



The following provides a collection of relevant publications for transition to new reference rates related to the following currencies: USD, Euro, Japanese Yen, British Pound, Swiss Franc, Australian Dollar, Singapore Dollar, HK Dollar, Brazilian Real, Canadian Dollar, Mexican Peso, South African Rand, China/SHIBOR and Indonesia/JIBOR.\*

## October 2019

### GFMA, AFME, ASIFMA and SIFMA

#### [AFME Holds Members' Briefing on the Progress and Status of the IBOR Transition \(October 25, 2019\)](#)

AFME hosted a members' briefing entitled "IBOR Transition – where are we now?" The briefing provided an update on the transition progress for the UK and EU markets. Key speakers and presenters included Richard Hopkin (AFME), Rick Sandilands (ISDA), John Millward (HSBC), and Jose Carlos Pardo Labrador (BBVA).

#### [SIFMA, in Conjunction with the ARRC, Submits Comment Letters in Response to FASB's Exposure Draft on Reference Rate Reform \(October 7, 2019\)](#)

SIFMA, in conjunction with the ARRC, submitted two comment letters to the Financial Accounting Standards Board (FASB) regarding its [exposure draft](#) on reference rate reform. The first letter can be found [here](#). The second letter was also submitted in conjunction with the American Bankers Association (ABA), and can be found [here](#).

## GLOBAL

#### [ISDA Publishes Report Summarizing Results of Consultation on Pre-Cessation Issues for Benchmark Fallbacks \(October 21, 2019\)](#)

ISDA published a report summarizing the responses to its consultation on pre-cessation issues relating to IBORs. The consultation period took place between May and July, and focused on how derivative contracts should address regulatory announcements that benchmarks under the EU Benchmarks Regulation (BMR) are no longer representative of an underlying market. The responses indicated that a majority of market participants would not want to continue referencing a covered IBOR in existing or new derivative contracts during this scenario. However, the responses did not establish a consensus on how to respond to this scenario. The full text of the report is available [here](#).

#### [IASB Amends IFRS Standards in Response to IBOR Transition \(September 26, 2019\)](#)

The International Accounting Standards Board (IASB) published amendments to its International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) in response to IBOR reform. The specific standards amended include IFRS 9, IAS 39 and IFRS 7, and will go into effect January 1, 2020. The amendments relate to requirements for hedge accounting and "are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs)."

## NORTH AMERICA

## USD

### [CME Group Updates SOFR Discounting and Price Alignment Transition Proposal for Cleared Swaps \(October 22, 2019\)](#)

The CME Group announced an updated SOFR discounting and price alignment transition proposal for cleared swaps. CME Group believes the proposal is “in accordance with the principles of the ARRC Paced Transition Plan” and that it will “foster liquidity across the entire SOFR curve.” CME Group plans to target a discounting transition date of October 6, 2020. The proposal is open for comment and feedback, and the intended finalization date for the proposed plan is December 2, 2019.

### [US Treasury and IRS Announce Proposed Regulatory Relief for Taxpayers \(October 8, 2019\)](#)

The United States Department of the Treasury and the Internal Revenue Service (IRS) announced proposed regulations that would allow taxpayers to avoid adverse tax consequences from changing the terms of debt, derivatives, and other financial contracts to replace interbank offered rates (IBORs) to certain alternative reference rates. The proposed regulations respond to a request from the Alternative Reference Rates Committee (ARRC). The details of the request for guidance are included in an April 8, 2019 [letter](#). The ARRC provided a statement welcoming the proposed regulation that can be found [here](#). The comment period for the proposed regulations will be open until November 25, 2019. The full text of the proposed regulations is available at the [Federal Register website](#).

### [FHFA Instructs Federal Home Loan Banks to Begin Transitioning Away from LIBOR \(September 27, 2019\)](#)

The Federal Housing Finance Agency (FHFA) announced that as of December 31, 2019, the Federal Home Loan Banks (FHLBs) should stop purchasing investments in assets tied to LIBOR with contract maturities beyond December 31, 2021. The FHFA also instructed that as of March 31, 2020, the FHLBs should no longer enter into LIBOR-based transactions involving advances, debt, derivatives, or other products with maturities after December 31, 2021.

