

## 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 slide 4)

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# RFRWG Roadmap | 2020 retrospective view

- ◆ Communications
- ◆ Term rate developments
- ◆ Convention developments
- ◆ Industry developments
- ◆ RFRWG deliverables

	Q1 2020	Q2	Q3	Q4
Recommended market milestones		<p><b>END-Q2 TARGET</b></p> <ul style="list-style-type: none"> <li>Loan market participants to have addressed critical internal dependencies (e.g. updates to funds transfer pricing, intercompany loans and Asset Liability Management)</li> </ul>	<p><b>END-Q3 TARGETS</b></p> <ul style="list-style-type: none"> <li>Lenders are able to offer non-LIBOR alternatives to customers</li> <li>Lenders include contractual arrangements in new and re-financed LIBOR-referencing loan products to facilitate conversion to SONIA or other alternatives</li> <li>Key infrastructure available from Treasury Management Systems and loans vendors to use compounded SONIA</li> </ul>	<p><b>END-Q4 TARGETS</b></p> <ul style="list-style-type: none"> <li>Be operationally ready to support the development and market making of non-linear SONIA derivatives</li> <li>Progress active conversion of cash products where viable to reduce legacy volume</li> <li>Widespread sign-up to the ISDA protocol achieved ahead of effective date</li> </ul>
RFRWG Comms	<ul style="list-style-type: none"> <li>Statement of 2020 RFRWG priorities and supporting documents:                             <ul style="list-style-type: none"> <li><a href="#">Factsheet for end-users</a></li> <li><a href="#">Consent Solicitation statement</a></li> <li><a href="#">Term Rate Use Case Paper</a></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Statement from the RFRWG <a href="#">on the impact of COVID-19 on LIBOR transition</a></li> <li>RFRWG launched <a href="#">LinkedIn page</a></li> </ul>	<ul style="list-style-type: none"> <li>Chair of RFRWG spoke at a joint Bloomberg, Bank of England and New York Fed <a href="#">webinar</a></li> </ul>	<ul style="list-style-type: none"> <li>RFRWG <a href="#">webinar</a> for the corporate sector, in collaboration with CBI and ACT</li> <li>Series of educational videos for LIBOR transition</li> </ul>
RFRWG Deliverables	<ul style="list-style-type: none"> <li>Swaption conventions: <a href="#">anonymized survey feedback published</a></li> </ul>	<ul style="list-style-type: none"> <li>Cash credit spread adjustment: <a href="#">summary feedback published</a></li> <li>'Tough Legacy': <a href="#">paper published</a></li> </ul>	<ul style="list-style-type: none"> <li>SONIA compounded in arrears: <a href="#">recommendations for loan market conventions published</a></li> <li>Cash credit spread adjustment: <a href="#">recommendation for fallbacks in cash market products published</a></li> <li>Active conversion papers published: for <a href="#">loans</a> and <a href="#">bonds</a></li> <li>Non-linear derivatives Task Force established</li> </ul>	<ul style="list-style-type: none"> <li>Loan markets - detailed roadmap to end-Q1 2021 target <a href="#">published</a></li> <li>Credit spread adjustment: paper on methods for active transition in loan markets <a href="#">published</a> with worked examples</li> <li>Term Rate: <a href="#">summary</a> of key attributes of beta versions of TSRRs published</li> <li>Non-linear derivatives: <a href="#">paper</a> on transition of GBP non-linear derivatives and <a href="#">summary feedback</a> published</li> </ul>
External Market Developments	<ul style="list-style-type: none"> <li>Term Rate: provisional development for dealers to stream prices to venues</li> </ul>	<ul style="list-style-type: none"> <li>ISDA <a href="#">announced</a> results of consultation on pre-cessation triggers</li> </ul>	<ul style="list-style-type: none"> <li>Term Rate: providers publish an initial 'beta' term rate to be used for testing purposes</li> </ul>	<ul style="list-style-type: none"> <li>Interest rate swap conventions switch from <a href="#">LIBOR to SONIA first</a></li> <li>ISDA launched <a href="#">IBOR Fallbacks Protocol</a> and <a href="#">IBOR Fallbacks Supplement</a></li> <li>LMA <a href="#">published</a> updated exposure draft documents and accompanying term sheet (<i>login required</i>)</li> <li>ICE SONIA Swap Rate <a href="#">live rate published</a></li> </ul>

# RFRWG Roadmap | 2021 update

- ◆ Communications
- ◆ Convention developments
- ◆ RFRWG deliverables
- ◆ Term rate developments
- ◆ Industry developments

