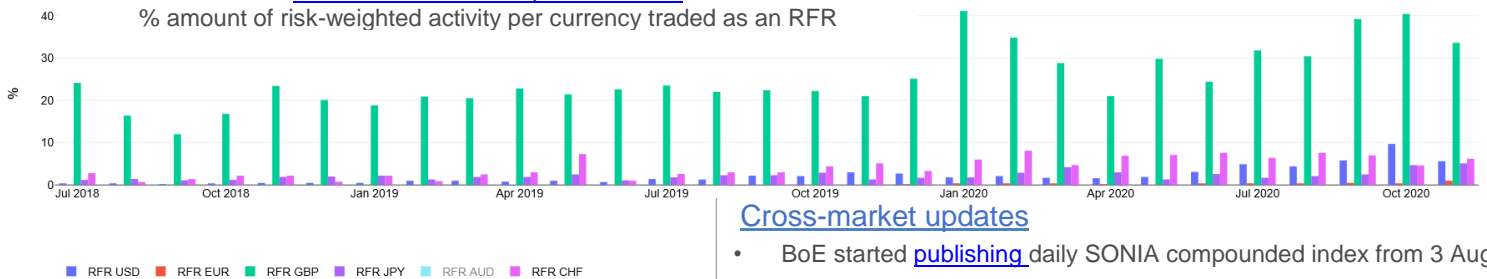


Headlines on LIBOR transition progress made over 2020

Key announcements & consultations on the future of LIBOR

- ICE Benchmark Administration (IBA) released a [consultation](#) on its intention to cease publication of LIBOR settings across all five LIBOR currencies, seeking feedback by 25 January 2021. Proposed cessation dates were as follows:
 - GBP, EUR, CHF and JPY LIBOR on 31 December 2021
 - 1-week and 2-month USD LIBOR settings on 31 December 2021
 - All remaining USD LIBOR settings on 30 June 2023
- On [18](#) and [30](#) November, the FCA published statements acknowledging IBA's intention to consult and set out its potential approach to the use of proposed new powers under the Financial Services Bill, to ensure an orderly wind down of LIBOR.
- The [Fed](#) and [US regulators](#) welcomed IBA's announcement and encouraged banks to transition from USD LIBOR as soon as practicable and set clear expectations that new use of USD LIBOR after end-2021 should be very limited.
- The FCA also published two [consultations](#) on its proposed policy in relation to some of its new powers. This includes the power to require the continued publication of critical benchmarks (such as LIBOR) on the basis of a changed methodology, in certain circumstances. **The FCA is seeking comments in response to its consultations by 18 January 2021.**
- ISDA confirmed that neither statements from IBA or FCA, on [GBP, EUR, CHF, JPY & USD](#) LIBOR currencies, constitute an index cessation event under the IBOR Fallbacks Supplement or the ISDA 2020 IBOR Fallbacks Protocol.
- ISDA hosted a [webinar](#) on 4 December regarding the implications of recent announcements on the future of all five LIBOR currencies, with a particular focus on USD LIBOR. The FCA and Federal Reserve Board discussed what these announcements mean for the market and what market participants should do next.

ISDA-Clarus RFR Adoption Indicator



GBP Derivatives

- ISDA IBOR fallbacks [protocol](#) & IBOR fallbacks supplement; RFRWG release [statement](#) to encourage adherence
- SONIA first convention switch for adoption of new quoting conventions for inter-dealer swap trading; FCA & BoE [statement](#) and [RFRWG](#)
- RFRWG [paper](#) provides considerations on how the non-linear derivatives market based on RFR could be structured using compounded in arrears SONIA
- On 15 December 2020, ICE Benchmark Administration [launched](#) a GBP SONIA ICE Swap Rate benchmark
- RFRWG [wrote](#) to IBA to request views on the expected status of IBA's GBP LIBOR ICE Swap Rate in certain events

3653 entities had
adhered to the ISDA
protocol as at end-2020

GBP Bonds

- [RFRWG statement on bond market conventions](#) released welcoming the Bank of England's [discussion paper](#) on the publication of a SONIA compounded index
- RFRWG published a practical guide to familiarise firms with the fundamentals of active transition of [legacy bond](#) products, and a [recommendation](#) on the appropriate 'credit adjustment spread' to be used in fallbacks of GBP LIBOR cash products
- RFRWG [statement](#) on progress of transition of LIBOR-referencing legacy bonds to SONIA by way of consent solicitation

