



IBOR TRANSITION

Market Update as of 01/03/2021

1. EURO MARKET DEVELOPMENTS

SUMMARY OF RESPONSES ON EURIBOR'S PUBLIC CONSULTATIONS

On 15 February 2021, the working group on euro risk free rates published a summary of responses regarding the consultations on [EURIBOR fallback trigger events](#) and [€STR-based EURIBOR fallback rates](#).

A final recommendation by the working group on euro risk free rates on both topics, taking into account the views expressed by stakeholders in this public consultation, is expected to be published in the course of Q1/Q2 2021.

OFFICIAL BMR REVIEW

BMR [review](#) has officially been published in the Official Journal of the European Union on 12 February 2021 entering into force and applying from the following day.

On 2 February 2021, the European Council [adopted amendments](#) to the EU BMR addressing the termination of financial benchmarks. Under the new framework, the Commission will have the power to replace 'critical benchmarks', which could affect the stability of financial markets in the EU, and other relevant benchmarks, if their termination would result in a significant disruption in the functioning of financial markets in the EU.

EURIBOR REFORM

On 2 February 2021, the European Money Markets Institute (EMMI), the administrator, [released](#) the outcome of the first annual review of the Hybrid Methodology for Euribor. EMMI [announced](#) four changes to the calculation methodology, effective from 19 April 2021.

The review aimed at confirming that the benchmark remains robust, resilient, and representative of its underlying market; and at identifying potential items for further beneficial recalibrations.

For market participants, the EMMI's tinkering with the methodology is the latest sign that Euribor is here to stay. In December, Steven Majoor, chairman of the European Securities and Markets Authority (ESMA), said there "is no Euribor discontinuation in sight".

EMMI ENCOURAGES EONIA USERS TO ACCELERATE THEIR TRANSITION TO €STR

On 12 February 2021, EMMI [released](#) a public statement to remind that **the planned cessation of EONIA** will be on 3 January 2022 and therefore it encourages EONIA users to accelerate their transition to the €STR and to finalize without delay their phasing-out of EONIA in the few months remaining before the benchmark's planned cessation date (3 January 2022).

To mitigate as much as possible any legal and economic risk, **EONIA users are invited by EMMI to use the €STR in any new financial contract, in particular those maturing after EONIA's cessation date.**

2. STERLING MARKET DEVELOPMENTS

CONSULTATION ON SUCCESSOR RATE TO GBP LIBOR IN LEGACY BONDS

The working group on Sterling Risk-Free Reference Rates published a [consultation paper](#) addressed to bond market participants considering the operation of fallbacks in their contracts.

Subject to its consideration of the feedback received pursuant to this consultation and any other relevant factors, the working group expects to recommend a fallback successor rate for use in the bond which will ultimately assist the objective of the working group of facilitating a smooth transition away from GBP LIBOR to SONIA.

3. ASIAN MARKET DEVELOPMENTS

INDUSTRY STEERING COMMITTEE ANNOUNCES FURTHER MEASURES TO BOOST SORA TRANSITION

SC-STIS has [released](#) news that the proposed extension of LIBOR discontinuation means that SOR will end when LIBOR ends in mid-2023. In addition, the industry Steering Committee also shared on broadening and deepening liquidity in SORA markets in 3 key areas:

- Extending **central clearing of SORA derivatives** for transactions of up to the 21-year tenor, from the 5-year tenor currently;
- Expanding the **MAS SORA derivatives auction parameters** to cover more key industry participants, and extend transaction tenors to 20-years, up from 5-years currently;
- Expanding the **MAS SORA Floating Rate Notes (FRN) programme** to include 1-year and 2-year tenors, from the 6-month tenor currently.

In his keynote speech delivered on 2 February 2021, Leong Sing Chiong, Deputy Managing Director of Monetary Authority of Singapore (MAS) outlined the implications of IBA announcements and emphasized the importance to use this extra time **wisely** to deal with any residual tough legacy transactions. Full Speech [here](#).

4. MARKET NEWS

- LSTA [urged](#) market participants to review contractual fallback language to understand their specific obligations in preparation for an expected announcement on the future cessation of LIBOR, as such announcements might trigger notice or amendment requirements. In support, the LSTA also [issued](#) a draft template designed to be used by lenders or administrative agents to notify counterparties of an announcement of LIBOR's future cessation by the FCA or IBA (member access only).
- ISDA Clarus [RFR Adoption indicator](#) was 10.0% in January, flat compared to the prior month. On a traded notional basis, the percentage of RFR-linked IRD decreased to 11.8% in January compared to 13.3% the prior month. GBP saw the largest percentage of RFR-linked IRD risk traded at 45.9% of total GBP IRD DV01, whereas only 5.6% of USD IRD DV01 was transacted in SOFR.
- CME [amended](#) its rulebook to incorporate ISDA's IBOR fallbacks in OTC cleared interest rate swap products and CME cleared products.

5. 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.

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