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 link for details)
## RFRWG Roadmap | 2020 retrospective view

<table>
<thead>
<tr>
<th>Q1 2020</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<td><strong>Recommended market milestones</strong></td>
<td><strong>END-Q2 TARGET</strong></td>
<td><strong>END-Q3 TARGETS</strong></td>
<td><strong>END-Q4 TARGETS</strong></td>
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<td>• Loan market participants to have addressed critical internal dependencies (e.g. updates to funds transfer pricing, intercompany loans and Asset Liability Management)</td>
<td>• Lenders are able to offer non-LIBOR alternatives to customers</td>
<td>• Be operationally ready to support the development and market making of non-linear SONIA derivatives</td>
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<td>• Lenders include contractual arrangements in new and re-financed LIBOR-referencing loan products to facilitate conversion to SONIA or other alternatives</td>
<td>• Progress active conversion of cash products where viable to reduce legacy volume</td>
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<td>• Key infrastructure available from Treasury Management Systems and loans vendors to use compounded SONIA</td>
<td>• Widespread sign-up to the ISDA protocol achieved ahead of effective date</td>
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### RFRWG Deliverables

- **Statement of 2020 RFRWG priorities and supporting documents:**
  - Factsheet for end-users
  - Consent Solicitation statement
  - Term Rate Use Case Paper
- **Swaption conventions:** anonymized survey feedback published
- **SONIA compounded in arrears:** recommendations for loan market conventions published
- **Cash credit spread adjustment:** summary feedback published
- **'Tough Legacy':** paper published
- **Cash credit spread adjustment:** recommendation for fallbacks in cash market products published
- **Active conversion papers:** published for loans and bonds
- **Non-linear derivatives Task Force established**
- **Term Rate:** provisional development for dealers to stream prices to venues
- **ISDA announced** results of consultation on pre-cessation triggers
- **Financial Services Act** receives royal assent
- **Term Rate:** providers publish an initial ‘beta’ term rate to be used for testing purposes
- **Interest rate swap conventions** switch from LIBOR to SONIA first
- **ISDA launched** IBOR Fallbacks Protocol and IBOR Fallbacks Supplement

### External Market Developments

- **Term Rate:**.live rate published
- **LMA published** updated exposure draft documents and accompanying term sheet (login required)

### Communications

- **Term rate developments**
- **Convention developments**
- **RFRWG deliverables**
- **Industry developments**
RFRWG Roadmap | 2021 update

Q1 2021

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

Q2

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

Q3

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

Q4

END-Q4 TARGETS
• Be fully prepared for the end of GBP LIBOR

Recommended market milestones

Statement of 2021 RFRWG priorities

Ongoing communications to cash market stakeholders

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

PRA/FCA Dear CEO letter setting out supervisory expectations of the transition from LIBOR to RFRs
FMSB published a transparency draft of its Term SONIA Reference Rates

Bond market fallbacks: consultation feedback published
Fallbacks: guide to operational considerations on the conversion of bilateral linear derivative contracts
Statement on active transition of legacy GBP LIBOR contracts
Structured products: guide to transition in structured product markets

Bond market fallbacks: successor rate recommendation published

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

Statement encouraging continued focus ahead of end-2021

Critical Benchmarks Act receives royal assent
CCP’s conversion of cleared LIBOR derivatives
ISDA protocol Index Cessation Effective Date on 04 January 2022

External Market Developments

FCA consultation closed on considerations when exercising powers as proposed under the Financial Services Bill, relating to requiring a change of methodology for critical benchmarks
IBA consultation closed on its intention to cease publication of LIBOR settings
ISDA protocol took effect on 25 January 2021

Term Rate: standard on the use of Term SONIA Reference Rates

FCA announced its decisions on exercising its powers over the use of LIBOR settings after end-2021 (see relevant notices).
## 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.

<table>
<thead>
<tr>
<th>By end of:</th>
<th>Q1 2021</th>
<th>Q2 2021</th>
<th>Q3 2021</th>
<th>Q4 2021</th>
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| **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** | • 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*  
• By end-Q2, cease initiation of new GBP LIBOR-linked exchange traded futures and options that expire after the end of 2021, except for risk management of existing positions*  
• 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*  
• Complete active conversion across linear and non-linear derivatives where viable, and if not viable, ensure robust fallbacks are adopted where possible |  |
| **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 |  |  |
| **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 conversion where viable  
• Where active conversion is not viable, ensure robust fallbacks are adopted where possible |  |  |

*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.