

# IBOR Transition Newsletter

NEWSLETTER | FEBRUARY 2021

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 OCC [released](#) a self-assessment tool for banks to evaluate their preparedness for the transition away from LIBOR.
- The FCA has [confirmed](#) that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:
  - ◆ immediately after December 31, 2021, in the case of all Sterling, Euro, Swiss franc and Japanese Yen settings, and the 1-week and 2-month US Dollar settings; and
  - ◆ immediately after June 30, 2023, in the case of the remaining US dollar settings.
- ISDA [announced](#) the FCA statement constitutes an “Index Cessation Event” under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol, which in turn triggers a “Spread Adjustment Fixing Date” under the Bloomberg IBOR Fallback Rate Adjustments Rule Book.

## UNITED STATES

- The House Financial Services Committee [Hearing](#) took place on February 24, 2021. Federal Reserve Chairman Jerome Powell noted that federal legislation will be necessary and will be the best solution when asked about a legislative proposal to address the \$2 trillion in existing contracts without fallback language.
- The Federal Reserve is [intensifying](#) its scrutiny of banks’ efforts to shed their reliance on LIBOR, and has begun compiling more detailed evidence on their progress.
  - ◆ Banks are being asked for specifics on their LIBOR exposure, their plans for amending contracts tied to the benchmark, and the fallback provisions being utilized to facilitate the shift to alternative rates.
- The ARRC [commended](#) announcements by LIBOR’s regulator and its administrator regarding precisely when LIBOR panels will end. These announcements also serve to fix the spread adjustments in the ISDA IBOR Protocol.

## UNITED KINGDOM

- The Working Group on Sterling Risk-Free Reference Rates (WG) [published](#) a paper setting out a potential methodology using SONIA-based rates which could form a replacement for GBP LIBOR ICE Swaps Rate (ISR).
- HM Treasury published a [consultation](#) to seek industry feedback on whether a legal safe harbour could be a helpful supplement to the provisions inserted into the Benchmark Regulation by the Financial Services Bill.
  - ◆ A legal safe harbour would act as a helpful contingency in reducing the potential risk of contractual uncertainty and disputes in respect of certain legacy contracts referencing or relying upon a benchmark.
- LCH released a [summary](#) of member responses to their consultation released in December 2020 and outlined next steps.
- The WG published a [paper](#) to support market participants in meeting the upcoming recommended milestones for ending new use of GBP LIBOR in derivatives.
- The WG updated their [priorities and roadmap](#) for transition by end-2021, key items to note include:
  - ◆ End Q1 - Cease initiation of new GBP LIBOR-linked loans, bonds, securitizations and linear derivatives\* that expire after the end of 2021
  - ◆ End Q2 - Cease initiation of new GBP LIBOR non-linear derivatives\* that expire after end 2021
  - ◆ End Q3 - Complete active conversion of all legacy GBP LIBOR contracts expiring after end 2021 where viable and ensure robust fallbacks are adopted where possible
- The WG published two papers to support market participants in moving loan issuance away from GBP LIBOR and meet the WG’s recommended milestone to cease new issuance of GBP LIBOR-linked loans by March 31, 2021.
  - ◆ The first paper is a [Q&A document](#), and the second paper addresses [Best Practices](#) in relation to conventions for new GBP SONIA referencing loans.

## EUROZONE

- The Euro RFR WG publishes consultation responses received for the [EURIBOR fallback trigger events](#) and the responses for the [€STR-based EURIBOR fallback rates](#).
  - ◆ There are no current plans to discontinue EURIBOR, however it is recommended that market participants include fallback provisions on their EURIBOR contracts.

## ASIA-PACIFIC

- Leong Sing Chiong, Deputy Managing Director (Markets & Development), Monetary Authority of Singapore (MAS), gave a [speech](#) at ASIFMA Virtual Event: Singapore IBOR Transition.
  - ◆ Singapore will press ahead with its industry transition to the Singapore Overnight Rate Average (SORA) as the new interest rate benchmark by the end of this year, even with the discontinuation of USD LIBOR being pushed to mid-2023.

FOR MORE INFORMATION ON THESE TOPICS, PLEASE CONTACT [IBOR.TRANSITIONOFFICE@BMO.COM](mailto:IBOR.TRANSITIONOFFICE@BMO.COM) | IBOR TRANSITION OFFICE

\*Except for risk management of existing positions