

Key Milestone Dates

- August 2020 – expected publication of amendments to ISDA 2006 Definitions and related protocol (pending regulatory clearance)
- 3 August 2020 – publication of the SONIA Compounded Index anticipated to commence
- 6 August 2020 – ‘virtual’ roundtable with HMT on the recent legislative announcements
- 28 August 2020 – extended deadline for feedback to [HMRC consultation](#) on taxation impacts resulting from LIBOR cessation
- Q3 2020 – by end-Q3 2020, lenders should be in a position to offer non-LIBOR linked products to borrowers and include clear contractual arrangements in new and re-financed LIBOR loans to convert to alternative rates by end-2021
- November 2020 – amendments to ISDA 2006 Definitions and related protocol expected to take effect (or 4 months after publication)

Working Group on Sterling Risk-Free Reference Rate Updates

- The RFRWG published a [statement](#) aimed at maintaining focus on the end-2021 deadline for LIBOR transition and a set of materials to assist firms in taking action and implementing LIBOR transition plans. This material includes the RFRWG’s updated 2020-21 priorities and revised [roadmap](#), which reflects a series of amendments and additions to the RFRWG’s milestones (including those previously announced such as the RFRWG’s revised end-Q3 2020 target), as well as updates to the targets for transition of legacy LIBOR products.
- The RFRWG also published a [Q&A](#) providing further clarity on the revised Q3 milestone, and the RFRWG launched the first two videos in a series of short [educational videos](#) providing background on the key elements of LIBOR transition, designed for those less familiar with this topic.
- The RFRWG announced plans for a new task force to further LIBOR transition in non-linear derivatives. The task force aim to progress and raise awareness of conventions for new risk free rate-based non-linear products. The group will also support discussions on the transition of legacy LIBOR products in these markets.

Official Sector Updates

- Bloomberg, Andrew Bailey (Governor of the Bank of England) and John Williams (President of the Federal Reserve Bank of New York) hosted a webinar, [LIBOR: Entering the Endgame](#), and were joined by Chairs of the RFRWG and ARRC respectively. This highlighted key transition progress made so far, but made clear that further work remains over the next 18 months.
- The Financial Stability Board (FSB) issued a [statement](#) reiterating the need for financial and non-financial sectors to continue transition efforts to reduce the reliance on LIBOR by end-2021.
- In addition, the FSB published a [report](#) for G20, providing recommendations for authorities to facilitate financial and non-financial institutions transitioning away from LIBOR.

Key Liquidity Indicators

- [Loans](#) referencing risk-free rates (from [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 138 deals, totalling c.£61bn.*
- [Listed Futures](#) (data provided by futures exchanges)

Aggregated across all products as at end-June

	Monthly traded volume	Change since last month	Number of contracts outstanding (Open Interest)	Change since last month
GBP LIBOR	10,926,380	1,094,577 (11%)	3,591,948	-82,214 (-2%)
SONIA	888,133	-544,275 (-38%)	90,916	-15,628 (-15%)

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

As at end-June (£billions)

	Notional traded	Change since last month	Notional outstanding	Outstanding change since last month
GBP LIBOR**	5,403	930 (20.8%)	18,904	-1,423 (-7%)
SONIA	4,161	-241 (-5.5%)	9,417	-1,767 (-15.8%)

*This includes deals that have already matured. ** Including FRAs

Market Developments

- To help firms prepare to implement ISDA’s forthcoming fallback methodology in relevant documentation, Bloomberg has begun [publishing](#) compounded in arrears RFRs and the spread adjustment rates between these RFRs and respective IBORs.
- July saw further transition progress with SONIA adoption across a broad range of market participants, with the South West based housing association [Coastline](#) confirming it signed up to a SONIA linked revolving credit facility of £30 million for five years.
- [Refinitiv](#), [IBA](#) and [FTSE Russell](#) all launched indicative forward-looking Term SONIA reference rates. All are publishing 1-month, 3-month and 6-month tenors, with FTSE Russell also publishing a 12 month rate.

Non-Sterling RFR Updates

- The ECB published [results](#) to an industry-wide assessment of banks’ preparedness for benchmark interest rate reforms. The ECB noted it is critical that banks update contracts in good time and published a set of [‘good practices’](#) to support firms in preparing for benchmark reform.
- In addition, the ECB launched a [public consultation](#) seeking views on the ECB’s intention to publish compounded €STR index for selected maturities, potentially ranging from one week up to one year. The consultation seeks feedback by 11 September 2020.
- The US Alternative Reference Rates Committee (ARRC) published a [list of key actions](#) to facilitate firm’s preparations of internal systems and processes in the adoption of SOFR and transition away from LIBOR.
- As part of the ARRC’s 2020 objectives relating to syndicated loans sector, the ARRC released [recommended SOFR “in arrears” conventions](#) for use in syndicated business loans.
- The ARRC issued a [letter](#) to the US Inland Revenue Service and US Treasury asking that parties be allowed to make limited bilateral changes to their derivative contracts, in order to incorporate the terms of forthcoming ISDA protocol, without resulting in a taxable event with respect to the contract.
- Starting with the [LIBOR: Entering the endgame](#) webinar, the ARRC announced a [series](#) of panel discussions and presentations over the summer, offering practical guidance to market participants.
- The Cross-Industry Committee on Japanese Yen Interest Rates published their draft [roadmap \(Item VI\)](#) to facilitate firm preparations for the discontinuation of LIBOR before 2022.
- The Hong Kong Monetary Authority issued a Dear CEO [letter](#), detailing transition milestones that HKMA expect authorised institutions to achieve, which includes that authorised firms be in a position to offer alternative rates from 1 January 2021 and firms should cease new issuance of LIBOR products that will mature after 2021 from 30 June 2021.