



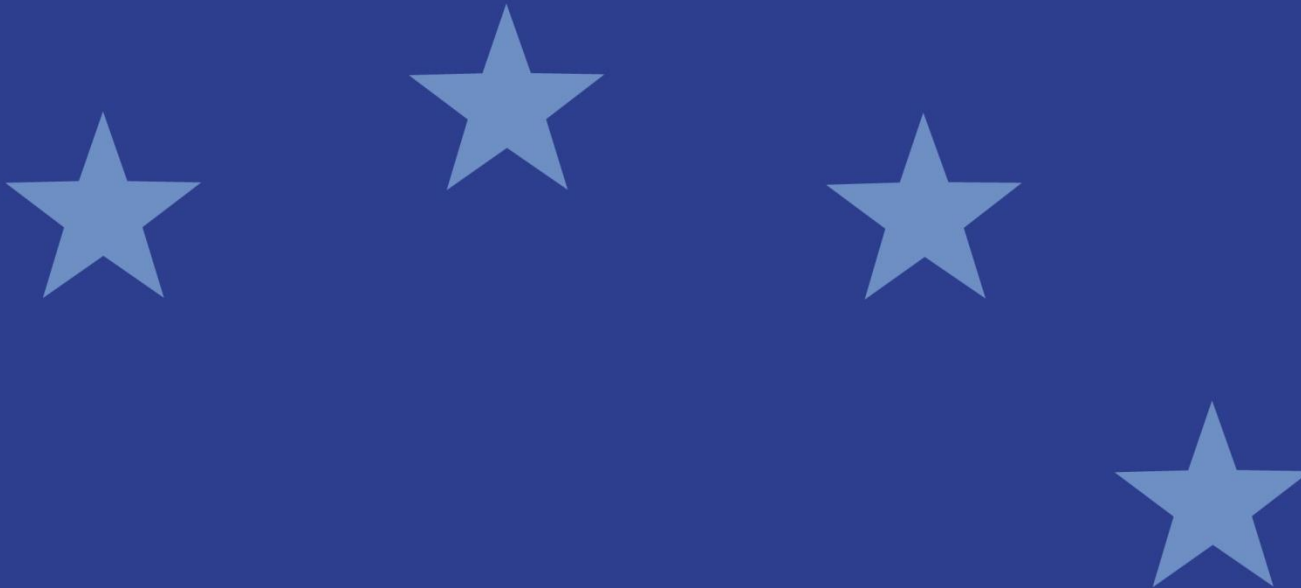
European Securities and  
Markets Authority

**ESMA RESTRICTED**

# USD LIBOR Survey

Meeting of the Working Group on Euro Risk-Free Rates

15 September 2022





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## Background of the USD LIBOR Survey

- **Scope:**
  - ✓ The USD LIBOR survey was circulated to members of the WG on 22 July, with the deadline of 7 September
  - ✓ It includes three qualitative questions and one quantitative question
  - ✓ The quantitative question focuses on contracts under EU Member States laws. It includes breakdowns by tenors, products and maturity
- **Objective:** to gather market intelligence on the current level of exposures towards USD LIBOR in the EU and collect opinions on main issues of the transition. This survey can be used by the Commission to assess whether the use of the statutory replacement rate powers is needed
- **Response rate:** 17 members, of which 14 providing quantitative data (higher but similar to response rates of previous surveys)



## Tough legacy USD LIBOR exposures

N. of contract: ca. **5,200** (June 2023)

Total exposure (full data in Annex):

- Ca. **USD 100 bln** at USD LIBOR cessation (June 2023)
- Decreasing to **USD 75 billion** two years after cessation (after June 2025), i.e. 25% of all tough-legacy expiring within two 2 years from USD LIBOR cessation

Exposure by type of products and USD LIBOR tenor:

- Largest exposure to **bilateral and syndicated loans 38%** and **derivatives 32%** (although ca 98% of derivatives are not tough legacy)
- Exposure for other products: mortgage and consumer lending 16%; bonds and others 14%
- **3m and 6m tenors** combined account for vast majority of total exposure: **ca. 80%**



