

# IBOR Transition Newsletter

NEWSLETTER | MARCH 2020

The purpose of this newsletter is to provide the latest updates and industry developments regarding the transition from Interbank Offered Rates (IBORs) to alternative nearly risk-free rates (RFRs). In this issue, you will find summarized jurisdictional highlights from the global regulatory community, industry working groups, and various industry news sources.

## INTERNATIONAL

- ISDA has published a report [summarizing the final results](#) of a supplemental consultation on the spread and term adjustments that would apply to fallbacks for derivatives referencing EUR LIBOR and EURIBOR.
  - ◆ Consistent with ISDA's prior consultations, the majority of respondents agreed with an implementation based on the 'compounded setting in arrears rate approach with a backward-shift adjustment' and a spread adjustment based on a 'historical median over a five-year lookback period' for fallbacks in derivatives referencing EUR LIBOR and EURIBOR.
- The International Capital Markets Association (ICMA) publishes a [quick guide](#) to the transition to RFRs in the international bond market.

## UNITED STATES

- The Alternative Reference Rates Committee (ARRC) released a [consultation](#) on USD LIBOR fallback contract language for new variable rate private student loans. Responses to the consultation are due no later than May 15, 2020.
- The ARRC released a [proposal](#) for New York State legislation, which is intended to minimize legal uncertainty and adverse economic impacts associated with LIBOR transition.
- The Financial Accounting Standards Board (FASB) issues [guidance](#) to assist in transition away from IBORs to new reference rates.
- Freddie Mac [announced](#) on March 23, 2020, that effective immediately, it will cease issuing LIBOR-indexed floating rate unsecured debt securities that mature beyond the end of 2021.
  - ◆ The company has no outstanding LIBOR-indexed unsecured debt securities, and it has not issued LIBOR-indexed unsecured debt securities that mature beyond the end of 2021.
- The Commodity Futures Trading Commission (CFTC) chairman Heath Tarbert did an [interview](#) regarding the agency's reaction and its broader policy initiatives including benchmark reform.

## UNITED KINGDOM

- The Working Group on Sterling RFR published a [statement](#) on bond market conventions and a [roadmap](#) to the discontinuation of new GBP LIBOR lending.
- The Bank of England (BoE) & Financial Conduct Authority (FCA) published a joint [letter](#) to trade associations on how LIBOR transition may affect their members and stakeholders and next steps.
- The FCA published a [statement](#) on how they will announce LIBOR contractual triggers.
  - ◆ An increasing number of contracts referencing LIBOR include a 'pre-cessation trigger' that converts the contract to reference a relevant RFR plus an appropriate spread if the FCA finds that any LIBOR settings are no longer going to be representative of the underlying market the rates seek to measure.
  - ◆ The FCA statement explains how they intend to make such announcements if required, so that these statements are clear, unambiguous, and notice is given at the same time to all market participants.
- The FCA, BoE and members of the Working Group on Sterling RFRs have [discussed](#) the impact of the coronavirus on firms' LIBOR transition plans over the coming months.
  - ◆ The central assumption that firms cannot rely on LIBOR being published after the end of 2021 has not changed and should remain the target date for all firms to meet.
  - ◆ Regulators will continue to monitor and assess the impact on transition timelines, and will update the market as soon as possible.
  - ◆ The FCA, however, has [acknowledged](#) that meeting the target to end the use of LIBOR for pricing new loans by September 2020 could be difficult for some firms grappling with coronavirus. The FCA stated, "There has, however, been an impact on the timing of some aspects of the transition programs of many firms ... It is likely to affect some of the interim transition milestones."

## ASIA-PACIFIC

- Japan is considering on-site [monitoring](#) for financial firms to push migration from LIBOR, according to the results of a regulatory survey.
- Banks in Singapore [aim to start](#) active Singapore Overnight Rate Average (SORA) derivatives trading in the second half of 2020, as the city-state prepares a transition to new benchmark interest rates.
  - ◆ Singapore's banking body said last year that it would shift away from using Singapore dollar swap offer rates (SOR) as a key benchmark because of the discontinuation of LIBOR, which heavily influences SOR.