

Key Milestone Dates (see [here](#))

- Oct 2020 – liquidity providers in the sterling swaps market to adopt new quoting conventions for inter-dealer trading based on SONIA instead of LIBOR
- 25 January 2021 – amendments to ISDA 2006 Definitions and related protocol expected to take effect
- End-Q1 2021 – lenders and borrowers should have taken necessary steps to cease issuance of Libor-linked loan products that expire after end-2021
- End-Q1 2021 – market participants should be in a position to cease new issuance of LIBOR-linked bonds and securitisations, and initiation of new LIBOR-linked linear derivatives (except for the risk management of existing positions), where expiring after 2021
- End-Q1 2021 – market participants should have completed an assessment of all post-2021 contracts that can be actively converted and be in a position to accelerate the active conversion of cash products, where viable, to reduce the legacy volume of LIBOR

Launch of ISDA amendments to 2006 ISDA Definitions and related Protocol

- ISDA published a [statement](#) from its Board of Directors announcing the launch of the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol on 23 October, which will take effect on 25 January 2021. From the effective date all new derivatives contracts will incorporate the Fallbacks Supplement. Derivatives contracts existing prior to 25 January will incorporate the new fallbacks if both counterparties have adhered to the Fallbacks Protocol or bilaterally agreed to include the new fallbacks into their contracts.
- The Working Group issued a [statement](#) welcoming ISDA's launch of the Fallbacks Protocol and Supplement. The Working Group strongly encourages early adherence to the Protocol by both financial and non-financial firms, as a tangible step that can be taken to help avoid disruptions to derivatives contracts if LIBOR is discontinued or becomes non-representative.
- The [Financial Stability Board](#), [Board of Governors at the Federal Reserve Board](#) (FRB) and US [Alternative Reference Rates Committee](#) (ARRC) issued respective statements in support of ISDA's announcement, encouraging timely and widespread adherence to ISDA's IBOR Fallbacks Protocol. The FRB emphasised that the Protocol is important for mitigating financial stability risks relating to LIBOR becoming unusable, and will help preserve swap market functioning by allowing contracts to perform through transitioning to alternative rates.

Working Group on Sterling Risk-Free Reference Rate Updates

- The Chair of the Working Group, Tushar Morzaria, issued a [statement](#) welcoming the 27 October 'SONIA-first' switch initiative, supported by the Bank of England and FCA. From this date, liquidity providers were encouraged to use SONIA as the default price convention for interdealer sterling swaps market, moving away from pricing in GBP LIBOR. This is intended to build further liquidity in SONIA derivatives markets.
- The Working Group published two papers to assist market participants and vendors, in considering whether any amendments may be required to their systems or products if they choose to adopt SONIA compounding methods or transition to Term SONIA Reference Rates (TSRRs). These papers provide a [summary of the freely available independent RFR calculators](#) on the market and summarise the key attributes of [Beta versions of Term SONIA Reference Rates](#) (TSRRs) published by independent benchmark administrators.

Market Developments

- ICE Futures Europe issued a [circular](#) to its members seeking feedback on its proposed outline to transition open contracts in LIBOR based futures contracts, at the point of LIBOR cessation or a pre-cessation event. The deadline for feedback is **13 November**.
- Tesco [announced](#) an industry first with a day-one RFR linked syndicated loan facility, with the launch of a 3-year £2.5bn revolving credit facility linked to SOFR and SONIA.

Key Liquidity Indicators

- **Loans** referencing risk-free rates - see [LMA website](#)
- **Floating rate notes** (provided by ICMA using Bloomberg L.P) The cumulative subtotal of outstanding SONIA-linked FRNs (2018, 2019 and 2020) is 149 deals, totalling c.£64.7bn.
- **Listed Futures** (data provided by futures exchanges)

	Aggregated across all products as at end-Sept			
	Monthly traded volume	Change since last month	Number of contracts outstanding (Open Interest)	Change since last month
GBP LIBOR	16,405,317	6,462,389 (65%)	4,746,502	497,896 (12%)
SONIA	665,596	172,209 (35%)	131,363	19,081 (17%)

- **LCH Swaps Statistics** (from [LCH website](#))

	As at end- Sept (£billions)			
	Notional traded	Change since last month	Notional outstanding	Outstanding change since last month
GBP LIBOR**	5,299	1,062 (25.1%)	17,263	20 (0.1%)
SONIA	11,490	6,375 (125%)	14,030	2584 (22.6%)

** Including FRAs

Official Sector Updates

- On 21 October the [Financial Services Bill](#) was introduced to Parliament. This includes provisions to strengthen the current regulatory framework for critical benchmarks, such as LIBOR. This is an important milestone intended to address risks relating to the narrow pool of 'tough legacy' contracts. The **FCA continues to urge market participants to maintain their focus on the transition away from LIBOR by the end of 2021**.
- The Financial Stability Board published a [Global Transition Roadmap for LIBOR](#), outlining the steps that all firms with exposure to LIBOR benchmarks should undertake before end-2021 to remove dependencies on LIBOR.

Non-Sterling RFR Updates

Please find the October newsletter for the Working Group on Euro Risk-Free Rates available [here](#)

- Between 16-19 October, clearing houses [CME](#), [LCH](#) and [EUREX](#) confirmed the successful transition of cleared contracts from EFFR to SOFR discounting.
- The US Internal Revenue Service published guidance on tax relief related to modifications made to transition financial contracts referencing LIBOR to alternative rates.
- The CTFC [announced](#) it has provided swap transactions and pricing reporting relief for specific derivatives clearing organisations for upcoming auctions to transition from discounting from EFFR to SOFR.
- Jacqueline Loh, Deputy Managing Director of Monetary Authority of Singapore, delivered a [keynote speech](#) "Act now to transition to SORA" as to what market participants must do to prepare for the transition away from SOR and SIBOR towards SORA.
- Hong Kong Monetary Authority issued a [letter](#) to all authorised institutions expecting firms to take early action to adhere to the Protocol before it takes effect and take proactive steps to encourage their counterparties to do the same.
- The first non-Swiss domiciled bank, Liechtensteinische Landesbank, has [announced](#) it will begin to offer SARON-based cash products. This will include an 'in advance' option from October 2020, and an 'in arrears' option will also be made available.