

Working Group on Sterling Risk-Free Reference Rates Newsletter - January 2019

This monthly newsletter provides an update for those with an interest in the work of the Working Group on Sterling Risk-Free Reference Rates, keeping you updated on key news relating to RFR transition in GBP markets and others. If you have questions about any of the content or would like to get involved in any of the events mentioned please contact RFR.Secretariat@bankofengland.gov.uk

Key Milestone Dates

- The Working Group invites benchmark administrators to share any views on the development of Term SONIA Reference Rates by 15 February 2019

Working Group on Sterling Risk-Free Reference Rate Updates

- The Working Group has published a [statement](#) on next steps for the development of Term SONIA Reference Rates (TSRRs). The statement invites interested benchmark administrators to share views on this topic. This follows publication of the [summary results](#) to the Working Group's consultation on TSRRs.
- The Working Group's Infrastructure sub-group is hosting an infrastructure forum event on 31 January 2019 to discuss and better understand outstanding issues – and potential solutions – for market infrastructure to support the development of SONIA, and other RFR, linked products. This follows the publication of a preliminary [infrastructure priority](#) list at the end of last year.
- The Working Group's first meeting of the New Year will be on 7 February 2019.

Market Developments

- There has been a significant increase in SONIA linked bond issuance with over £7bn of issuance so far in 2019, more than the total for full year 2018
- ISDA has [announced](#) that it will publish a request-for-proposal (RFP) process in February open to all interested vendors in order to select the vendor that will publish the term and credit adjustments for its RFR-based fallbacks to IBORs. ISDA expects to publish its final fallback approach for review and comment sometime in mid-2019.
- CME has [announced](#) its position in respect to ISDA's recommended benchmark fallbacks approach. This follows LCH's [announcement](#) in December on the same topic
- ISDA have [published](#) their 2018 benchmarks review which includes derivative trading volumes of RFRs, including SONIA, captured by trade repositories under US regulations.

Official Sector Updates

- Edwin Schooling Latter, of the FCA, delivered a [speech](#) at the ISDA Annual Legal Forum in which he explored potential scenarios for how LIBOR will end, including a possible assessment by the FCA that the rate is no longer representative. He noted that these scenarios should be considered when designing fallback triggers, but reiterated that the smoothest transition from LIBOR will be one in which contracts are replaced or amended before fallback provisions are triggered.
- The Governor of the Bank of England and members of the Financial Policy Committee appeared before the [Treasury Select Committee](#) to give evidence on the most recent [Financial Stability report](#), including the transition from LIBOR to SONIA. In his evidence, the Governor emphasised the robustness of SONIA and recent key market transition developments. He also emphasised that LIBOR transition is something that will happen and that the Bank, alongside the FCA, will work to make happen.

Key Liquidity Indicators

Listed Futures (data provided by futures exchanges)

	Aggregated across all products as at end-December			
	Monthly traded volume	Change since last month (%)	Number of contracts outstanding (Open Interest)	Change since last month (%)
GBP LIBOR	15,148,733	-7,062,570 (-32%)	4,130,016	-290,136 (-7%)
SONIA	306,518	-150,670 (-33%)	68,507	6,748 (11%)

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

	YTD Ending January 14 2019 (£billions)			
	Notional traded YTD	Change since last month (%)	Notional Outstanding	Change since last month (%)
GBP LIBOR (including FRAs)	2,590	N/A (new year)	16,068	-1,846 (-10%)
SONIA	1,480	N/A (new year)	8,267	-2,204 (-21%)

Non-Sterling RFR Updates

- The Working Group on Euro Risk-Free Rates has [published](#) guiding principles for fallback provisions in new contracts for euro-denominated cash products
- The ARRC has posted [webinars](#) providing background on the previously released consultations on U.S. dollar (USD) LIBOR fallback contract language for bilateral business loans and securitizations. The consultations close on 5 February 2019.
- The Cross-Industry Committee on Japanese Yen Benchmarks has [published](#) a series of documents related to benchmark reform including potential topics for a proposed future consultation and proposed outreach to the Accounting Standards Board of Japan.
- Responses to the Working Group on Euro Risk-Free Rates' [report on EONIA-ESTER transition and consultation on ESTER-based term structure methodologies](#) are due by 17.00 1 February 2019.