



AUGUST 2019

GFMA, AFME, ASIFMA and SIFMA

[SIFMA Hosts LIBOR Transition Briefing Featuring Andrew Bailey, John C. Williams and Thomas Wipf \(July 15, 2019\)](#)

SIFMA hosted a LIBOR Transition Briefing focusing on the actions financial firms need to make in order to prepare for the transition away from LIBOR to ensure a sound, coordinated industry effort. The briefing featured speeches from Chief Executive Officer of the Financial Conduct Authority Andrew Bailey ([speech text](#)) and President and Chief Executive Officer of the Federal Reserve Bank of New York John C. Williams ([speech text](#)). The event also included a panel discussion led by Thomas Wipf, Vice Chairman of Institutional Securities Morgan Stanley and Chair of the Alternative Reference Rates Committee, featuring Senior Vice President and Treasurer of Fannie Mae Nadine Bates, Managing Director and Head of LIBOR Transition Office at Wells Fargo Brian Grabenstein and Senior Vice President – Head of Pricing and Execution of Freddie Mac Timothy Kitt.

[SIFMA Insights Publishes Primer on the Transition Away from LIBOR \(July 15, 2019\)](#)

SIFMA Insights published a primer highlighting the steps needed to be taken in order to implement a successful reference rate change by the end of 2021. The primer provides an overview of the LIBOR Transition with a focus on the proposed U.S. alternative reference rate, the Secured Overnight Financing Rate (SOFR). The full text of the primer can be found [here](#).

Global

[ISDA Publishes Preliminary Results of Consultation on Pre-cessation Issues for Benchmark Fallbacks \(August 9, 2019\)](#)

ISDA published a statement summarizing the preliminary results of its consultation on pre-cessations issues for IBORs. ISDA announced that “respondents expressed a wide variety of views regarding whether and how to implement a pre-cessation trigger related to ‘non-representativeness’ for derivatives.” Respondents fell into three categories including those who supported adding pre-cessation triggers in the “hard wired” amendment to the 2006 ISDA Definitions, those who supported use of the pre-cessations trigger with optionality and flexibility, and those who opposed use of the pre-cessation trigger. In September ISDA plans to publish additional information from the consultation including anonymized and aggregated responses. The full text of the statement can be found [here](#).

[IOSCO Publishes Statement on Benchmark Transition \(July 31, 2019\)](#)

IOSCO published a statement on communication and outreach to inform relevant stakeholders regarding benchmark transition. The statement is intended to provide information for USD LIBOR market participants to consider relating to the transition. The statement's key messages include that RFRs can be used in a majority of products, that it should be a priority to consider robust fallbacks for new and existing IBOR contracts, that the best risk mitigation strategy for an IBOR cessation event is moving to RFRs now and that it is prudent risk management for market participants to become involved early in the LIBOR transition process in order to prepare for the cessation of LIBOR post 2021. The full text of the statement can be found [here](#).

[ISDA Publishes Preliminary Results of Supplemental Consultation on Fallbacks in Derivatives \(July 31, 2019\)](#)

ISDA published the preliminary results of its supplemental consultation on spread and term adjustments for fallbacks in derivatives referencing USD LIBOR, CDOR, HIBOR and certain aspects of fallbacks for derivatives referencing SOR. The preliminary results concluded that “the overwhelming majority of respondents preferred the ‘compounded setting in arrears rate’ for the adjusted risk-free rate (RFR) and the ‘historical mean/median approach’ for the spread adjustment.” Based on these results, ISDA stated that it expects to proceed with developing fallbacks for inclusion in its standard definitions based on these methodologies for USD LIBOR, CDOR and HIBOR. The text of the preliminary results can be found [here](#).

