

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

- 17 June 2021** ▪ Market users and liquidity providers in the GBP exchange traded derivatives market were [encouraged](#) to switch the default traded instrument to SONIA instead of LIBOR.
- End-Q2 2021** ▪ Working Group milestone for market participants to cease initiation of new GBP LIBOR-linked non-linear and exchange traded derivatives* that expire after end-2021 (**except for the [risk management of existing positions](#)*).
- 26 July 2021** ▪ Liquidity providers in the USD linear interest rate swap markets are [encouraged](#) to adopt new traded conventions for interdealer trading based on SOFR instead of LIBOR.
- End-Q3 2021** ▪ Working Group milestone for market participants to complete active conversion of all legacy GBP LIBOR contracts expiring after end-2021 where viable and, if not viable, ensure robust fallbacks are adopted where possible.

Updates from the Working Group on Sterling Risk-Free Reference Rates

- **The Working Group's second key milestone for 2021 passed at the end of June. It is [recommended](#) that GBP LIBOR is no longer used in non-linear and exchange traded derivatives that expire after 2021, except for the [risk management of existing positions](#).**
- The Working Group updated its GBP loan market [Q&A document](#) for the end-Q1 milestone with a new question 8 concerning existing facilities with extension options. It also updated its loan market [Best Practice Guide](#) with a new appendix 3E to cover calculation of SONIA-based cost of carry for loans traded on the secondary market.

UK Official Sector Updates

- The FCA [published](#) a consultation paper on its proposal to require six sterling and Japanese yen LIBOR settings to be determined under a changed methodology (i.e. on a 'synthetic' basis) after end-2021, intended as a safety-net only for contracts that cannot transition. Users of LIBOR are encouraged to respond to the consultation by **27 August 2021**.
- The FCA published a [simple FAQ](#) focused on the impact of LIBOR transition on mortgage borrowers.
- The Financial Stability Board published a set of documents to support the transition away from LIBOR by end-2021: 1) an updated global transition [roadmap](#) for LIBOR, 2) a [statement](#) encouraging authorities to set globally consistent expectations on ceasing new use of LIBOR in line with relevant timelines for each currency, 3) an updated [paper](#) considering the appropriate roles of overnight risk-free rates and term rates, 4) a [statement](#) on use of ISDA spread adjustments in cash products.
- The Board of the International Organization of Securities Commissions (IOSCO) released a [statement](#) re-iterating the importance of a smooth and timely transition from LIBOR and encouraging the discontinuation of new use of USD LIBOR as soon as practicable and no later than end-2021.

Market Developments

- ISDA published a [consultation](#) on fallbacks for GBP LIBOR ICE Swap Rate & USD LIBOR ICE Swap Rate. Users of these rates are encouraged to respond by **2 July 2021**.
- The LMA [published](#) an exposure draft of standard terms and conditions for secondary debt trading together with accompanying documentation to assist the secondary loan market with LIBOR transition.

Key Market Indicators

ISDA Protocol adherence – 14,267 entities as at end-June (+135 compared to end-May)

Loans - see [LMA](#) website for its updated list of publicly disclosed RFR-referencing loans to date.

Floating Rate Notes (provided by ICMA using Bloomberg L.P.)

The cumulative subtotal of SONIA-linked FRNs issued (2018, 2019, 2020 and 2021) is 202 deals, totalling c.£88.7bn.

Listed Futures (data provided by futures exchanges)

June update: Data basis changed from number to value of contracts (corrected on 8 July).

Aggregated across all products as at end-May

	Monthly traded value (£mn)	Change since last month	Value of outstanding contracts (£mn)	Change since last month
GBP LIBOR	5,565,685	1,378,140 (33%)	2,604,765	82,613 (3%)
SONIA	3,212,679	1,525,154 (90%)	279,358	7,286 (3%)
% SONIA	37%	+8 p.p	10%	+0 p.p

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

	As at end-May (£billions)			
	Notional traded	Change since last month	Notional outstanding	Outstanding change since last month
GBP LIBOR**	1,895	-76 (-4%)	16,643	-628 (-4%)
SONIA	3,291	719 (28%)	14,366	125 (1%)
% SONIA	63%	+7 p.p	46%	+1 p.p

** Including FRAs

Non-Sterling RFR Updates

- The Commodity Futures Trading Commission's Market Risk Advisory Committee (MRAC) [recommended](#), as market best practice, that interdealer brokers change USD linear swap trading conventions from USD LIBOR to SOFR on **26 July 2021**. The ARRC [welcomed](#) the announcement of the 'SOFR First' initiative. The FCA and Bank of England [support](#) a similar approach in the UK and encourage liquidity providers in the USD linear interest rate swap market to adopt new trading conventions based on SOFR instead of LIBOR from 26 July.
- The ARRC [welcomed](#) messages from Financial Stability Oversight Council (FSOC) principles urging a speedy transition from LIBOR and highlighting benefits of SOFR. Treasury Secretary [Yellen](#) and US Securities and Exchange Commission Chair [Gensler](#) also voiced concern around the use of alternative rates which may replicate some of LIBOR's shortcomings.
- Bank of Japan Deputy Governor Amamiya delivered a [speech](#) noting the limited time before cessation of yen LIBOR at end-2021 and urging market participants to proceed with their transition plans in a steady and swift manner.
- The European Commission, ECB Banking Supervision, European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) published a [joint statement](#) encouraging market participants to stop using all LIBOR settings as soon as practicable and in any event by end-2021, to limit use of any 'synthetic' LIBOR to tough legacy contracts and to include robust fallbacks in all contracts referencing LIBOR.



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This monthly newsletter provides an update for those interested in developments relating to the Working Group on Sterling Risk-Free Reference Rates ("Working Group"), keeping you informed of key news on Risk Free Rate (RFR) transition across both GBP and international markets. If you have questions about the content (or would like to get involved in events mentioned) please contact RFR.Secretariat@bankofengland.co.uk