

IBOR Transition Newsletter

NEWSLETTER | APRIL 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

- ISDA released a paper that [examines](#) several major developments in 2021 that have been announced and/or are expected to occur related to the adoption of replacement benchmarks.
- The Loan Syndications & Trading Association (LSTA) has published a [market advisory](#) which discusses adding a “credit sensitive rate” option as part of the LIBOR fallback language.
- The FICC Markets Standards Board (FMSB) published a report titled “[Spotlight review on LIBOR transition](#)”.
 - The report explores how market participants may manage potential conduct risks arising in LIBOR back book transition.

UNITED STATES

- Bloomberg [announced](#) that the Bloomberg Short-Term Bank Yield Index (BSBY) adheres to the International Organization of Securities Commissions' (IOSCO) Principles for Financial Benchmarks.
 - BSBY includes a term structure and systemic credit-sensitive spread. BSBY is available as a standalone rate, and can also be used to supplement Term SOFR.
- New York State Governor Andrew Cuomo [signed](#) the LIBOR legislation into law — a step that will help to minimize legal uncertainty and adverse economic impacts associated with the transition from LIBOR. This new law addresses the issue of legacy contracts that mature after mid-2023 and do not have effective fallbacks.
- Zions Bancorporation [announced](#) their intent to adopt AMERIBOR as a replacement index for LIBOR for the largest portion of its non-syndicated commercial loans currently indexed to LIBOR.
 - AMERIBOR is an index created by the American Financial Exchange. It represents the volume-weighted actual borrowing costs of thousands of banks across the United States, and is compliant with IOSCO standards. AMERIBOR is currently published for overnight and 30-day terms.
- SIFMA is [supportive](#) of Federal legislation aligned with recommendations from the ARRC to address situations where contracts cannot be easily transitioned from LIBOR due to legal or regulatory reasons.
- The ARRC has announced [key principles](#) for an ARRC-recommended forward-looking SOFR term rate. However, the ARRC encourages market participants not to wait for a term rate and to make use of current SOFR conventions available now.
- CME Group [announced](#) it is publishing CME Term SOFR Reference Rates for 1-month, 3-month and 6-month tenors.
 - These benchmarks are based on CME Group's underlying SOFR futures, making them a robust and sustainable measure of forward-looking SOFR rates.
- Bank of America [announced](#) that it issued a \$1 billion 6-month floating rate bank note referencing 1-month BSBY.
 - BSBY measures the average yields at which large, global banks access USD unsecured wholesale funding. It is dynamic, credit sensitive and reflects marginal funding cost at overnight, 1-month, 3-month, 6-month and 12-month tenors.
- New U.S. bank [credit benchmarks](#) are expected to gain traction in the coming months as the deadline to phase out exposure to LIBOR approaches.
 - AMERIBOR and BSBY are gaining interest as benchmarks for loans. ICE Benchmark Administration also plans to offer the USD ICE Bank Yield Index.
- Bank of America Corp. and JPMorgan Chase & Co. struck the [first swaps trade](#) tied to BSBY index. The banks entered into a \$250 million 1-year basis swap with one side tied to BSBY and the other side of the swap linked to SOFR.

UNITED KINGDOM

- The Working Group on Sterling Risk-Free Reference Rates published a [paper](#) considering how a sterling structured products market could be designed using compounded in arrears SONIA, and to support the transition of legacy structured products where GBP LIBOR is in use.
- The Working Group published a statement ([Active transition of legacy GBP LIBOR contracts](#)) and paper ([Operational Considerations forFallbacks in Uncleared Linear Derivatives](#)) to help market participants across GBP bond, loan and derivative markets, assess and prioritize the active transition of legacy GBP LIBOR contracts to SONIA.
 - The documents aims to assist market participants in understanding and balancing the benefits, costs and risks of active transition and reliance on fallbacks in relation to their own circumstances.

CANADA

- The Bank of Canada, administrator of CORRA, began [publishing](#) the CORRA Compounded Index on April 6, 2021.
 - The CORRA Compounded Index is a measure of the cumulative impact of CORRA daily compounding over time. The index can be used to calculate CORRA compounded rate between any two dates.