# GBP LIBOR VS USD LIBOR surveys

TOTAL EXPOSURE	
GBP LIBOR (EUR)	5,684,597,943
USD LIBOR (USD)	100,241,795,807

TOTAL NUMBER OF CONTRACT	
GBP LIBOR	311
USD LIBOR	5251

GBP LIBOR		
	EXPOSURE (EUR)	NR OF CONTRACTS
DERIVATIVES	2,739,082,727	81
CASH PRODUCTS	2,945,515,216	230
USD LIBOR		
	EXPOSURE (USD)	NR OF CONTRACTS
DERIVATIVES	31,977,859,143	738
CASH PRODUCTS	68,263,936,664	4,513

GBP LIBOR	
3M	55%
6M	39%
OTHER	6%

USD LIBOR	
3M	53%
6M	26%
OTHER	21%

These figures refer to:

- tough legacy contracts
- under EU Member States laws
- expiring after the end date of the relevant LIBOR  
(31.12.2021 for GBP LIBOR, 30.06.2023 for USD LIBOR)

Number of respondents to the two quantitative surveys is similar (12 for GBP LIBOR, 14 for USD LIBOR)

**Magnitude** of tough legacy exposures to USD LIBOR is **ca 20 times** higher than tough legacy exposures to GBP LIBOR



## Issues with contracts expiring post-June 2023

*Question: where do RFR working group members see issues of contract continuity with respect of their portfolio of contracts referencing USD LIBOR expiring post-June 2023?*

### Answers:

- Market is familiar with the process of transitioning away from LIBOR, although specific concerns mentioned in particular in relation to syndicated / bilateral loans and non-cleared derivatives (without ISDA Fallbacks Protocol).
- A recurring comment is that there could be insufficient time to transition certain positions on these products before June 2023, leading to litigation and market disruption. According to some respondents, the possibility of a synthetic USD LIBOR as contemplated by the FCA could slow active transition.
- It is acknowledged that the volume of transactions referencing USD LIBOR that are to be renegotiated is significantly higher than for GBP and JPY LIBOR.



## Issues with the jurisdictions of the contracts

*Question: Do RFR working group members have concerns in relation to contracts governed by: A) EU Member States laws, B) US law and English law (acknowledging the on-going consultation by the FCA), C) Laws other than US law, English law and EU Member States laws?*

### Answers:

- No particular concerns for contracts under US Law because of the legislative actions at Federal level in the US.
- Majority of replies supports the adoption of synthetic USD LIBOR by the UK FCA, some mentioned that this solution would cover also EU contracts.
- Some members called for consistency across jurisdictions.
- No specific issue related to contracts governed by laws other than US law, English law and EU Member States laws.



## Views on statutory replacements by the EC

*Question: Do you expect that there will be a need for the EC to exercise its statutory replacement powers: A) on cessation of any of the panel bank USD LIBOR rates (30.06.23), regardless of whether synthetic USD LIBOR rates will be available, B) in the case that synthetic USD LIBOR rates will be available, on discontinuation of a synthetic replacement rate for any of the USD LIBOR tenors covered by such a rate?*

### Answers:

- Split of views in two groups: 1) no action needed by the EC, 2) need for statutory replacement rate, at June 2023 or at cessation of synthetic USD LIBOR (if any).
- Group 1 expects the UK FCA to adopt the synthetic USD LIBOR solution, and this should be sufficient also for contracts in the EU.
- Group 2 supports a legislative actions by the EC and ask for full consistency with other jurisdictions.





## Final remarks

- Not surprisingly, exposures to USD LIBOR in the EU are much higher of the ones to GBP LIBOR.
- According to the survey, in the EU more than 5,200 tough legacy contracts worth almost USD 100 bn of will be outstanding on 30 June 2023. This value decreases to around USD 75 bn in June 2025.
- The current experience with the synthetic GBP LIBOR shows that this solution can support also contracts in the EU, although in the case of USD LIBOR the number and the value of the outstanding contracts is much higher.
- Key message by the survey is that consistent solutions among jurisdictions (US, UK, EU) is paramount.
- The private sector's active transition away from USD LIBOR must continue between now and June 2023.