37 consent solicitations
successfully conducted in
2020, totalling
approximately **£25bn**

68 SONIA FRNs (excl.
securitisations) issued over
2020, totalling approximately
£22bn

Cross-market updates

- BoE started [publishing](#) daily SONIA compounded index from 3 August
- RFRWG targeted end-user awareness with publication of a factsheet [Calling time on LIBOR: Why you need to act now](#); launch of the RFRWG [LinkedIn](#) page; and launch of a number of educational resources and webinars, which can be found on the RFRWG [webpage](#)
- [Summary](#) of freely available independent RFR calculators
- [Summary](#) of beta Term SONIA Reference Rates
- RFRWG [paper](#) on tough legacy issues across asset classes in the UK published, finding a case for action to address these exposures and proposing UK Government considers legislation to address tough legacy exposures
- RFRWG paper published on [use cases](#) of benchmark rates

GBP Loans

- Lenders offered loans referencing risk-free rates - see [LMA](#) website
- RFRWG released a [statement](#) on the impact of Coronavirus on firms' LIBOR transition plans, reaffirming the overall end-2021 timeline and reconfiguring its recommended loan market milestones, for lenders to:
 - By end-Q3 2020, make non-LIBOR alternatives available and include contractual conversion mechanisms in new or refinanced LIBOR products; and
 - By endQ1 2021, cease new GBP LIBOR-linked lending maturing beyond the end of 2021
- [Q&A](#) released on RFRWG's revised loan market milestone for end-Q3 2020, giving clarity on which products fall within scope of the milestone and actions for market participants to take
- [Recommendations](#) on standard market conventions for sterling loans based on compounded in arrears SONIA published
- Practical guide to familiarise firms with the fundamentals of active transition of [legacy loan](#) products, and a [recommendation](#) on the appropriate 'credit adjustment spread' to be used in fallbacks of GBP LIBOR cash products published
- Educational [paper](#) on credit adjustment spread methods for active transition of GBP LIBOR referencing loans published
- [Path](#) for discontinuation of new sterling LIBOR-linked lending by end-Q1 2021 published
- [Open letter](#) sent to loan vendors and TMS providers

Official Sector Updates

- FCA published a 'Dear CEO' [letter](#) to asset management firms calling for action to prepare for LIBOR transition
- FCA issued a [statement](#) on how it would announce LIBOR contractual triggers
- The Bank of England published analysis in its May 2020 interim Financial Stability [Report](#) on the continued importance of transition away from LIBOR
- BoE [announced](#) restrictions on LIBOR-linked collateral to come into effect from 1 April 2021
- The Financial Stability Board sent a [letter](#) to G20 finance ministers & central banks noting transition away from LIBOR remained priority in light of COVID-19
- On 21 October the [Financial Services Bill](#) was introduced to Parliament, including provisions to strengthen the current regulatory framework for critical benchmarks, such as LIBOR
- The Financial Stability Board published a [Global Transition Roadmap](#) for LIBOR, outlining the steps that all firms with exposure to LIBOR benchmarks should undertake before end-2021 to remove dependencies on LIBOR
- The Financial Stability Board published its annual Reforming Major Interest Rate Benchmarks [2020 Progress report](#)
- The FCA updated its existing [page](#) on conduct risk during LIBOR transition with two new Q&As regarding 'replacing LIBOR with alternative rates in existing contracts/products'
- A number of speeches were delivered by official sector representatives on LIBOR transition over the course of 2020, the last being closing [remarks](#) by Andrew Hauser (Bank of England) made at the Risk.net 'LIBOR telethon', noting three key actions for market participants in the months ahead. Edwin Schooling-Latter (FCA) also made comments during the event

Non-Sterling RFR Updates

\$USD

- NY Fed started publishing 30, 90 and 180 day SOFR averages from 2 March. NY Fed also began publishing a SOFR index to allow users to derive rates over any period
- Clearing houses CME, LCH and EUREX transitioned discounting of cleared contracts from EFFR to SOFR
- NY state senate introduced a bill with provisions aiming to provide legal certainty for issues resulting from the permanent discontinuance of LIBOR
- The ARRC released a [guide](#) on endgame for USD LIBOR, noting statements made by US and UK authorities on 30 November 2020

