

Key Milestone Dates

- September 2020 – expected publication of amendments to ISDA 2006 Definitions and related protocol (pending regulatory clearance)
- Q3 2020 – by end-Q3 2020, lenders should be in a position to offer non-LIBOR linked products to borrowers and include clear contractual arrangements in new and re-financed LIBOR loans to convert to alternative rates by end-2021
- Q4 2020 – market participants should be in a position to progress the active conversion of cash products, where viable, to reduce the legacy volume of LIBOR
- Late 2020 – amendments to ISDA 2006 Definitions and related protocol expected to take effect (or 3-4 months after publication).

Working Group on Sterling Risk-Free Reference Rate Updates

- **Working with ACT and CBI, the RFRWG will host a webinar for corporates on 18th September at 9.00-12.00. This event will equip firms with the necessary information and practical examples to support the broad-based transition away from LIBOR before end-2021. The session will include remarks from Andrew Hauser (Bank), Tushar Morzaria (RFRWG Chair) and Edwin Schooling Latter (FCA), followed by a series of targeted sessions joined by banks, advisers and corporates.**
- To expedite the transition away from the use of LIBOR products in the loans market, the RFRWG released a [recommendation](#) on the market conventions for sterling loans based on compounded in arrears SONIA. These recommendations cover a number of aspects relating to the calculation of interest for SONIA-linked lending. In addition, the Working Group published [supporting slides](#) and [worked examples](#) detailing the various methodologies considered, and [results](#) to a survey of members' views on these issues. The RFRWG's aim remains clear that market participants should be ready to offer non-LIBOR loans products by end Q3 2020.
- The RFRWG published the [minutes](#) to its June meeting, including an update on the Government's intention to make changes to the Benchmarks Regulation, in order to strengthen the FCA's powers in dealing with the orderly wind-down of critical benchmarks. The FCA reiterated that any eventual 'synthetic' methodology for LIBOR may not meet particular needs of all different markets, and as such active transition remains the way forward for parties who wished to retain control over the economics of their contract. The FCA would publish a statement of policy to provide further detail over what any 'synthetic' LIBOR would look like.

Official Sector Updates

- In the Bank's August [Financial Stability Report](#), the FPC highlighted the known weaknesses of LIBOR and the need for parties to work together to execute LIBOR transition plans at pace, in order to ensure the risks of relying on LIBOR are removed before end-2021. The PRA and FCA expect firms to progress against the RFRWG transition milestones across all key currencies, and expect to scrutinise risk mitigation plans where industry best practice or timelines are not being met.
- Edwin Schooling Latter (FCA) delivered a [speech](#) at ISDA's LIBOR event, highlighting that the next 4-6 months are arguably the most critical period in the transition away from LIBOR, and urging market participants from all sectors to adhere to the ISDA Protocol.

Key Liquidity Indicators

- **Loans** referencing risk-free rates (from [LMA website](#))
- **Floating rate notes** (provided by ICMA using Bloomberg L.P)
The cumulative subtotal of outstanding SONIA-linked FRNs (2018, 2019 and 2020) is 141 deals, totalling c.£62bn.
- **Listed Futures** (data provided by futures exchanges)

Aggregated across all products as at end-July

	Monthly traded volume	Change since last month	Number of contracts outstanding (Open Interest)	Change since last month
GBP LIBOR	8,648,664	-2,277,716 (-21%)	3,926,485	334,537 (9%)
SONIA	843,848	-44,285 (-5%)	112,340	21,424 (24%)

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

	As at end-July (£billions)			
	Notional traded	Change since last month	Notional outstanding	Outstanding change since last month
GBP LIBOR**	4,127	-1,276 (-23.6%)	17,762	-1,142 (-6%)
SONIA	5,279	1,119 (26.9%)	10,749	1,332 (14.1%)

** Including FRAs

Market Developments

- The EIB [issued](#) the first sterling FRN linked to the Bank's new SONIA Index. The Index was launched on 3 August and provides a straightforward way to calculate index payments for products using this convention.
- From 16 to 19 October, [CME](#) and [LCH](#) members respectively will switch PAI/PAA and discounting from EFFR to SOFR on all Dollar-denominated products.

Non-Sterling RFR Updates

- The Commodity Futures Trading Commission issued [revised no-action letters](#) providing relief to swap dealers and other market participants related to the transition of swaps referencing LIBOR. The revised letters provide relief for additional types of amendments and refine relief previously provided in December 2019 no-action letters.
- The US ARRC released a range of material including:
 - updated [recommended contractual fallback language](#) for USD-LIBOR referencing bilateral business loans. This updated language makes adjustments to the "hardwired approach" and the "hedged loan approach". The ARRC now recommends that new bilateral loans should incorporate this fallback language by 31 October 2020.
 - a [technical syndicated loans conventions document](#), providing worked examples of the different SOFR calculations considered by the ARRC.
 - updated [Best Practice recommendations](#) encouraging prompt adoption of the ISDA Protocol once available.
 - resource guides for [residential adjustable-rate mortgages](#) and [private student loans](#), to supplement firms' broader LIBOR transition programmes and facilitate transition for relevant industry participants.
- The US' Financial Industry Regulatory Authority (FINRA) issued a [regulatory notice](#) reminding firms to evaluate their exposure to LIBOR. In addition, FINRA provided a summary of results highlighting how firms are preparing for the phase-out of LIBOR.
- In a series of firsts for SARON, [Basler Kantonbank](#) and [Bank Cler](#) launched SARON-based retail mortgages. In addition, Basler Kantonbank began offering SARON-based wholesale funding.
- The Monetary Authority of Singapore (MAS) announced a [number of key initiatives](#) to support the adoption of the Singapore Overnight Rate Average (SORA). These initiatives include, the issuance of SORA-based floating rate notes on a monthly basis to facilitate the adoption of SORA as a floating rate benchmark. In addition, MAS will publish SORA, compounded SORA and a SORA Index on a daily basis.