





















UK Working Group on Sterling Risk-Free Reference Rates (RFR WG) 2020-21 Top Level Priorities

1. By end-Q1 2021, lenders and borrowers take necessary steps to cease issuance of LIBOR linked loan products that expire after the end of 2021, including by end-Q3 2020 making non-LIBOR alternatives available and including contractual conversion mechanisms in new or refinanced LIBOR products.
 2. Take steps throughout 2020 to promote & enable widespread use of SONIA compounded in arrears
 3. Take steps to enable a further shift of volumes from GBP LIBOR to SONIA in derivative markets
 4. Establish a clear framework to manage transition of legacy LIBOR products, to accelerate reduction of stock of GBP LIBOR referencing contracts by end-Q1 2021 and complete active conversion where viable by end-Q2/3 2021.
 5. Provide market input on issues around “tough legacy”
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UK RFR Roadmap | 2020 retrospective view

-  Communications
-  Term rate developments
-  Convention developments
-  Key market targets
-  Working Group deliverables
-  ISDA developments

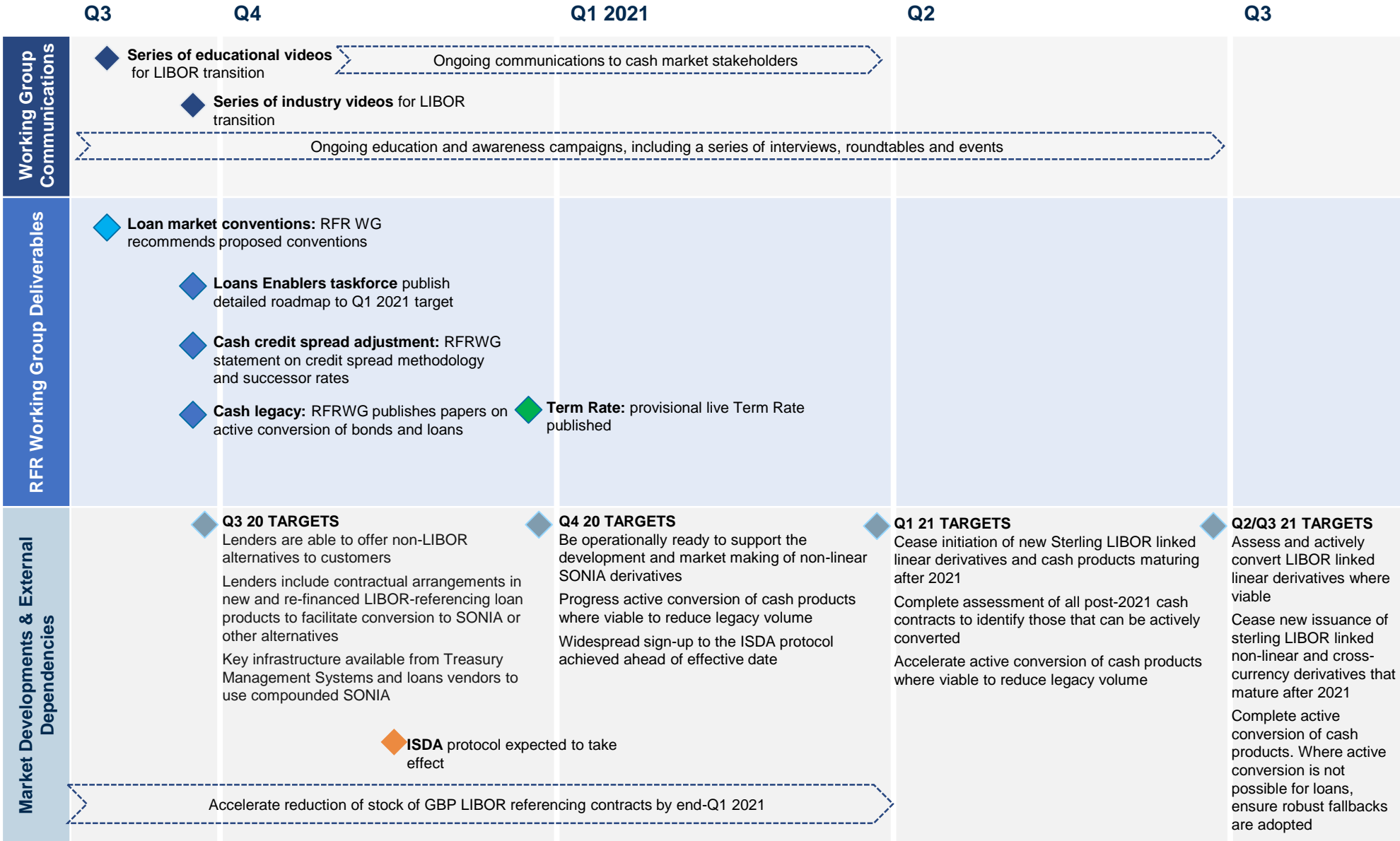
	Q1	Q2	Q3 <i>through to July; August continued overleaf</i>
Working Group Communications	<ul style="list-style-type: none">  Statement of 2020 RFR Working Group priorities and supporting documents: <ul style="list-style-type: none"> • Factsheet for end-users • Consent Solicitation statement • Term Rate Use Case Paper 	<ul style="list-style-type: none">  Statement from the RFR Working Group on the impact of COVID-19 on LIBOR transition  Ongoing communications from the communication and outreach sub-group  RFR Working Group launched LinkedIn page 	
RFR Working Group Deliverables	<ul style="list-style-type: none">  Swaption conventions: anonymized survey feedback published  Cash credit spread adjustment: summary feedback published  Term Rate: provisional development for dealers to stream prices to venues 	<ul style="list-style-type: none">  'Tough Legacy': paper published 	<ul style="list-style-type: none">  Term Rate: providers publish an initial 'beta' term rate to be used for testing purposes  Non-linear legacy derivatives Task Force established
Market Developments & External Dependencies	<ul style="list-style-type: none">  Interest rate swap conventions change from LIBOR to SONIA* 	<ul style="list-style-type: none">  ISDA announce results of consultation on pre-cessation triggers 	<ul style="list-style-type: none">  Q2 TARGET Loan market participants to have addressed critical internal dependencies (e.g. updates to funds transfer pricing, intercompany loans and Asset Liability Management)  ISDA expected to publish its protocol and updated definitions**

