

IBOR Transition Newsletter

NEWSLETTER | MARCH 2022

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.

Please note the IBOR Transition Newsletter will be moving to a quarterly distribution. BMO's IBOR Transition Office will continue to monitor for any new developments relating the IBOR transition. If any significant developments or pressing matters arise prior to the next distribution, we will circulate an email notification.

UNITED STATES

- SOFR swaps now [account](#) for about 80% of interest rate risk traded in the outright linear swaps market while average daily SOFR futures volumes increased by 50% month over month in February.
- ICE Benchmark Administration Limited (IBA) [launched](#) ICE Term SOFR reference rates as a benchmark for use in Financial Instruments to provide certainty in forward looking rates for market participants.
- The Adjustable Interest Rate (LIBOR) Act, which protects US legacy LIBOR-linked contracts, was [enacted](#) on March 15, 2022. This Act adopts a federal solution for legacy contracts without workable fallback provisions, reducing risk for market participants. This legislation only applies to contracts governed by US law and does not reduce the market exposure to a benchmark that will cease to be published.
- The Federal Reserve Board is [required](#) to promulgate regulations to carry out the Adjustable Interest Rate Act's mandate within 180 days of its enactment.
- The Alternative Reference Rates Committee (ARRC) is [evaluating](#) the 1-year Term SOFR consistent with key principles and market indicators earlier established.
- CME Group [recorded](#) average daily volumes (ADV) in March of 1,200,000 contracts in SOFR Futures and 39,000 contracts in SOFR options representing a decrease of 1% and 38% respectively from February.
- Rising volatility in the unsecured credit market has [drawn](#) attention to a drawback of the 3-month SOFR as a risk-free rate with no credit adjustment.

CANADA

- The Daily Compounded CORRA rate is [provided](#) on the Bank of Canada's website and can be used to calculate interest amount for a security, derivative or a financial contract that references CORRA.
- CARR's co-chairs [rescheduled](#) a potential public consultation on the need and feasibility for CDOR transition for some Canadian dollar loan products to Q2-2022.

INTERNATIONAL

- The Financial Stability Board released a [statement](#) welcoming the smooth transition away from LIBOR. The FSB notes that all GBP, EUR, CHF, and JPY LIBOR panels, as well as the 1-week and 2-month USD LIBOR settings, ceased as of the end of 2021. The FSB further emphasizes the importance of market participants having plans in place to ensure a similar preparedness for the cessation of the USD LIBOR panel.
- The Bank of Japan [announced](#) the establishment of the Cross-Industry Forum on Interest Rate Benchmarks to facilitate transactions referencing Japanese yen interest rate benchmarks.
- The Working Group on Euro Risk-Free Rates has [called](#) for expressions of interest from administrators to develop €STR based forward-looking term structure.
- BankDhofar became the first Omani bank to [raise](#) a USD400 million dual tranche syndicated term facility linked to Secured Overnight Financing Rate (SOFR).
- Swiss National Bank (SNB) [confirmed](#) transition to SARON has been successful and detailed how parts of its monetary policy strategies were adjusted to the transition.
- The Working Group on Euro Risk-Free Rates [highlighted](#) its program for 2022/2023 which includes fostering the use of €STR in a diverse range of financial products and coordinating with RFR groups in other jurisdictions.

FOR MORE INFORMATION ON THESE TOPICS, OR TO BE ADDED TO THIS QUARTERLY DISTRIBUTION LIST, PLEASE CONTACT IBOR.TRANSITIONOFFICE@BMO.COM | IBOR TRANSITION OFFICE