFRs).
  Commented on the ARRC's publication of its market indicators that would enable the recommendation of a forward-looking SOFR term rate.
  Published a concept document for a multicurrency loan facility based on both IBORs or RFRs (member access only).
  Discussed SOFR and CSRs in a blog post and as part of a recent presentation to the Practicing Law Institute (PLI).
- **LMA:** Published a webinar on the impacts of LIBOR cessation on developing markets.
- **ICMA:** Published minutes from the LIBOR Trade Association Working Party Meeting from 21 April.
- **ICE Benchmark Administration:** Issued a consultation on its intention to end the publication of the GBP LIBOR ICE Swap Rate for all tenors at the end of 2021.
- **CME:** Reported in its latest Rates Recap that the launch of its SOFR term rate was "met with strong client interest."
- **HKEX:** Announced it would begin clearing of cross-currency swaps and basis swaps referencing HONIA and SOFR.
- **Association for Financial Professionals:** The AFP, joined by the Center for Capital Markets Competitiveness and National Association of Corporate Treasurers, announced that it had sent letters to the House Financial Services Committee and other banking regulators in support of federal legislation to address tough legacy exposures. The associations also voice their support of SOFR as LIBOR replacement and express concerns that many corporates reportedly "have been unable to receive detailed proposals or timelines for implementation from their bankers."

5 LIBOR transition target dates

US Supervisors: no new USD LIBOR products "as soon as practicable"

30 June 2023
End of publication / loss of representativeness:
o/n, one-, three-, six- and 12-month USD LIBOR

31 December 2021
End of publication / loss of representativeness:
GBP, EUR, JPY, CHF LIBOR and 1W, 2M USD LIBOR
US Supervisors/FCA/FSB/FINMA:
no new USD LIBOR products

5 March 2021 (all LIBOR settings)
FCA announcement on future cessation / loss of representativeness
"Spread Adjustment Fixing Date"

2021 · 2022 · 2023

December 2021 (various dates)
CCPs: preemptive transition of legacy LIBOR trades to RFRs

by Q3, 2021
- ARRC: no new LIBOR CLOs
- CIC: significant reduction in LIBOR loans and bonds, inter-dealer quotations move from JPY LIBOR to TONA
- Sterling RFR WG: complete remediation of legacy LIBOR contracts

by Q2, 2021
- ARRC: no new LIBOR business loans, securitizations (excluding CLOs) or derivative trades that increase LIBOR risk ~~SOFR term rate recommendation~~
- Sterling RFR WG: no new LIBOR nonlinear derivatives
- Euro RFR WG: recommendations on EURIBOR fallbacks
- CIC: no new LIBOR loans or bonds
- FSB/FINMA: system and process changes complete

17 June 2021 - FCA/BOE: Switch GBP exchange traded derivatives from LIBOR to SONIA

11 May 2021 - FCA/BOE: inter-dealer quotations move from GBP LIBOR to SONIA

26 April 2021 - JPY OIS term rates

by Q1, 2021
- Sterling RFR WG: no new LIBOR loans, bonds, securitisations or linear derivatives; complete identification of legacy LIBOR contracts and accelerate active conversion
- CIC: system and ops readiness for RFR compounding
- ARRC: dealers quote USD derivatives in SOFR
- BoE: haircut add-ons to LIBOR-linked collateral (started 1 April)
- FINMA: plans for reduction of "tough legacy"

25 January 2021
ISDA: IBOR Fallbacks Protocol became effective
ICE BA: Consultation on potential LIBOR cessation closed

31 January 2021
FINMA: No new "tough legacy," ability to offer ARR loans

~~strikethrough~~ - Delayed milestone

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