

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

- 11 May 2021** ▪ Liquidity providers in the GBP non-linear derivatives market adopted new quoting conventions for inter-dealer trading based on SONIA instead of LIBOR.
- 17 June 2021** ▪ Market users and liquidity providers in the GBP exchange traded derivatives market are [encouraged](#) to switch the default traded instrument to SONIA instead of LIBOR.
- End-Q2 2021** ▪ Working Group milestone for market participants to cease initiation of new GBP LIBOR-linked non-linear derivatives\* that expire after end-2021 (*\*except for the [risk management of existing positions](#)*).
- End-Q3 2021** ▪ Working Group milestone for market participants to complete active conversion of all legacy GBP LIBOR contracts expiring after end-2021 and, if not viable, ensure robust fallbacks are adopted where possible.

### Updates from the Working Group on Sterling Risk-Free Reference Rates

- The Working Group published a [statement](#) recommending the use of overnight SONIA, compounded in arrears, for bonds with fallbacks that envisage the selection of a recommended successor rate. The Working Group made this recommendation in its capacity as a relevant nominating body.
- The Working Group published [minutes](#) from its March 2021 meeting, including: an update on the joint PRA/FCA ['Dear CEO'](#) letter and progress updates on transition away from LIBOR to SONIA in GBP derivatives, loan and bond markets.

### UK Official Sector Updates

- The Governor of the Bank of England delivered a [speech](#) at the ARRC's second SOFR Symposium event. He spoke about a sustainable transition from LIBOR, including developments in sterling markets, the use of forward looking term risk-free rates and the need to move to the most robust reference rate.
- The FCA and Bank of England issued a [statement](#) supporting and encouraging market participants in the GBP exchange traded derivatives market to switch the default traded instrument to SONIA instead of LIBOR from **17 June 2021**.
- The FCA published a [consultation paper](#) seeking views on how it proposes to use two new powers relating to the use of critical benchmarks that are being wound down: (1) permitted legacy use of a permanently non-representative benchmark, such as any synthetic LIBOR; (2) its proposed approach to prohibiting use of a critical benchmark which is ending, such as USD LIBOR. The consultation closes on **17 June 2021**.
- The Bank of England published a [consultation paper](#) setting out its proposal to modify the scope of contracts subject to the derivatives clearing obligation, given ongoing benchmark reform. Responses are due by **14 July 2021**.
- In response to its recent [consultation](#), the Government announced its intention to bring forward further legislation to seek to reduce the potential risk of contractual uncertainty and disputes in respect of contracts that have been unable to transition from LIBOR to another benchmark (e.g. 'tough legacy contracts'), where the FCA has exercised the powers given to it in the Financial Services Act. It also emphasises that, wherever possible, parties should seek to transition contracts away from LIBOR ahead of the end of 2021. The Economic Secretary to the Treasury also [responded](#) to a [letter](#) from the Working Group Chair on this topic.

### Key Market Indicators

**ISDA Protocol adherence** – 14,132 entities as at end-May (+182 compared to end-April)

**Loans** - see [LMA](#) website for its updated list of publicly disclosed RFR-referencing loans to date. The latest addition is a syndicate deal involving HICL Infrastructure and 8 banks for a £400mn 2-year SONIA sustainability-linked loan.

**Floating Rate Notes** (provided by ICMA using Bloomberg L.P)  
The cumulative subtotal of SONIA-linked FRNs (2018, 2019, 2020 and 2021) is 190 deals, totalling c.£82.3bn.

**Listed Futures** (data provided by futures exchanges)

	Aggregated across all products as at end-April			
	Monthly traded volume	Change since last month	Number of contracts outstanding (Open Interest)	Change since last month
<b>GBP LIBOR</b>	8,241,207	-6,820,699 (-45%)	5,001,653	210,036 (4%)
<b>SONIA</b>	1,804,933	-1,558,223 (-46%)	284,617	11,645 (4%)
<b>% SONIA</b>	18%	0 p.p	5%	0 p.p

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

	As at end-April (£billions)			
	Notional traded	Change since last month	Notional outstanding	Outstanding change since last month
<b>GBP LIBOR**</b>	1,971	-2,483 (-56%)	17,271	-1,636 (-9%)
<b>SONIA</b>	2,572	-2,067 (-45%)	14,240	-153 (-1%)
<b>% SONIA</b>	57%	+6 p.p	45%	+2 p.p

\*\* Including FRAs

### UK Official Sector Updates (Continued)

- The third edition of the [Regulatory Initiatives Grid](#) notes LIBOR transition as a key continuing initiative in the regulatory landscape.
- The [fourth meeting](#) of the US-UK Financial Regulatory Working Group included a discussion on ongoing public and private efforts in relation to benchmark transition, SOFR and SONIA market developments & transition implications for other jurisdictions.

### Market Developments

- ICE Benchmark Administration (IBA) released a [consultation](#) seeking feedback on its intention to cease the publication of GBP LIBOR ICE Swap Rate for all tenors immediately after publication on 31 December 2021. The consultation closes on **4 June 2021**.
- Ethypharm, a specialty pharmaceutical company, [issued](#) the first publicly announced SONIA syndicated leveraged loan.

### Non-Sterling RFR Updates

- The ARRC identified [market indicators](#) to support a recommendation of a forward-looking SOFR term rate, building on its term rate [key principles](#). It also [selected](#) CME Group as the administrator that it plans to recommend for a forward-looking SOFR term rate, once market indicators for the term rate are met.
- The ARRC released a [guide](#) to published SOFR averages.
- The working group on euro risk-free rates published its [recommendations](#) on EURIBOR fallback trigger events and €STR-based EURIBOR fallback rates, in order to support market participants in developing contractual fallback provisions for a scenario in which EURIBOR may permanently cease to exist.



Find out more on our [website](#)  
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This monthly newsletter provides an update for those interested in developments relating to the Working Group on Sterling Risk-Free Reference Rates ("Working Group"), keeping you informed of key news on Risk Free Rate (RFR) transition across both GBP and international markets. If you have questions about the content (or would like to get involved in events mentioned) please contact [RFR.Secretariat@bankofengland.co.uk](mailto:RFR.Secretariat@bankofengland.co.uk)