

# IBOR Transition Newsletter

NEWSLETTER | AUGUST 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 reference rates (ARRs). In this issue, you will find summarized jurisdictional highlights from the global regulatory community, industry working groups, and various industry news sources.

## INTERNATIONAL

- The Alternative Reference Rate Committee (ARRC) Chair Tom Wipf sent a [letter](#) to ARRC Members urging them to be prepared to sign onto the ISDA IBOR Fallback Protocol. Adherents to the Protocol will agree that existing derivative transactions that they have entered into with other adherents will incorporate ISDA's new fallback language.

## UNITED STATES

- FINRA reminds firms to evaluate their exposure to LIBOR and review their preparedness to manage LIBOR's phase-out. To understand how firms are preparing for that phase-out, FINRA surveyed a representative cross-section of member firms; this [notice](#) provides a summary of the survey results.
- The ARRC released the [SOFR Starter Kit](#), a set of factsheets on the transition to SOFR. The SOFR Starter Kit includes background on the transition and the ARRC's work to select a preferred rate, facts and figures about SOFR, and next steps market participants can take.
- The ARRC released the [LIBOR ARM Transition Resource Guide](#) and the [Legacy LIBOR-Based Private Student Loan Transition Resource Guide](#).
  - ◆ Both guides focus on LIBOR-based contracts that will exist after the end of 2021, specifically focusing on LIBOR-based adjustable rate mortgages (ARMs), including home equity products and LIBOR-based variable rate private student loans.
- The ARRC updated its [recommended Best Practices](#) in anticipation of the upcoming publication of ISDA's IBOR Fallback Protocol. This update recommends that a subset of derivatives market participants adhere to the Protocol as promptly as possible.
  - ◆ Firms that choose to adhere to the Protocol will agree that existing derivatives transactions that they have entered into with other adherents will incorporate ISDA's new fallback language.
- The ARRC released updated [recommended contractual fallback language](#) for new originations of USD LIBOR denominated bilateral business loans. The ARRC also released the [technical reference document](#) intended to support the previously released syndicated loans conventions.
  - ◆ The updated bilateral business loan fallback language adjusts the "Hardwired Approach" and the "Hedged Loan Approach" of the final recommended language that was released in May 2019. The hardwired approach has been updated to recommend the use of Daily Simple SOFR in the second step of the waterfall. The hedged loan approach has been updated to include a benchmark rate floor.

## UNITED KINGDOM

- Edwin Schooling Latter, Director Markets and Wholesale Policy, FCA, delivered a [speech](#) at the ISDA webinar on July 14, 2020.
  - ◆ The FCA urges market participants to ensure they are ready for the end of LIBOR by adhering to the ISDA protocol, which will be released shortly.

## ASIA-PACIFIC

- The Monetary Authority of Singapore (MAS) [announced](#) several initiatives to support the adoption of the Singapore Overnight Rate Average (SORA).
  - ◆ MAS will issue SORA-based floating rate notes on a monthly basis from August 21, 2020.
  - ◆ MAS aims to facilitate the adoption of SORA as a floating rate benchmark, and spur hedging activities through the SORA derivatives market.
- Japan's IBOR transition industry committee published a [consultation](#) proposing their LIBOR transition plans.
  - ◆ The consultation outlines enhancements to the robustness of term reference rates, proposals for loan and bond fallbacks, and a draft transition plan.
  - ◆ The committee proposes to schedule the cessation of new funding deals (loans and bond issuance) referencing LIBOR for end June 2021. The proposed end date is six months ahead of the end-2021 global deadline.