* UK RFRWG to reconsider approach to changing derivative conventions in light of COVID-19 impact on Q1 transition

** Subject to relevant regulatory clearances. See: <https://www.isda.org/2020/05/11/benchmark-reform-and-transition-from-libor>

UK RFR Roadmap | 2020-21 intermediate update

- ◆ Communications
- ◆ Convention developments
- ◆ Working Group deliverables
- ◆ Term rate developments
- ◆ Key market targets
- ◆ ISDA developments



Revised target milestones to manage transition away from Sterling LIBOR linked products by end 2021

In support of the Working Group'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 Working Group .

By end of:	Q4 2020	Q1 2021	Q2/Q3 2021
Derivatives	<ul style="list-style-type: none"> Adhere to the ISDA protocol before the effective date* Be operationally ready to support the development and market making of non-linear and cross-currency SONIA derivatives 	<ul style="list-style-type: none"> Cease initiation of new Sterling LIBOR linked linear derivatives expiring after 2021 (except for risk management of existing positions)** 	<ul style="list-style-type: none"> Assess and actively convert where viable (e.g. auction / compression mechanisms) Cease trading of LIBOR linked non-linear derivatives, and cross-currency derivatives with a sterling leg, expiring after 2021 (except for risk management of existing positions)
Bonds and securitisations	<ul style="list-style-type: none"> Progress active conversion (e.g. consent solicitation mechanisms) where viable to reduce legacy volume 	<ul style="list-style-type: none"> Cease new issuance of Sterling LIBOR-referencing products maturing after 2021 Complete assessment of all post-2021 contracts to identify those that can be actively converted Accelerate active conversion where viable (e.g. consent solicitation mechanisms) to reduce legacy volume 	<ul style="list-style-type: none"> Complete active conversion where viable
Loans	<ul style="list-style-type: none"> Progress active conversion (e.g. at renewal, proactive negotiation, or using pre-agreed terms) where viable to reduce legacy volume 	<ul style="list-style-type: none"> Cease new issuance of Sterling LIBOR-referencing products maturing after 2021 Complete assessment of all post-2021 contracts to identify those that can be actively converted Accelerate active conversion (e.g. at renewal, proactive negotiation, or using pre-agreed terms) where viable to reduce legacy volume 	<ul style="list-style-type: none"> Complete active conversion where viable Where active conversion is not possible, ensure robust fallbacks are adopted

*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.

** 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. Discussions are ongoing on a conventions switch from LIBOR to SONIA in the derivative markets, and this includes non-linear derivatives, cross currency swaps and futures. It is acknowledged that non-linear and cross-currency RFR markets currently remain nascent, and that there will be further developments on the approach for transition of legacy non-linear derivatives during 2020.