



IBOR TRANSITION

Market Update – As of 1st November 2021

1. GLOBAL MARKET DEVELOPMENTS

USE OF SYNTHETIC LIBOR AFTER END-2021 (15 OCTOBER)

The **FCA** issued a [Q&A](#) regarding LIBOR Transition and its new powers under the **UK Benchmarks Regulation (BMR)**. The Q&A covers three topics: (1) **the impact on contract provisions**, (2) **the use of synthetic LIBOR after end-2021**, (3) **the implementation of synthetic Libor**.

IBA USD SOFR SWAP RATES (8 NOVEMBER)

ICE Benchmark Administration (IBA) has [launched](#) its U.S. dollar **SOFR ICE Swap Rate** for use as a benchmark in financial contracts and financial instruments by licensees, and continues to publish indicative, '**Beta**', **U.S. dollar SOFR Spread-Adjusted ICE Swap** Rate settings.

ISDA CONSULTATIONS (28 OCTOBER)

The **ISDA** is consulting to publish:

1. A form of amendment to enable parties to amend one or more existing confirmations to incorporate the 'GBP LIBOR ICE Swap Rate Fallback Provisions', 'USD LIBOR ICE Swap Rate' and/or 'JPY LIBOR Tokyo Swap Rate' fallback provisions.
2. An updated version of the ISDA Definitions with (i) new Rate Options for the TONA TSR and SOFR ISR, (ii) new fallbacks in the Rate Options for JPY LIBOR TSR and USD LIBOR ISRs, etc.

2. US MARKET DEVELOPMENTS

ARRC'S "TIME TO MOVE" RECOMMENDATION (14 OCTOBER)

The **Alternative Reference Rates Committee (ARRC)** [recommends](#) that all market participants act now to slow USD LIBOR use and leverage the next six weeks as a key window to be well-positioned to meet [U.S. supervisory guidance](#) by year-end.

SOFR FIRST FOR NON-LINEAR DERIVATIVES (15 OCTOBER)

For the **third phase** of SOFR First Initiative, the Interest Rate Benchmark Reform Subcommittee, a subcommittee of the CFTC's MRAC, [voted](#) to select **November 8th** as the date for switching interdealer trading conventions from USD Libor to SOFR for **USD non-linear derivatives** (first day activity [here](#)).

US JOINT STATEMENT ON MANAGING THE LIBOR TRANSITION (20 OCTOBER)

Joint [statement](#) from **US regulators** to clarify the **meaning of new Libor contracts**, give considerations on assessing the appropriateness of alternative reference rates, and express expectations for fallback language.

SOFR 6TH SYMPOSIUM (26 OCTOBER)

The [6th SOFR symposium](#) covered the transition from the perspectives of **the Office of the Comptroller of the Currency and banks and borrowers**. The event opened with remarks by Acting Comptroller of the Currency Michael J. Hsu, who discussed the importance of maintaining trust in the banking system during the transition from LIBOR to replacement rates and was followed by a discussion featuring leadership from various banks and borrowers on their efforts to end new LIBOR issuances by year-end.

3. EURO MARKET DEVELOPMENTS

EC INTEREST RATE BENCHMARKS – STATUTORY REPLACEMENT RATE FOR CHF LIBOR (14 OCTOBER)

The **EC designated** on 14 October a [statutory replacement](#) for certain settings of CHF LIBOR. **(1)** The 1M SARON compound Last reset will replace the 1M CHF LIBOR; while **the 3M SARON compound Rate will replace the 3M, 6M and 12M CHF LIBORS.** **(2)** A fixed spread adjustment shall be added to the designated replacement rates.

EC INTEREST RATE BENCHMARKS – STATUTORY REPLACEMENT RATE FOR EONIA (21 OCTOBER)

The **EC adopted** on 21 October the designation of a [statutory replacement](#) for EONIA. The commission appointed “**€STR + 8,5 basis points**” as the replacement rate for **EONIA for all contracts**, that does not contain suitable fall-back provisions.

FINMA GUIDANCE 03/2021 LIBOR TRANSITION PROGRESS AND BEST PRACTICES (16 SEPTEMBER)

FINMA provides an update on the progress of the transition process [Guidance \(03/2021\)](#) to move away from LIBOR. The Swiss Authority will continue to closely monitor the LIBOR transition. **New LIBOR transactions are strictly limited, any overruns can be regarded as a violation of the supervisory requirements.**

4. ASIAN MARKET DEVELOPMENTS

TONA TSR NOW IN PRODUCTION (28 OCTOBER)

Refinitiv launched the **TONA Tokyo Swap Rate on 28 October** as a new production version of the Tokyo Swap Rate, in order to ease the transition away from LIBOR. **Tokyo Swap Rate Fallback settings will remain as prototype** until the end of the year and will become a production benchmark at the start of 2022.

JSCC IRS CONVERSION (8 OCTOBER)

Japan Securities Clearing Corporation (**JSCC**) will conduct a bulk [conversion](#) exercise during the weekend of **4–5 December to convert JPY LIBOR contracts to TONA contracts.**

5. UK DEVELOPMENTS

FCA POLICY STATEMENT ON LIBOR AND DTO (15 OCTOBER)

The **FCA published** its **policy statement on the LIBOR transition and the derivatives trading obligation** on 15 October. The policy refers to the FCA’s ongoing consultations on uses of synthetic LIBORs and states that, once the transition to RFRs is completed, activity in OTC derivatives currently covered by the DTO will fall significantly. Changes set out in the document will come into force on 20 December 2021.

6. MARKET NEWS

- On 6 October, the ARRC [Releases](#) Summary of its Spread-Adjusted Fallback Recommendations.
- Bloomberg & PRMIA issued their survey results on Libor Transition for derivatives (news release [here](#)).
- Korea Federation of Banks reinforced FSC's [guidance](#) about new use and fallbacks for disappearing LIBOR during a WG meeting held on 25 October.
- On 27 October, the LMA published an exposure draft single currency term and revolving facilities agreement incorporating term SOFR for use in developing markets jurisdictions.
- The European Banking Authority (EBA) published on 14 October, a [thematic note](#) on the transition risks of benchmark rates as LIBOR and EONIA are close to being phased out.
- As of 16 and 17 October CCPs (EURX, CME and LCH) migrated EONIA deals to ESTER. Starting from 18th October none of the clearing houses will accept EONIA anymore.
- CME Term SOFR updates its [methodology](#) by adding 12-month tenor and the eligibility of SOFR OIS data.
- ISDA published its monthly [ISDA-Clarus RFR Adoption Indicator](#) for IRD and a focus on [Q3 2021 indicators](#).
- LMA updated its [list](#) of RFRs referencing 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.

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