

Key Milestone Dates (see [here](#))

- 25 January 2021** ▪ Amendments to ISDA 2006 Definitions and related [protocol](#) took effect, which is still open for firms to adhere to.
- 16 March 2021** ▪ Deadline for responses to UK Working Group [consultation](#) on the successor rate to GBP LIBOR in legacy bonds.
- End-Q1 2021** ▪ Milestone for market participants to cease initiation of new GBP LIBOR-linked loans, bonds, securitisations and linear derivatives* that expire after end-2021 (**except for the risk management of existing positions*).
- Milestone for market participants to complete identification of all legacy LIBOR contracts expiring after end-2021 that can be actively converted, and accelerate active conversion where viable to reduce legacy volume.
- 1 April 2021** ▪ The Bank of England's LIBOR-linked collateral and haircut [policy](#) comes into effect.

Working Group on Sterling Risk-Free Reference Rate Updates

- The Working Group published an update to its [priorities & roadmap](#) for 2021, the critical year for completing transition, to help businesses finish planning the steps they will need to take in the coming months.
- The Chair of the Working Group [wrote](#) to Bloomberg Index Services Limited (BISL) to facilitate a better understanding of access of market participants to its published credit adjustment spreads based on the ISDA historical five year median approach. BISL have provided clarity in their written [response](#).
- The Working Group published [minutes](#) from its December 2020 meeting, including an update by FICC Market Standards Board (FMSB) on the development of a market standard for limited use of Term SONIA Reference Rates (TSRRs). Edwin Schooling-Latter (FCA) noted that working groups in multiple jurisdictions had made overnight RFRs compounded in arrears the focus of markets going forward. This was a position endorsed by the [FSB](#) and consistent with the Working Group's [use case paper](#).

Official Sector Updates

- The Bank of England, FCA and Working Group published a joint [news release](#), which re-iterated the Working Group's top priority for markets to be fully prepared for the end of GBP LIBOR by end-2021 and noted supervisory expectations of regulated firms to execute transition plans in line with industry-recommended timelines.
- The Prudential Regulation Authority (PRA) published a [consultation paper](#) on its proposed approach to deep, liquid and transparent assessments and the transition of Solvency II technical information from LIBOR to SONIA in 2021. Responses are requested by 31 March.
- Edwin Schooling-Latter (FCA) delivered a [speech](#) noting ISDA protocol sign-up and effective date, next steps following recent IBA and FCA consultations and the need for market participants to continue executing their transition plans.
- The FSB included and noted its continued support for the transition away from LIBOR to more robust benchmarks by end-2021, in its 2021 work [programme](#).

Key Market Indicators

ISDA Protocol adherence – 13,086 entities as at end-January (+9,418 compared to end-December)

Loans - see [LMA](#) website for its updated list of publicly disclosed RFR-referencing loans to date

Floating Rate Notes (provided by ICMA using Bloomberg L.P) The cumulative subtotal of SONIA-linked FRNs (2018, 2019, 2020 and 2021) is 168 deals, totalling c.£69.9bn

Listed Futures (data provided by futures exchanges)

Aggregated across all products as at end-Dec				
	Monthly traded volume	Change since last month	Number of contracts outstanding (Open Interest)	Change since last month
GBP LIBOR	13,427,586	1,680,848 (14%)	4,955,970	- 367,547 (-7%)
SONIA	1,715,895	176,986 (12%)	190,430	6,120 (3%)

LCH Swaps Statistics (from [LCH website](#))

As at end-Dec (£billions)				
	Notional traded	Change since last month	Notional outstanding	Outstanding change since last month
GBP LIBOR**	3,963	-197 (-4.7%)	16,408	-1464 (-8.2%)
SONIA	7,649	2693 (54.3%)	14,329	-805.8 (-5.3%)

** Including FRAs

Market Developments

- [Refinitiv](#) & [IBA](#) removed 'beta' tags on their TSRRs on 11 January.
- The Renewables Infrastructure Group ([TRIG](#)) secured one of the first ESG SONIA-linked revolving credit facilities. The £500mn renewed facility is linked to a compounded SONIA reference for sterling drawings, but EURIBOR for euro drawings.
- CME Group published a [discussion document](#) on a proposed conversion process to transition existing IBOR swap exposures to new OIS contracts that follow RFR standards, scheduled to occur prior to an Index Cessation Effective Date. A similar consultation by LCH closed for comment by its members on 29 January.
- The Loan Market Association published exposure draft [documentation](#) for multicurrency compounded rate / interbank term rate facilities.

Non-Sterling RFR Updates

- The ARRC chair [urged](#) market participants to immediately cease issuance of new USD-LIBOR linked instruments, and amend outstanding LIBOR contracts by adopting ISDA's IBOR fallbacks protocol or ARRC recommended fallback language where possible.
- ARRC's draft proposal for New York state legislation was included in the New York state budget [plan](#), to provide legal certainty and minimise disruption related to legacy LIBOR contracts. If passed, the bill would allow contracts to use a replacement rate recommended by the Fed Board, New York Fed or ARRC.
- The ARRC released [conventions](#) for SOFR-based intercompany loans.
- [IHS Markit](#) is developing and intends to publish a daily credit spread adjustment for SOFR from Q2 2021.
- Bloomberg [launched](#) its credit sensitive index Short Term Bank Yield Index (BSBY) on 20 January as an option to potentially serve as a supplement to SOFR.
- The European Parliament [approved](#) proposed changes to EU Benchmark regulation to grant the European Commission power to replace critical benchmarks when necessary.



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