[ISDA Selects Bloomberg as Vendor for Fallback Spread Calculation \(July 31, 2019\)](#)

ISDA announced that Bloomberg Index Services Limited (BISL) was selected to calculate and publish adjustments related to fallbacks that ISDA plans to implement for certain interest rate benchmarks included in its 2006 ISDA Definitions. BISL was chosen after an in-depth selection process run by ISDA including a selection committee with representation from both buy- and sell-side market participants.

NORTH AMERICA

CAD

[CARR Publishes Results of Consultation on Enhancements to CORRA \(July 16, 2019\)](#)

The Canadian Alternative Reference Rates Working Group (CARR) published the results of its [consultation](#) on proposed enhancements to the methodology for calculating the Canadian Overnight Repo Rate Average (CORRA). Consultation responses generally supported the enhanced methodology and it was recommended to the Canadian Fixed-Income Forum (CFIF). CFIF unanimously approved the recommendation and supported that CARR work to develop recommendations for the governance and monitoring for the calculation methodology.

[Bank of Canada Announces its Intention to Become Administrator of CORRA \(July 16, 2019\)](#)

The Bank of Canada announced that it intends to become the administrator of the Canadian Overnight Repo Rate Average (CORRA) starting next year. The Bank will take over for the current administrator, Refinitiv, and will administer the rate at no cost as a public good. The Bank has been working with industry participants through the Canadian Alternative Reference Rate Working Group (CARR) to make improvements to the calculation of the rate and the Bank

published results of its consultation on an enhanced methodology for the rate in the second quarter of 2020 (see above).

USD

[ARRC Releases Matrix and Comparison Chart on SOFR Floating Rate Note Conventions \(August 1, 2019\)](#)

The Alternative Reference Rates Committee (ARRC) released a “[Secured Overnight Financing Rate \(SOFR\) Floating Rate Notes \(FRNs\) Convention Matrix](#)” and “[SOFR FRNs Comparison Chart](#).” The Matrix identifies considerations relevant to using SOFR in new FRNs and the Comparison Chart outlines conventions that are already being used in the market. Additional key topics for SOFR-based FRNs covered in the Matrix include using a compounded average of SOFR, employing an in arrears framework and adding margin at the end of the compounding period.

[CME Group Publishes Proposal for Changes to Discounting of Cleared Swaps from EFFR to SOFR \(July 15, 2019\)](#)

The CME Group published a proposal for transitioning price alignment and discounting for USD OTC cleared swaps from the daily effective federal funds rate (EFFR) to the Secured Overnight Financing Rate (SOFR). CME Group published this proposal after consultation with their client base and the Alternative Reference Rates Committee’s (ARRC) Transition Working Group. The goal of the proposal is to facilitate discussion on how the transition from EFFR to SOFR will be implemented.

[Federal Reserve Board Publishes FEDS Note on Historical Proxies for SOFR \(July 15, 2019\)](#)

The Federal Reserve Board (FRB) published a FEDS Note on historical proxies for SOFR going back to 1998. The Note describes the available history of SOFR data and argues that other historical data published by the FRBNY can be used as a proxy for SOFR dating back to 1988.

[The SEC Releases Staff Statement Highlighting Risks for Market Participants to Consider during the Transition Away from LIBOR \(July 12, 2019\)](#)

Staff of the U.S. Securities and Exchange Commission (SEC), including representation from its Division on Corporate Finance, Division of Investment Management, Division of Trading and Markets and Office of the Chief Accountant, released a statement highlighting risks for market participants to consider as they transition away from LIBOR. The statement includes recommended actions for market participants to take relating to existing contracts, new contracts and general business risks. It also provides guidance from each of the SEC divisions which contributed to the statement. The full text of the statement can be found [here](#).

[ARRC Releases Consultation Regarding More Robust LIBOR Fallback Contract Language for New Closed-End, Residential Adjustable Rate Mortgages \(July 12, 2019\)](#)

The Alternative Reference Rate Committee (ARRC) released a consultation on USD LIBOR fallback contract language for new residential adjustable-rate mortgages (ARMs). The ARRC’s proposed ARM fallback proposal includes clear and observable triggers and uses a replacement index selected or recommended by the Federal Reserve or a body convened or endorsed by

the Federal Reserve. The feedback due date for the consultation is September 10, 2019. Full text of the consultation is available [here](#).

