

This monthly newsletter provides an update for those with an interest in the work of the Working Group on Sterling Risk-Free Reference Rates, keeping you updated on key news relating to RFR transition in GBP markets and others. If you have questions about any of the content or would like to get involved in any of the events mentioned please contact RFR.Secretariat@bankofengland.co.uk

Key Milestone Dates

- The Working Group has sent a [letter](#) to the International Accounting Standards Board (IASB) welcoming its decision to add IBOR Reform and Effects on Financial Reporting to its standard-setting agenda. The letter outlines its high-level assessment of RFR issues affecting financial reporting and offers to work with the IASB on these important topics.

Working Group on Sterling Risk-Free Reference Rate Updates

- The Working Group has published a discussion paper on [Conventions for Referencing SONIA in New Contracts](#). The purpose of the discussion paper is to raise awareness of SONIA market conventions and for it to be used by all market participants and infrastructure service providers to support their preparations for adopting SONIA in new products. Feedback is invited as well as views on the questions included in the discussion paper by 30 April 2019.
- The Working Group met on 20 March, it announced the chairpersons for the task forces on Accounting Treatment and Regulatory Dependencies, and it discussed progress from all the sub-groups and task forces. Minutes from the Working Group's February meeting have been [published](#). Minutes from the March meeting will be available in due course.
- The invitation for expressions of interest to join the Working Group's Accounting Treatment and Regulatory Dependencies Task Forces is still open. For more information, please contact the [RFR Secretariat](#).

Market Developments

- The ECB [announced](#) it will begin to publish €STR (previously referred to as ESTER) from 2 October 2019.
- IBA's December 2018 survey to identify the most widely used LIBOR tenor and currency combination, closed on 15 February 2019. The results have been [published](#) on IBA's website.
- The [quarterly review](#) by the Bank of International Settlements has been released providing an overview of RFR benchmarks and comparing some of their key characteristics against existing benchmarks.

Official Sector Updates

- A [joint statement](#) on the final implementation phases of the margin requirements for non-centrally cleared derivatives has been issued by the Basel Committee on Banking Supervision and IOSCO. It provides guidance on the framework's margin requirements, particularly that this does not apply to legacy derivatives amended only for IBOR benchmark reform purposes. However, this position may differ under relevant implementing laws.
- The FSB's Official Sector Steering Group sent a [letter](#) to ISDA encouraging work to continue on derivative contract robustness with regard to the risks of a discontinuation of interest rate benchmarks and encouraging ISDA to seek market opinion on trigger events.

Key Liquidity Indicators

Listed Futures (data provided by futures exchanges)

Aggregated across all products as at end-February				
	Monthly traded volume	Change since last month (%)	Number of contracts outstanding (Open Interest)	Change since last month (%)
GBP LIBOR	13,530,043	-765,951 (-5%)	4,327,425	69,147 (2%)
SONIA	558,307	147,198 (36%)	94,102	17,673 (23%)

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

YTD Ending 19 th March 2019 (£billions)			
	Notional traded YTD	Notional outstanding	Outstanding change since last month* (%)
GBP LIBOR (including FRAs)	10,141	18,195	566 (3%)
SONIA	7,041	9,127	490 (6%)

*As at 19th February 2019

Non-Sterling RFR Updates

- The working group on euro risk-free rates has [recommended](#) a transition path from EONIA to €STR and a methodology for an €STR-based forward-looking term structure.
- The [ECB](#) has confirmed it will provide a one-off spread between €STR and EONIA, to further support the transition away from EONIA. The spread will be based on recommendations by the working group on euro risk-free rates, and will be announced alongside the change in EONIA methodology.
- The ARRC launched its [enhanced website](#) to facilitate the public's understanding of its work to support the transition away from USD LIBOR.
- Economists at the Federal Reserve Board [published](#) a staff working paper, detailing a potential methodology for forward-looking SOFR term rates.
- Hong Kong Monetary Authority issued a [public letter](#) to all Authorised Institutions requesting information on their plans for a LIBOR Transition, similar to that of the joint FCA/PRA [Dear CEO letter](#) sent to major UK banks and insurers.
- Bank of Canada published the Canadian Alternative Reference Rate Working Group's [Consultation Paper](#) on Proposed Enhancements to the Canadian Dollar Overnight Repo Rate Average.