# Comments / Questions



# ANNEX: Exposure to USD LIBOR- consolidated table

		Consolidated Results															AGGREGATED RESULT	
		Contracts expiring between 01 July 2023 and 30 June 2024					Contracts expiring between 01 July 2024 and 30 June 2025					Contracts expiring after 30 June 2025						
		ON	1m	3m	6m	12m	ON	1m	3m	6m	12m	ON	1m	3m	6m	12m		
Derivatives	Tot number of contracts	-	79	4,720	190	6	88	3,485	154	-	-	221	10,287	673	21			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	22	86	28	5	11	44	27	-	-	28	324	147	16		738	
	Tot exposure (USD Gross Notional)	-	3,803,743,754	441,908,037,361	4,602,614,211	2,645,306	3,918,862,148	641,928,371,770	1,967,158,393	-	-	6,704,973,916	284,180,786,532	27,171,177,054	1,249,290,106			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	898,460,183	1,699,731,954	468,978,856	2,545,306	480,328,641	2,125,960,300	347,513,571	-	-	1,551,183,066	17,361,635,031	6,035,314,802	1,006,207,434			31,977,859,143
Mortgages and other Consumer Lending	Tot number of contracts	-	5	10	140	-	9	17	76	-	-	465	1,003	535	453			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	2	2	2	-	3	5	2	-	-	442	863	442	438		2,201	
	Tot exposure (USD Gross Notional)	-	52,929,912	92,460,900	50,338,309	-	32,159,839	55,956,563	30,608,619	-	-	3,982,864,930	4,100,292,281	4,677,354,919	3,866,500,015			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	15,878,974	27,579,270	15,043,238	-	9,647,952	16,756,969	9,140,165	-	-	3,892,880,601	3,944,318,938	3,891,492,148	3,866,500,000			15,689,238,255
Bilateral and Syndicated Loans	Tot number of contracts	-	172	419	87	41	197	369	130	21	218	679	1,080	431	197			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	82	144	42	1	91	178	86	3	-	199	440	203	-		1,467	
	Tot exposure (USD Gross Notional)	-	5,464,218,654	10,224,148,544	2,207,274,987	197,421,354	6,720,386,477	11,065,632,522	2,586,451,443	178,191,016	14,453,388	19,572,752,786	35,377,494,378	7,704,689,326	499,559,654			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	1,694,040,963	4,945,639,703	1,449,827,115	100,000	1,960,498,445	5,065,919,044	1,232,617,573	22,928,571	-	4,914,813,278	13,661,231,818	3,505,684,549	-			38,453,301,059
Bonds	Tot number of contracts	-	2	62	-	19	-	36	5	19	-	60	172	34	145			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	-	23	-	19	-	6	2	18	-	2	106	10	120		306	
	Tot exposure (USD Gross Notional)	-	6,566	1,922,851,145	-	24,093,778	-	653,147,708	653,963,220	18,110,252	-	181,230,581	5,641,380,502	6,296,587,492	188,203,193			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	-	1,007,516,445	-	24,093,778	-	53,816,398	451,663,220	3,020,252	-	56,457,903	2,949,316,333	6,257,287,492	152,303,692			10,955,475,514
Other Products (e.g. Securitisation)	Tot number of contracts	-	-	17	-	-	-	7	-	-	-	153	363	1	-		539	
	- o/w, tough legacy (e.g. no viable fallbacks)	-	-	14	-	-	-	5	-	-	-	121	76	-	-		216	
	Tot exposure (USD Gross Notional)	-	-	401,805,206	-	-	-	157,058,814	-	-	-	950,896,737	3,214,930,705	963,000,000	-			
	- o/w, tough legacy (e.g. no viable fallbacks)	-	-	311,805,206	-	-	-	17,058,814	-	-	-	803,713,565	2,033,344,251	-	-			3,165,921,836

TOT NUMBER OF CONTRACTS	5,251
TOT EXPOSURE AT JUNE 2023 (USD)	100,241,795,807
TOT EXPOSURE AFTER JUNE 2025 (USD)	75,883,684,901