[ARRC Releases White Paper on Using an Average of SOFR to Develop an Adjustable-Rate Mortgage Product \(July 11, 2019\)](#)

The Alternative Reference Rates Committee (ARRC) released a white paper on using an average of SOFR to build an adjustable-rate mortgage product for consumers. The white paper outlines how an ARM loan based on an average SOFR can provide consumers with a stable rate that is consistent with other competitive rates used in existing loan products. The full white paper can be found [here](#) and a one-page summary of the document at this site is also [available](#).

EUROPE

EUR

[EMMI Confirms Publication Time for Recalibrated EONIA \(July 24, 2019\)](#)

The European Money Markets Institute (EMMI) confirmed that EONIA will be published at or shortly after 9:15 CET, starting on October 2, 2019. EMMI's decision reconfirms EONIA will be calculated as €STR plus a spread on every TARGET2 day in which €STR is published. The reliance on the €STR for EONIA's determination makes it necessary for EONIA to be calculated and published after the €STR publication, preventing market participants from being exposed to a re-fixing of EONIA, would there be an €STR re-fixing.

[EMMI Publishes EURIBOR Benchmark Statement \(July 17, 2019\)](#)

Following a period of reform of EURIBOR in which a new hybrid methodology was developed, the European Money Markets Institute (EMMI) published the Benchmark Statement for the administration of EURIBOR. The statement fulfills the requirements of Regulation (EU) 2016/1011 (The Benchmark Regulation) on indices used as benchmarks in financial instruments and financial contracts. The full text of the statement can be found [here](#).

[WG Euro RFR Publishes Recommendations on the Legal Action Plan for Transition from EONIA to €STR \(July 16, 2019\)](#)

The Working Group on Euro Risk- Free Rates (WG Euro RFR) released its recommendations on the legal action plan for the transition from the euro overnight index average (EONIA) to the euro short-term rate (€STR). The recommendations include using €STR plus a fixed spread of 8.5 basis points as the EONIA fallback rate, preventing new contracts referencing EONIA after October 2, 2019 whenever feasible, encouraging market participants to replace EONIA as a primary rate as soon as possible in existing contracts and utilizing robust fallback provisions in any new contracts that still reference EONIA and mature after December 2021. The full text of the recommendations can be found [here](#).

[WG Euro RFR Sends Letter to IASB Outlining Potential Accounting Issues Relating to Transition from EONIA to €STR \(July 15, 2019\)](#)

Steven van Rijswijk, Chair of the Working Group on Euro Risk- Free Rates (WG Euro RFR), sent a letter to the International Accounting Standards Board (IASB) providing an update on the status of transition from EONIA to €STR and addressing potential accounting issues relating to the transition. The accounting issues identified were in relation to the modification of contracts,

derecognition of hedged items or hedging instruments, replacement of hedging instruments, documentation of hedging relationships and ineffectiveness of hedging relationships. The letter asked that the IASB consider further clarifications and relief relating to each of the issue areas identified.

[ECB Announces 8:00 CET Publication Time for €STR \(July 11, 2019\)](#)

The European Central Bank (ECB) [announced](#) that as of the start date on October 2, 2019, the euro short-term rate (€STR) will be published at 8:00 CET on each TARGET2 business day. If any errors are detected after the rate is published that affect the rate by more than 2 basis points, the ECB will revise and re-publish the rate at 9:00 CET on the same day. The ECB will not make any further changes to the rate after that time. See also EMMI announcement for EONIA above (July 24, 2019).