	Q1 2021	Q2	Q3	Q4
Recommended market milestones	<p><b>END-Q1 TARGETS</b></p> <ul style="list-style-type: none"> <li>• Cease initiation of new GBP LIBOR linked loans, bonds, securitisations and linear derivatives* that expire after the end of 2021</li> <li>• Complete identification of all legacy GBP LIBOR contracts expiring after end 2021 that can be actively converted, and accelerate active conversion where viable</li> <li>• Widespread sign-up to the ISDA protocol ahead of effective date</li> </ul> <p>* except for risk management of existing positions</p>	<p><b>END-Q2 TARGETS</b></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Cease initiation of new GBP LIBOR non-linear derivatives that expire after end 2021, except for risk management of existing positions</li> </ul>	<p><b>END-Q3 TARGETS</b></p> <ul style="list-style-type: none"> <li>• 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</li> </ul>	<p><b>END-Q4 TARGETS</b></p> <ul style="list-style-type: none"> <li>• Be fully prepared for the end of GBP LIBOR</li> </ul>
RFRWG Comms	<p><b>Statement of 2021 RFRWG priorities</b></p> <ul style="list-style-type: none"> <li>Ongoing communications to cash market stakeholders</li> <li>Ongoing education on active conversion and tough legacy</li> <li>Ongoing education on implementation of fallbacks at cessation</li> </ul>			
RFRWG Deliverables	<ul style="list-style-type: none"> <li><span style="color: blue;">◆</span> <b>Bond market fallbacks:</b> consultation on potential successor rates for type 2 &amp; 3 bond fallbacks</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: blue;">◆</span> <b>Bond market fallbacks:</b> RFRWG consultation results and response</li> <li><span style="color: blue;">◆</span> <b>Fallbacks:</b> guide to operational considerations on the conversion of bilateral linear derivative contracts</li> </ul>		
External Market Developments	<ul style="list-style-type: none"> <li><span style="color: green;">◆</span> <b>Term Rate:</b> Term SONIA Reference Rates begin to enter live production</li> <li><span style="color: green;">◆</span> <b>Term Rate:</b> FMSB expects to publish a transparency draft of its standard on the use of Term SONIA Reference Rates</li> <li><span style="color: orange;">◆</span> <b>FCA consultation</b> closes on considerations when exercising powers as proposed under the Financial Services Bill, relating to requiring a change of methodology for critical benchmarks</li> <li><span style="color: orange;">◆</span> <b>IBA consultation</b> closes on its intention to cease publication of LIBOR settings</li> <li><span style="color: orange;">◆</span> <b>ISDA</b> protocol to take effect on 25 January 2021</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: orange;">◆</span> <b>FCA</b> expected to consult on proposed policy for exercising potential new powers under Financial Services Bill relating to benchmark use provisions</li> </ul>		<ul style="list-style-type: none"> <li><span style="color: orange;">◆</span> <b>Proposed cessation of all GBP LIBOR panel settings</b>, subject to IBA consultation</li> </ul>

# 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	<ul style="list-style-type: none"> <li>• Cease initiation of new GBP LIBOR linked linear derivatives that expire after the end of 2021, except for risk management of existing positions*</li> <li>• Complete identification of all legacy LIBOR contracts expiring after end 2021 that can be actively converted</li> <li>• Accelerate active conversion where viable (e.g. compression/renewal) to reduce legacy volume</li> <li>• Widespread sign-up to the ISDA protocol ahead of effective date**</li> </ul>	<ul style="list-style-type: none"> <li>• By end-Q2, cease initiation of new GBP LIBOR non-linear derivatives that expire after the end of 2021, except for risk management of existing positions*</li> <li>• During Q2/Q3, cease initiation of cross-currency derivatives with a LIBOR-linked sterling leg, expiring after 2021, except for risk management of existing positions*</li> <li>• Complete active conversion across linear and non-linear derivatives where viable, and if not viable, ensure robust fallbacks are adopted where possible</li> </ul>		<ul style="list-style-type: none"> <li>• Be fully prepared for the end of GBP LIBOR</li> </ul>
Bonds and securitisations	<ul style="list-style-type: none"> <li>• Cease new issuance of GBP LIBOR-referencing products maturing after 2021</li> <li>• Complete identification of all legacy LIBOR contracts expiring after end 2021 that can be actively converted</li> <li>• Accelerate active conversion where viable (e.g. consent solicitation mechanisms) to reduce legacy volume</li> </ul>	<ul style="list-style-type: none"> <li>• Complete active conversion where viable</li> </ul>		
Loans	<ul style="list-style-type: none"> <li>• Cease new issuance of GBP LIBOR-referencing products maturing after 2021</li> <li>• Complete identification of all legacy LIBOR contracts expiring after end 2021 that can be actively converted</li> <li>• Accelerate active conversion where viable (e.g. at renewal, proactive negotiation, or using pre-agreed terms) to reduce legacy volume</li> </ul>	<ul style="list-style-type: none"> <li>• Complete active conversion where viable</li> <li>• Where active conversion is not viable, ensure robust fallbacks are adopted where possible</li> </ul>		

\*The RFRWG recognises that dealers and other market makers executing such trades for their clients may accumulate LIBOR risk as a result and that they cannot necessarily assess, or reasonably be expected to seek to discover, the intent of their clients when approached to initiate a LIBOR derivative trade. 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