The Working Group on Sterling Risk-Free Reference Rates

Priorities and roadmap for transition by end-2021

Updated: January 2022

January 2022: Factual update, reflecting recent developments and past deliverables (slide 4)

Working Group on Sterling Risk-Free Reference Rates (RFRWG) Top Level Priorities - 2021

- 1. Be fully prepared for the end of GBP LIBOR, by the end of 2021
- 2. Continue to enable and promote widespread use of SONIA compounded in arrears throughout wholesale sterling markets
- 3. By end-Q1 2021, cease initiation of new GBP LIBOR-linked loans, bonds, securitisations and linear derivatives* that expire after the end of 2021
- 4. By end-Q1 2021, complete identification of all legacy GBP LIBOR contracts expiring after end 2021 that can be actively converted, and progress active conversion where viable through to completion by end-Q3 2021
- 5. Take steps to enable a shift of volumes from GBP LIBOR to SONIA in non-linear derivative markets:
 - a) by end-Q2 2021, cease initiation of new GBP LIBOR-linked non-linear derivatives* that expire after the end of 2021; and,
 - b) by end-Q3 2021, complete active conversion where viable

^{*} Except for risk management of existing positions (see <u>link</u> for details)

RFRWG Roadmap | 2020 retrospective view

Communications Term rate developments

Convention developments

Industry developments

RFRWG deliverables

Q1 2020 Q2 Q3 **Q4**

END-Q2 TARGET

· Loan market participants to have addressed critical internal dependencies (e.g. updates to funds transfer pricing, intercompany loans and Asset Liability Management)

END-Q3 TARGETS

- · Lenders are able to offer non-LIBOR alternatives to customers
- Lenders include contractual arrangements in new and re-financed LIBOR-referencing loan products to facilitate conversion to SONIA or other alternatives
- Key infrastructure available from Treasury Management Systems and loans vendors to use compounded SONIA

END-Q4 TARGETS

- · Be operationally ready to support the development and market making of nonlinear SONIA derivatives
- Progress active conversion of cash products where viable to reduce legacy volume
- · Widespread sign-up to the ISDA protocol achieved ahead of effective date

Statement of 2020 RFRWG priorities and supporting documents:

- · Factsheet for end-users
- · Consent Solicitation statement
- Term Rate Use Case Paper

Statement from the RFRWG on the impact of COVID-19 on LIBOR transition.

RFRWG launched LinkedIn

Chair of RFRWG spoke at a joint Bloomberg, Bank of England and New York Fed webinar

RFRWG webinar for the corporate sector, in collaboration with CBI and ACT

Series of educational videos for LIBOR transition

Swaption conventions: anonymized survey feedback published



summary feedback published



SONIA compounded in arrears: recommendations for loan market conventions published

> Cash credit spread adjustment: < recommendation for fallbacks in cash market products published

> > established

Active conversion papers published: for loans and bonds

Loan markets - detailed roadmap to end-Q1 2021 target published

Credit spread adjustment: paper on methods for active transition in loan markets published with worked examples

Term Rate: summary of key attributes of beta versions of TSRRs published

Non-linear derivatives:

paper on transition of GBP non-linear derivatives and summary feedback published



Term Rate: provisional development for dealers to stream prices to venues

ISDA announced results of

consultation on pre-cessation triggers

Term Rate: providers publish an initial 'beta' term rate to be used for testing purposes

Non-linear derivatives Task Force

Interest rate swap conventions switch from LIBOR to SONIA first

ISDA launched IBOR Fallbacks Protocol and IBOR Fallbacks Supplement

LMA <u>published</u> updated exposure draft documents and accompanying term sheet (login required)



Financial Services Act receives royal assent



External Market Developments

market milestones

Recommended

RFRWG Comms

RFRWG Deliverables

Convention developments

Q4

Q1 2021

Comms RFRWG

External Market Developments

END-Q1 TARGETS

- Cease initiation of new GBP LIBOR-linked loans, bonds, securitisations and linear derivatives* that expire after the end of 2021
- Complete identification of all legacy GBP LIBOR contracts expiring after end 2021 that can be actively converted, and accelerate active conversion where viable
- Widespread sign-up to the ISDA protocol ahead of effective date
- except for risk management of existing positions

END-Q2 TARGETS

- · Progress 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
- · Cease initiation of new GBP LIBOR non-linear derivatives that expire after end 2021, except for risk management of existing positions
- Cease initiation of new GBP LIBOR exchange traded derivatives that expire after end 2021, except for risk management of existing positions

