Priorities and roadmap for transition by end-2021

Updated: February 2021
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**

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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 • Lenders include contractual arrangements in new and re-financed LIBOR-referencing loan products to facilitate conversion to SONIA or other alternatives • Key infrastructure available from Treasury Management Systems and loans vendors to use compounded SONIA</td>
<td>• Be operationally ready to support the development and market making of non-linear SONIA derivatives • Progress active conversion of cash products where viable to reduce legacy volume • Widespread sign-up to the ISDA protocol achieved ahead of effective date</td>
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<td><strong>RFRWG Deliverables</strong></td>
<td><strong>Statement from the RFRWG on the impact of COVID-19 on LIBOR transition</strong></td>
<td><strong>Chair of RFRWG spoke at a joint Bloomberg, Bank of England and New York Fed webinar</strong></td>
<td><strong>RFRWG webinar for the corporate sector, in collaboration with CBI and ACT</strong></td>
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| • Statement of 2020 RFRWG priorities and supporting documents:  
  • Factsheet for end-users  
  • Consent Solicitation statement  
  • Term Rate Use Case Paper | **SONIA compounded in arrears: recommendations for loan market conventions published** | **Series of educational videos for LIBOR transition** | **Loan markets - detailed roadmap to end-Q1 2021 target published** |
| **Cash credit spread adjustment: summary feedback published** | **Cash credit spread adjustment: recommendation for fallbacks in cash market products published** | **Credit spread adjustment: paper on methods for active transition in loan markets published with worked examples** | **Interest rate swap conventions switch from LIBOR to SONIA first** |
| **Non-linear derivatives Task Force established** | **Active conversion papers published: for loans and bonds** | **Term Rate: summary of key attributes of beta versions of TSRRs published** | **ISDA announced results of consultation on pre-cessation triggers** |
| **Loan markets - detailed roadmap to end-Q1 2021 target published** | **Non-linear derivatives: paper on transition of GBP non-linear derivatives and summary feedback published** | **ICE SONIA Swap Rate live rate published** | **ISDA launched IBOR Fallbacks Protocol and IBOR Fallbacks Supplement** |

**External Market Developments**

- **Term Rate**: provisional development for dealers to stream prices to venues
- **ISDA announced** results of consultation on pre-cessation triggers
- **Term Rate**: providers publish an initial 'beta' term rate to be used for testing purposes
- **LMA published** updated exposure draft documents and accompanying term sheet (login required)
- **ICE SONIA Swap Rate** live rate published
**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

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**Recommended market milestones**

**Statement of 2021 RFRWG priorities**
- Ongoing communications to cash market stakeholders
- Ongoing education on active conversion and tough legacy
- Ongoing education on implementation of fallbacks at cessation

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**RFRWG Comms**

**RFRWG Deliverables**

**Bond market fallbacks:**
- consultation on potential successor rates for type 2 & 3 bond fallbacks
- RFRWG consultation results and response
- Fallbacks: guide to operational considerations on the conversion of bilateral linear derivative contracts

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**External Market Developments**

**Term Rate:** Term SONIA Reference Rates entered live production

**Term Rate:** FMSB expects to publish a transparency draft of its standard on the use of Term SONIA Reference Rates

**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

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**Proposed cessation of all GBP LIBOR panel settings,** subject to IBA consultation
### 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>
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<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.

Updated: February 2021