RFR Working Group – Sub-Group Benchmark Transition Issues in Bond Markets

Terms of Reference

Background

- The Working Group on Sterling Risk-Free Reference Rates (the 'Working Group') was set up by the Bank of England to recommend a near risk-free reference rate (RFR) and promote its adoption as an alternative to sterling Libor. The Working Group has recommended SONIA as its preferred RFR.

- These terms of reference are for a sub-working group ('sub-Group') with a specific focus on the transition from GBP Libor to SONIA in the Sterling bond markets. The sub-Group continues to be bound by the Working Group's overall terms of reference

Objectives and output

The sub-Group's overall objective is to facilitate and encourage benchmark transition in bond markets and mitigate the risks stemming from the potential discontinuation of Libor. Specific objectives are:

- Highlight challenges created by a switch to SONIA (or a term SONIA reference rate), and work with market practitioners, and those developing a term SONIA new benchmark, to mitigate those problems.

- Propose amended documentation for GBP Libor referencing bond issuances in order to facilitate discretionary transition to SONIA (or a SONIA term reference rate where appropriate).

- Develop template documentation for new bond issuances referencing SONIA (or a SONIA term reference rate).

- Propose contingency plans for legacy bond issuances to mitigate the risk of Libor discontinuation, in light of current fallback arrangements and consider conversion of legacy products where appropriate. In arriving at these proposals, the sub-group will have regard to the work of other relevant groups including the ISDA-led Working Group on Libor fallbacks in derivative contracts.

- Undertake outreach and education to promote the adoption of SONIA in bond issuances.

- Consider the coordination of the transition from non-GBP Libors to other relevant RFRs in order to support a coherent global approach

Chair

- Paul Richards

Membership and consultative procedures

- Working Group members and other relevant market participants may attend the sub-Group, by invitation or application, with the approval of the sub-Group and Working Group Chairs and subject to logistical constraints (as managed by the sub-Group Chair).

- In any event, the sub-Group will consult with a broad cross-section of market participants where appropriate, through the publication of consultative papers, hosting roundtable events, or otherwise. The types of market participants who may be invited to attend, or be consulted, include but are not limited to: issuers, arrangers, lenders, investors, asset managers and trading firms.

- Interested stakeholders, who would like to be consulted on the work of the sub-Group or attend the meetings, should contact RFR.Secretariat@bankofengland.gsi.gov.uk.

- Representatives from the Bank of England and the FCA will participate as ex-officio members.

Governance and transparency

- Any recommendation shall be agreed by consensus by the members and attendees of the sub-Group. If agreement cannot be reached, the sub-Group Chair will present the relevant options, as well as the final output, for agreement by the Working Group.

- Subject to their approval by the Working Group, updates on the deliberations of the sub-Group will be published regularly, and interim updates may be published if more timely transparency on a particular topic is warranted.

Confidentiality, competition law and conflicts

- The sub-group will be subject to the terms of reference of the Working Group in relation to confidentiality, competition law and conflicts of interest.

- In particular, sub-Group members will be responsible for taking their own legal advice in regard to competition law; and any actual or potential conflicts of interest by members, or their representatives, shall be noted by the organisations/individuals concerned and passed back to the Chair of the Working Group.