END-Q3 TARGETS

· 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

END-Q4 TARGETS

· Be fully prepared for the end of GBP **LIBOR**

♦ Statement of 2021 RFRWG priorities

Ongoing education on active conversion and tough legacy

Q2

Ongoing education on implementation of fallbacks at cessation

Bond market fallbacks:

consultation on potential successor rates for type 2 & 3 bond fallbacks

FCA consultation closed on considerations when exercising powers

as proposed under the Financial Services Bill, relating to requiring a

Non-linear derivatives: paper on transition in sterling non-linear derivatives referencing GBP LIBOR ICE Swap Rate (ISR)

Derivatives: path to ending new use of GBP LIBOR-linked derivatives

Loans: Best Practice Guide for GBP loans

Term Rate: Term SONIA Reference Rates entered live production

Bond market fallbacks:

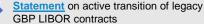
consultation feedback published



Bond market fallbacks: successor rate recommendation published

Q3

Fallbacks: guide to operational considerations on the conversion of bilateral linear derivative contracts



Structured products: guide to transition in structured product markets



PRA/FCA Dear CEO letter setting out supervisory



expectations of the transition from LIBOR to RFRs Term Rate: FMSB published a transparency draft of its



FCA consultation on its proposed decision related to synthetic GBP and yen settings

> FCA consultation on its decision on exercising its powers under the Financial Services Act for use of critical benchmarks being wound down

Paper on active transition of

legacy GBP LIBOR loan contracts

receives royal assent

CCP's conversion of cleared LIBOR derivatives

ISDA protocol Index Cessation Effective Date on 04 January 2022



for exercising new powers under Financial Services Act relating to use of critical benchmarks that are being wound down



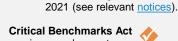
Non-linear derivative conventions switch from LIBOR to SONIA first

Exchange traded derivative conventions switch from LIBOR to SONIA first





Cross-currency swap conventions switch from LIBOR to RFR first



FCA announced its

Cessation of all GBP

LIBOR panel settings

decisions on exercising its

LIBOR settings after end-

powers over the use of

Statement encouraging continued

focus ahead of end-2021





ISDA protocol took effect on 25 January 2021

change of methodology for critical benchmarks

IBA consultation closed on its intention to

cease publication of LIBOR settings





Target milestones: product class breakdown

In support of the RFRWG's objectives to establish clear frameworks to cease trading of new LIBOR-linked products and manage transition of legacy LIBOR products, the table below provides a product-by-product view of the steps needed to meet the key milestones established by the RFRWG.

By end of:	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Derivatives	 Cease initiation of new GBP LIBOR-linked linear derivatives that expire after the end of 2021, except for risk management of existing positions* Complete identification of all legacy LIBOR contracts expiring after end 2021 that can be actively converted Accelerate active conversion where viable (e.g. compression/renegotiation) to reduce legacy volume Widespread sign-up to the ISDA protocol ahead of effective date** 	linear derivatives that e for risk management o • By end-Q2, cease initial exchange traded future end of 2021, except for positions* • During Q2/Q3, cease in derivatives with a LIBC 2021, except for risk m • Complete active conve	ation of new GBP LIBOR-linked es and options that expire after the rrisk management of existing nitiation of cross-currency DR-linked sterling leg, expiring after transgement of existing positions* ersion across linear and non-linear le, and if not viable, ensure robust	
Bonds and securitisations	 Cease new issuance of GBP LIBOR-referencing products maturing after 2021 Complete identification of all legacy LIBOR contracts expiring after end 2021 that can be actively converted Accelerate active conversion where viable (e.g. consent solicitation mechanisms) to reduce legacy volume 	Complete active conversion where viable t		Be fully prepared for the end of GBP LIBOR
Loans	 Cease new issuance of GBP LIBOR-referencing products maturing after 2021 Complete identification of all legacy LIBOR contracts expiring after end 2021 that can be actively converted Accelerate active conversion where viable (e.g. at renewal, proactive negotiation, or using pre-agreed terms) to reduce legacy volume 	Complete active converse where active converse fallbacks are adopted values.	on is not viable, ensure robust	

^{*}More detail on exceptions for risk management is available here. It is acknowledged cross-currency RFR markets currently remain nascent, and that further developments will be necessary in 2021.

^{**}Subject to individual firms' usual governance procedures and negotiations with counterparties as necessary. Where the protocol is not used, other appropriate arrangements will need to be considered to mitigate risks