[ESMA Publishes Updated Q&As on European Benchmark Regulation \(July 11, 2019\)](#)

The European Securities and Markets Authority (ESMA) released an update of its Questions and Answers (Q&As) on the European Benchmark Regulation (BMR). New Q&As added to the update provide clarification relating to the commodity benchmark definition and the contribution to the euro short-term rate (€STR). The full text of the Q&As can be found [here](#).

GBP

[WG on Sterling Risk-Free Reference Rates Releases Statement and Aggregated Summary of Responses to Discussion Paper on Conventions for Referencing SONIA in New Contracts \(August 2019\)](#)

The discussion paper captured the most significant conventions identified at the time by the Working Group and provided information intended to support market participants in their preparations for adoption of SONIA, as well as infrastructure providers and calculation agents in their system development. In consolidating responses to the discussion paper and providing further information for market participants' consideration on SONIA referencing conventions, the Working Group aims to further support template documentation and liquidity in SONIA referencing products.

[Infrastructure Sub-Group of the WG on Sterling Risk-Free Reference Rates Publishes a Working Paper on Loans Processing \(August 2019\)](#)

The working paper aims to highlight potential courses of action for the broad range of market participants and vendors to aid in the operational processing of loans referencing alternative risk-free rates. It focuses on potential enhancements to loans systems for vendors and proprietary system owners to help accelerate the adoption of system updates to support use of SONIA. The Infrastructure Sub-Group has also published an update to its standing priority list, which can be found [here](#).

[WG on Sterling Risk-Free Reference Rates Publishes Newsletter \(July 2019\)](#)

The Working Group on Sterling Risk-Free Reference Rates released its latest newsletter for July 2019. The newsletter provides an update from the Working Group regarding the RFR transition in the GBP market with a focus on market developments, official sector updates, key liquidity indicators and key milestone dates. Previous editions of the Newsletter can be found on the Bank of England [site](#).

[BOE Financial Stability Report Provides Update on Progress on the Transition Away from LIBOR \(July 11, 2019\)](#)

The Bank England's July Financial Stability Report included an update on the progress of the transition away from LIBOR (starting page 50 of the report). The update includes an overview of the process, the steps that will need to be taken to complete the process and statistics on the progress of the transition. These statistics include volume and notional values of trades referencing the Sterling Overnight Index Average (SONIA).

[WG on Sterling Risk-Free Reference Rates Sends Letter to EIOPA Welcoming its Decision to Add Monitoring IBOR Transition to its 2019 Priorities \(July 9, 2019\)](#)

Tushar Morzaria, Chair of the Working Group on Sterling Risk-Free Rates, sent a letter to the European Insurance and Occupational Pensions Authority (EIOPA) welcoming EIOPA's decision to add the transition from IBORs to alternative risk-free rates to its list of priorities. The letter also addresses regulatory barriers to IBOR transition and the establishment of a pan-European Taskforce primarily in relation to potential issues caused by Solvency II.

APAC

AUD & SGD

[Benchmarks from Australia and Singapore Receive EU Equivalence Approval \(July 28, 2019\)](#)

The European Commission adopted equivalence decisions for financial benchmarks administered in both Australia and Singapore. This decision allows companies in the EU to continue derivative trading for products linked to the benchmark interest rates for Australia and Singapore.

JPY

[Cross-Industry Committee on Japanese Yen Interest Rates Announces Establishment of a Task Force on Term Reference Rates \(July 30, 2019\)](#)

The Cross-Industry Committee on Japanese Yen Interest Rates announced the establishment of the "Task Force on Term Reference Rates." The Task Force was created to "deliberate on practical matters such as the overall scheme for the calculation and publication of Term Reference Rates, the flow of transaction data and quote data, and the detailed methodology for calculating those rates, as well as matters including the selection criteria for the calculating and publishing entities of Term Reference Rates." The Task Force will be formally established by the end of August 2019 in coordination with the Committee and its secretariat will be staffed by the Bank of Japan.

*All information collected and provided for this report is publicly available