

# Working Group on Sterling Risk-Free Reference Rates Newsletter - December 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

- Francois Jourdain chaired his final meeting of the Working Group on 12<sup>th</sup> December and will now hand over to Tushar Morzaria (Barclays CFO)

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

- The Working Group has published [a paper detailing relevant considerations for market participants continuing to transact LIBOR-linked loans](#). This follows a similar [paper published earlier in the year on LIBOR-linked bonds](#).
- The Working Group has [published a provisional infrastructure and systems priority list](#) detailing key infrastructure developments which would facilitate RFR transition.
- The Working Group has published the [minutes from its November meeting](#) at which it discussed the [summary responses to the TSRR consultation](#). The Working Group has discussed issuing a statement in response to the consultation.
- The Working Group has also published the [minutes from its October meeting](#) at which it discussed the proposed [starter pack](#), creation of a monthly newsletter and potential steps for engaging with the media.

## Market Developments

- ISDA has [published a report](#) summarising the final results of its consultation on IBOR fallbacks.
- LCH has announced its [position](#) in respect of ISDA's recommended benchmark fallback approaches.
- The International Accounting Standards Board has published a [staff paper on the potential accounting implications of IBOR transition](#). The Board has agreed [to add IBOR reform to its standard setting programme](#).
- IBA have [published a survey](#) on the use of LIBOR to inform its work in seeking to support publication of certain LIBOR settings. IBA states there is no guarantee that any LIBOR settings will continue to be published after year-end 2021.
- [The first securitisation referencing SONIA](#) was issued on 14 December
- As at 10/12/18, there had been £6.875bn of SONIA-linked floating rate notes issued, each following a similar conventions format

## Official Sector Updates

- The PRA and FCA Dear CEO letter response deadline of 14<sup>th</sup> December has now passed. The PRA and FCA are now assessing responses.

## Key Liquidity Indicators

Listed Futures (data provided by futures exchanges)

	Aggregated across all products as at end-November			
	Monthly traded volume	Change since last month (%)	Number of contracts outstanding (Open Interest)	Change since last month (%)
<b>GBP LIBOR</b>	22,211,303	-2,655,228 (-11%)	4,420,152	586,961 (15%)
<b>SONIA</b>	457,188	184,164 (67%)	61,759	11,910 (24%)

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

	YTD Ending December 14 2018 (£billions)			
	Notional traded YTD	Change since last month (%)	Notional Outstanding	Change since last month (%)
<b>GBP LIBOR (including FRAs)</b>	45,399	4,039 (10%)	17,914	1,134 (7%)
<b>SONIA</b>	48,838	5,730 (13%)	10,371	1,050 (11%)

## Non-Sterling RFR Updates

- The Working Group on Euro risk-free rates is [seeking market feedback](#) on EONIA-ESTER transition and ESTER based term structure methodologies
- The ARRC (US Alternative Reference Rate Committee) [released consultations](#) on U.S. dollar (USD) LIBOR fallback contract language for [bilateral business loans](#) and [securitizations](#) for public feedback. Responses are requested by 5<sup>th</sup> February 2019.
- The ARRC has also published the responses it has received to its consultations on fallbacks in [FRNs](#) and [syndicated loans](#). The ARRC expects to issue final recommendations in early 2019.
- FINMA has published [guidance](#) on the risks of a potential replacement of LIBOR.
- CFTC Chairman J Christopher Giancarlo spoke at the [Financial Stability Conference](#) outlining criticality of the transition
- JBA TIBOR Administration ("JBATA") has extended the deadline on its [consultation](#) on integrating Japanese Yen TIBOR and Euroyen TIBOR to January 18 2019.