

# IBOR Transition Newsletter

NEWSLETTER | MARCH 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 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 published [guidance](#) related to the FCA's announcement on the future cessation and loss of representativeness of the LIBOR benchmarks. The guidance describes how the terms of the ISDA 2020 IBOR Fallbacks Protocol and the IBOR Fallbacks Supplement apply to the FCA LIBOR announcement.
- ICE Futures Europe (ICE) published a [circular](#) to inform Members and their clients on their LIBOR transition plans.
- LCH published a [supplemental circular](#) to the [February 16, 2021 circular](#) to provide further key details on their plans.

## UNITED STATES

- The ARRC confirms that the March 5<sup>th</sup> announcements by the IBA and FCA constitute a "[Benchmark Transition Event](#)".
- The ARRC has selected Refinitiv to [publish](#) its recommended spread adjustments and spread-adjusted rates for cash products.
- The ARRC released the [Progress Report: The Transition from USD LIBOR](#), outlining key reference rate reform efforts, progress to date, and areas requiring further work.
- At "The SOFR Symposium: The Final Year," event, Federal Reserve Vice Chair of Supervision Randal Quarles [advised](#) regulators are preparing to penalize any banks that use LIBOR on new contracts after this year.
  - ◆ In the speech, Quarles set out to correct the misperception that companies have extra time before they must adopt an alternative benchmark rate for new deals.
- The ARRC will [not be in a position](#) to recommend a forward-looking SOFR term rate by the intended mid-2021 timeframe, and encourages market participants to use the tools available now. The ARRC cannot guarantee that it will be in a position to recommend an administrator that can produce a robust forward-looking term rate by the end of 2021.
- The ARRC published a [white paper](#) that describes a formula to calculate a fallback from the USD LIBOR ICE Swap Rate to a spread-adjusted SOFR Swap Rate. The paper is intended to facilitate conversations on incorporating robust fallbacks in both legacy and new contracts referencing the USD LIBOR ICE Swap Rate.
- The New York State Legislature passed [Senate Bill 297B/Assembly Bill 164B](#). This legislation will be crucial in minimizing legal uncertainty and adverse economic impacts associated with the transition—providing greater certainty to investors, businesses, and consumers.
- The ARRC [released](#) supplemental versions of its recommendation of hardwired fallback language for USD LIBOR syndicated and bilateral business loans. Market participants may now use either the original 2020 or simplified 2021 language.
- The ARRC published a [white paper](#) that outlines a model for using SOFR in asset-backed securities (ABS) products.

## UNITED KINGDOM

- The ICE Benchmark Administration Limited (IBA) [launched](#) a 'beta' version of ICE SONIA Indexes for information and testing purposes. The ICE SONIA Indexes provide a daily value that represents accrued compound SONIA and offer additional optionality to add a floor and lookbacks.
- The Fixed Income, Currencies and Commodities Markets Standards Board (FMSB) [expectation](#) is that Sterling fixed income and wholesale lending markets should predominantly transition to SONIA compounded in arrears and expect the use of forward-looking benchmarks to be relatively limited.
- This [notice](#) sets out the Bank of England's risk management approach to collateral referencing all LIBOR rates for use in the Sterling Monetary Framework.
  - ◆ A haircut add-on will be applied to all LIBOR Linked Collateral. The haircut add-on will be 10 percentage points from (and including) April 1, 2021, 40 percentage points from (and including) September 1, 2021 and 100 percentage points from (and including) December 31, 2021.
- The FCA and Bank of England encourage liquidity providers in the sterling non-linear derivatives market to [adopt new quoting conventions](#) for inter-dealer trading based on SONIA instead of LIBOR from May 11, 2021.

## ASIA-PACIFIC

- The Hong Kong Monetary Authority (HKMA) and Treasury Markets Association (TMA) [agreed](#) it was no longer appropriate to stick to the original timeline of ceasing to issue new LIBOR-linked products by the end June 2021.
- JBA TIBOR Administration (JBATA), the administrator of yen TIBOR and euroyen TIBOR, [published](#) a statement its intention to retain yen TIBOR and discontinue euroyen TIBOR at the end of December 2024.