

Key Milestone Dates

- 1 Oct 2020 – from today, lenders should be in a position to offer non-LIBOR linked products to borrowers and include clear contractual arrangements in new and re-financed LIBOR loans to convert to alternative rates by end-2021
- 27 Oct 2020 – liquidity providers in the sterling swaps market to adopt new quoting conventions for inter-dealer trading based on SONIA instead of LIBOR
- October 2020 – expected publication of amendments to ISDA 2006 Definitions and related protocol (pending regulatory clearance)
- Q4 2020 – market participants should be in a position to progress the active conversion of cash products, where viable, to reduce the legacy volume of LIBOR
- January 2021 – amendments to ISDA 2006 Definitions and related protocol expected to take effect (or 3 months after publication)
- End-Q1 2021 – lenders and borrowers should have taken necessary steps to cease issuance of Libor-linked loan products that expire after end-2021

Working Group on Sterling Risk-Free Reference Rate Updates

- Working with ACT and CBI, the RFRWG hosted a [webinar](#), 'Is your business ready for LIBOR transition?' aimed at corporates and end-users on 18th September. Take-away materials summarising the key messages and practical steps to support a broad-based transition away from LIBOR before end-2021 will be available on the Working Group [website](#). Also on the website are a series of short educational videos to provide firms with the background of the key concepts of transition; including videos on the legal and documentation aspects of transition, and recommended next steps for transition.
- The Working Group issued a [news release](#) highlighting the key milestone for non-LIBOR linked loans to be made available by October. Also released were two practical guides to familiarise firms with the fundamentals of active transition of [legacy loans](#) and [legacy bond](#) products, and a [recommendation](#) on the appropriate 'credit adjustment spread' to be in used in fallbacks of GBP LIBOR cash products.
- The Working Group issued a [letter](#) to ICE Benchmark Administration (IBA), seeking to better understand IBA's plans for the GBP LIBOR ICE Swap Rate in the event that GBP LIBOR ceases or becomes unrepresentative. This will support the Working Group in assessing the potential impact of LIBOR cessation on legacy non-linear derivatives.
- The Working Group updated its [priorities and roadmap for 2020-21](#), to reflect the conventions switch for interest rate swap liquidity providers and interdealer brokers to quote SONIA as the default price from 27 October 2020, rather than LIBOR.

Official Sector Updates

- The Bank and FCA issued a joint [statement](#) encouraging liquidity providers in the sterling swaps market to adopt new quoting conventions for inter-dealer trading based on SONIA instead of LIBOR from 27 October 2020.
- Andrew Hauser (Bank of England) delivered a [speech](#) at the recent Working Group webinar "Is your business prepared for LIBOR transition?", explaining why companies need to act now to transition from using LIBOR to SONIA as an interest rate benchmark.
- The Bank published a [Bank Overground article](#) "Why do firms need to accelerate the transition from LIBOR benchmarks?" highlighting some of the underlying weaknesses which make transition from LIBOR necessary.

Key Liquidity Indicators

- [Loans](#) referencing risk-free rates - see [LMA website](#)
- [Floating rate notes](#) (provided by ICMA using Bloomberg L.P)
The cumulative subtotal of outstanding SONIA-linked FRNs (2018, 2019 and 2020) is 147 deals, totalling c.£63.8bn.
- [Listed Futures](#) (data provided by futures exchanges)

Aggregated across all products as at end-Aug				
	Monthly traded volume	Change since last month	Number of contracts outstanding (Open Interest)	Change since last month
GBP LIBOR	9,942,928	1,294,264 (15%)	4,248,606	322,121 (8%)
SONIA	509,509	-334,339 (-40%)	112,282	-58 (0%)

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

As at end-Aug (£billions)				
	Notional traded	Change since last month	Notional outstanding	Outstanding change since last month
GBP LIBOR**	4,237	110 (2.7%)	17,242	-520 (-2.9%)
SONIA	5,115	-165 (-3.1%)	11,446	697 (6.5%)

** Including FRAs

Market Developments

- From 16 to 19 October, [CME](#) and [LCH](#) members respectively will switch PAI/PAA and discounting from EFRF to SOFR on all Dollar-denominated products.
- In an industry first, GlaxoSmithKline [refinanced](#) two revolving credit facilities, previously linked to GBP and USD LIBOR, to be linked to SONIA and SOFR compounded in arrears. This involved 12 major banks all using identical documentation. Interest periods have been set at one month, with a fixed spread adjustment reflecting the five-year historic median of spreads between the relevant LIBORs, SONIA and SOFR.
- ISDA issued a [letter](#) providing an update on the proposed publication timing of the IBOR Fallbacks Protocol. ISDA emphasise that the launch date of the Protocol is dependent on positive feedback from the US Department of Justice and other authorities, but anticipate the Protocol to become effective from the second half of January 2021.

Non-Sterling RFR Updates

- Steven Maijoor, Chair of the European Securities and Markets Authority (ESMA) delivered a [speech](#), outlining the diverging paths for LIBOR and EURIBOR. ESMA confirmed there are currently no plans to discontinue EURIBOR, but it is a regulatory requirement for EU supervised entities to incorporate fallback provisions in their EURIBOR contracts.
- The ARRC launched a [Request for Proposals](#) process (RFP), where responses will be used by the ARRC to identify an administrator responsible for the calculation and publication of a forward-looking SOFR term rate. A further [Request for Proposals](#) is seeking one or more firms to become the administrator responsible for calculating and publishing the spread between SOFR and USD LIBOR for use in legacy contracts with the ARRC's recommended hardwired fallback language.
- The ARRC released an [addendum](#) to its recommendation for the voluntary compensation of legacy swaptions impacted by the 16th October CCP discounting transition to SOFR. The amended recommendation seeks to avoid uncertainty and pre-empt potential disputes, calling on counterparties to amend legacy swaptions to bring them into scope for ISDA's Supplement 64 and specify an agreed discount rate in line with existing contractual terms.