

IBOR Transition Newsletter

QUARTERLY NEWSLETTER | JUNE 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.

For additional information on the IBOR and CDOR transitions please visit [BMO's IBOR Transition Website](#).

CANADA

- **Refinitiv Benchmark Services (UK) Limited (RBSL) officially [announced](#) the cessation of Canadian Dollar Offered Rate (CDOR) which will be followed by a final publication on June 28, 2024.**
- The CDOR Cessation Announcement constitutes an "IBOR Cessation Trigger Date" and the fixed [Spread Adjustments](#) for the remaining tenors of CDOR have been set for use in Fallbacks.
- ISDA [issued](#) a future CDOR tenor cessation guide that describes ISDA IBOR Fallbacks, 2021 ISDA Interest Rate Derivatives Definitions and 2018 ISDA Benchmarks Supplement.
- Fitch Ratings [confirmed](#) CDOR cessation will have no impact on Canadian bank ratings as the resulting operational risk has limited effect on bank credit profiles.
- Canadian Alternative Reference Rate Working Group (CARR) [published](#) CDOR transition roadmap and milestones and 1-month CORRA futures will be launched in Q4 2022.
- CARR published a [consultation](#) seeking market feedback on whether a forward-looking Term CORRA (Canadian Overnight Repo Rate Average) is needed to replace CDOR in certain products (closed for comments on June 30th).
- The Office of the Superintendent of Financial Institutions (OSFI) [expects](#) federally regulated financial institutions (FRFIs) to prioritize system and model updates to accommodate the use of CORRA ahead of cessation.

UNITED STATES

- ARRC [released](#) recommendations for contracts linked to USD LIBOR ICE Swap Rates which includes a [suggested fallback](#) formula for USD LIBOR ISR fixings.
- CME Group [launched](#) 'SOFR First for Options' which aims to drive transition of exchange-traded options to SOFR options and increase liquidity.
- CFTC [proposed](#) amendments to its list of interest rate swaps subject to mandatory clearing. The proposed amendments would remove swaps referencing discontinued rates and add certain swaps referencing alternative rates.
- LCH Limited [plans](#) to introduce unilateral basis swap splitting functionality in late 2022. This will give SwapClear participants the choice of splitting basis swap in their portfolio ahead of USD LIBOR cessation.
- Tradeweb [announced](#) completion of its first fully electronic institutional SOFR swaption trade which was executed on [Tradeweb Swap Execution Facility \(TW SEF\)](#).
- The Loan Syndications and Trading Association (LSTA) [released](#) draft amendment forms to aid remediation of LIBOR loans which includes a Term SOFR Consensual Amendment and Conforming Changes Cover Amendment.
- The American Bankers Association (ABA) [supports](#) FASB's actions to expand SOFR's definition by including term SOFR as a designated benchmark index for hedge accounting purposes.
- A survey of ARRC members [revealed](#) confidence in the encouraging growth of SOFR futures and a good progression of LIBOR transition in 2022.
- ISDA-Claurus RFR Adoption [highlighted](#) trading activity in SOFR reached 50% of total USD Interest Rate Derivatives Dollar Value of a Basis Point (DV01) transacted in May 2022.
- CME [proposes](#) to revise conversion for USD LIBOR cleared swaps by replacing the prior approach with two swaps:
 - The same forward starting SOFR Swap excluding the upfront fee
 - A short-dated LIBOR swap for any representative LIBOR fixings that settle after the ICED

INTERNATIONAL

- The Bank of England has published a [consultation](#) on proposals to modify the scope of contracts to reflect discontinuation of USD Libor benchmark in June 2023.
- Fitch Ratings [reports](#) residential mortgage-backed securities (RMBS) transactions in the UK have struggled with LIBOR transition.
- The Steering Committee for SOR & SIBOR Transition to SORA [jointly issued](#) a consultation [paper](#) on adjustment spreads to be applied to legacy SOR business loans and derivatives in wholesale markets.
- The Bank of England [issued](#) a market notice in May 2022 on its risk management approach to collateral referencing USD LIBOR for use in the Sterling Monetary Framework.
- Japan [recorded](#) a smooth transition to TORF (Tokyo Term Risk Free Rate) from yen LIBOR with almost all Japanese banks now having TORF licenses.
- As European Central Bank (ECB) [plans](#) to increase its benchmark rates, there has been a surge in trading swaps reference mainly the euro short-term rate (€STR).

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