

# Working Group on Sterling Risk-Free Reference Rates Newsletter - November 2018

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.gsi.gov.uk](mailto:RFR.Secretariat@bankofengland.gsi.gov.uk)

## Key Milestone Dates

- Responses to PRA/FCA [Dear CEO](#) letter due 14th Dec 2018 (large banks and insurers).

## Working Group on Sterling Risk-Free Reference Rate Updates

- Tushar Morzaria, CFO of Barclays, [has been appointed as the new chair of the Working Group](#), taking over from 2019.
- The Working Group has published a [summary of the responses to its consultation on Term SONIA Reference Rates](#) and will discuss the summary at its forthcoming meetings, including the steps necessary to catalyse further developments
- The Working Group has published a starter pack titled, [‘Preparing for 2022: What you need to know about LIBOR transition’](#). The Working Group encourages interested parties to use this pack to engage with internal and external stakeholders on this topic.
- The Working Group has published a [Syndicated loan replacement of screen rate clause](#) – originally published on the LMA website, the clause can be included in new loans referencing LIBOR and allows for easier transition to alternatives at a given point in the future.
- The Working Group has published [minutes of its September meeting](#), at which it discussed and approved the wording for its [statement on considerations around credit spread adjustment options](#) in the ISDA consultation on fallbacks rates.
- The Pension Funds and Insurance Companies sub-group has contacted the European Insurance and Occupational Pensions Authority (EIOPA) with regard to Solvency II and its implications for RFR transition.

## Market Developments

- ISDA has published a [statement](#) on the preliminary results of their consultation on LIBOR fallbacks in OTC derivative markets
- [CME launched SONIA-linked futures](#) on 1<sup>st</sup> October.
- ICE Benchmark Administration (IBA) have published their [initial proposals for calculating and publishing ICE Term Risk Free Rates](#) commencing with SONIA.
- ICE have launched a [Term Risk Free Rates Portal](#). This follows a [portal launch from ClarusFT](#) in August which shows effective SONIA rates over a given period.
- Up until end October, in excess of £5.5bn in SONIA-linked bonds had been issued.

## Official Sector Updates

- The Official Sector Steering Group has published its latest [progress report on reforming major interest rate benchmarks](#). The report sets out the progress made on the development of overnight nearly risk-free rates (RFRs) and markets based on these rates, and on further reforms to interbank offered rates (IBORs).
- The Bank of England published its latest [Financial Stability Report](#), including an update on LIBOR transition progress (page 69). The report summarises key transition developments since June but notes that the stock of outstanding GBP LIBOR contracts continues to increase

## Key Liquidity Indicators

Listed Futures (data provided by futures exchanges)

	Aggregated across all products as at end-October	
	Monthly traded volume	Number of contracts outstanding (Open Interest)
<b>GBP LIBOR</b>	24,866,531	3,831,349
<b>SONIA</b>	273,024	49,015

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

	YTD Ending November 14, 2018	
	Notional traded YTD((£billions)	Notional Outstanding (£billions)
<b>GBP LIBOR (including FRAs)</b>	41, 360	16,780
<b>SONIA</b>	43, 108	9,321

## Non-Sterling RFR Updates

- [Alternative Reference Rates Committee \(ARRC\) held webinars](#) on its previously released consultations on USD LIBOR fallback contract language for floating rate notes and syndicated business loans, to help the public understand and respond to the requests for feedback during the ARRC’s comment period. The consultation is now closed.
- On 26 October, [Financial Accounting Standards Board](#) added SOFR to its list of U.S. benchmark interest rates for the purposes of hedge accounting.
- On 9 November the Working Group on Euro Risk-free Rates held a ‘Roundtable on euro risk-free rates’, hosted by European Central Bank (ECB). The [agenda, slides and video presentations](#) have all been published on the ECB’s website.
- The Swiss National Working Group published its [latest minutes](#) as well as a [document on operational readiness](#).