€EUR

- Working Group on euro risk-free rates published a [report](#) providing guidance and recommendations to support a smooth and swift transfer of liquidity from EONIA markets to €STR
- LCH switched its PAI/PAA and discounting from EONIA to €STR on all EUR-denominated products

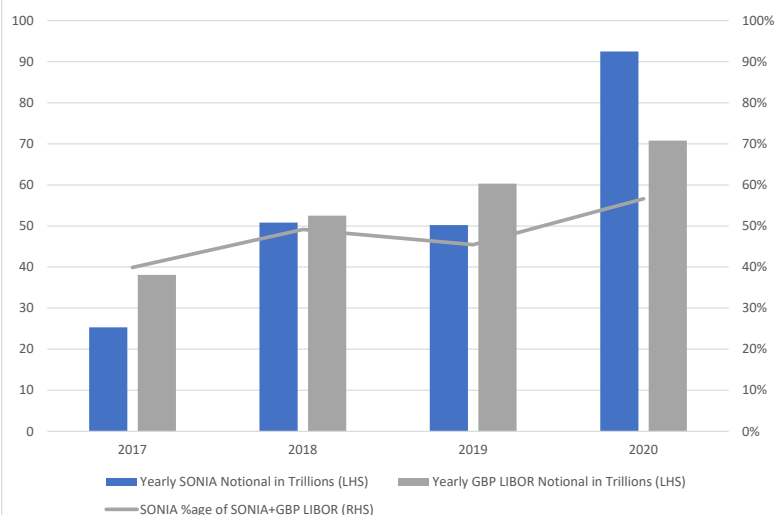
FCHF

- [Basler Kantonbank](#) and [Bank Cler](#) launched SARON-based retail mortgages. In addition, Basler Kantonbank began offering SARON-based wholesale funding
- The first non-Swiss domiciled bank, Liechtensteinische Landesbank [announced](#) it would begin to offer SARON based cash products. This will include an 'in advance' option from October 2020, and availability of an 'in arrears' option

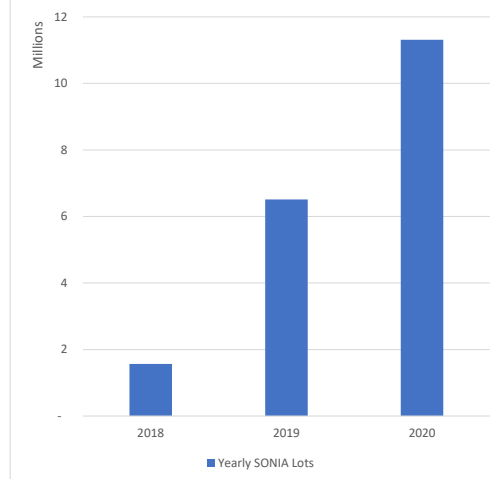
¥JPY

- The Cross-Industry Committee on Japanese Yen Interest Rates published their draft roadmap (Item VI) to facilitate firm preparations for the discontinuation of LIBOR before 2022

Notional Traded Per Year - LCH SONIA vs GBP LIBOR Swaps



Lots Traded Per Year - SONIA Futures



Key Q1 2021 Milestone Dates (see [here](#))

- 11 January 2021**
 - RFRWG releases updated priorities and [roadmap](#) for 2021
- 18 January 2021**
 - Deadline for feedback to FCA [consultations](#) on its proposed policy in relation to some of its new powers
- 25 January 2021**
 - Deadline for feedback to IBA [consultation](#) on its intention to cease publication of its five LIBOR currencies by 25 January 2021
 - Amendments to ISDA 2006 Definitions and related [protocol](#) expected to take effect
- End-Q1 2021**
 - [New LIBOR-linked loan product issuance to cease](#): lenders and borrowers should have taken necessary steps to cease issuance of LIBOR-linked loan products that expire after end-2021
 - [New LIBOR-linked bond, securitisation and derivatives \(except for risk management\) to cease](#): market participants should be in a position to cease new issuance of LIBOR-linked bonds and securitisations, and initiation of new LIBOR-linked linear derivatives (except for the risk management of existing positions), where expiring after 2021
 - [Conversion for post-2021 expiring contracts to be under way](#): market participants should have completed an assessment of all post-2021 contracts that can be actively converted and be in a position to accelerate the active conversion of cash products, where viable, to reduce the legacy volume of LIBOR