### [ARRC Publishes Minutes for its September 5, 2019 Meeting \(September 2019\)](#)

The Alternative Reference Rates Committee (ARRC) published the minutes of its meeting from September 5, 2019. The minutes provide an overview of the meeting, an attendance list, and the presentation materials. The [agenda](#) is also available on the [ARRC site](#) as well as the materials for previous ARRC meetings.

### [Alternative Reference Rates Committee Publishes Newsletter \(August – September 2019\)](#)

The Alternative Reference Rates Committee (ARRC) released its latest newsletter for August - September 2019. The newsletter provides an update from the ARRC on global IBOR transition topics with an added focus on the US market. Previous editions of the Newsletter can be found at the [ARRC site](#).

## EUROPE

### EUR

### [LCH Clears First Swaps Benchmarked to €STR \(October 21, 2019\)](#)

LCH announced that it has cleared the first Euro interest rate swaps referencing €STR. €STR first began publishing on October 2, 2019. LCH has also previously launched clearing for SOFR swaps, SONIA futures, and SARON swaps.

### [WG on Euro Risk-Free Rates Publishes Recommendations Addressing Impact of Euro Risk-Free Rates Transition on Risk Management \(October 17, 2019\)](#)

The Working Group on Euro Risk-Free Rates issued a report containing recommendations on the transition to new risk-free rates (RFRs). The report is from a risk management perspective and its analysis consists of general risk management considerations, risk management implications of transitioning from EONIA to €STR, risk management of €STR-based fallback rates for EURIBOR, and additional risk management considerations for the asset management and insurance sectors. The full text of the report is available [here](#).

#### **[WG on Euro Risk-Free Rates Publishes Outcome of Call to Benchmark Administrators for Expressions of Interest \(October 16, 2019\)](#)**

The Working Group on Euro Risk-Free Rates invited interested benchmark administrators to present their proposals for an €STR-based forward-looking term structure that could be used as a fallback in EURIBOR-linked contracts. Presentations took place at the working group meeting of 16 October 2019. Presentations were given by [EMMI](#), [FTSE Russell](#), [ICE Benchmark Administration](#) and [Refinitiv](#).

#### **[European Commission Announces Public Consultation on Article 54 of the Benchmark Regulation \(October 11, 2019\)](#)**

The European Commission (EC) opened a public consultation pursuant to Article 54 of the EU Benchmark Regulation (BMR). The goal of the consultation is to gather stakeholder feedback regarding the functioning of the EU BMR two years after its initial application. Following the consultation, the EC will prepare a report for the European Parliament and Council. The feedback period for the consultation will be open from 11 October 2019 – 6 December 2019.

#### **[ECB Begins Publishing €STR \(October 2, 2019\)](#)**

The European Central Bank (ECB) began publishing the euro short-term rate (€STR) for the first time on 2 October 2019. This first publication reflected trading activity on 1 October 2019. €STR continues to be published on each TARGET2 business day based on transactions executed and settled on the previous TARGET2 business day.

#### **[ECB Holds Second Roundtable on Euro Risk-Free Rates \(September 25, 2019\)](#)**

The European Central Bank (ECB) hosted a second roundtable on euro risk-free rates on September 25, 2019. The event featured multiple speeches and roundtable discussion sessions. Materials for discussions on the [transition from EONIA to €STR](#) and [€STR-based term structure methodologies that could serve as EURIBOR fallbacks](#) are available on the event site, as well as videos for the speakers and discussion sessions.

## **GBP**

#### **[RFRWG Delivers Letters to Prudential Authorities Regarding Regulatory Barriers to Transition \(October 23, 2019\)](#)**

The Working Group on Sterling Risk-Free Reference Rates (RFRWG) wrote letters to the [Prudential Regulation Authority](#) (PRA), [Financial Conduct Authority](#) (FCA), [European Commission](#) (EC) and [Basel Committee on Banking Supervision](#) (BCBS) regarding regulatory barriers to transition away from LIBOR. The letters request that issues raised are considered by each of the authorities and that concrete actions are taken where necessary to ensure a successful and smooth transition.

#### **[BOE Publishes Internal Analysis Regarding How Prepared the Markets are for the End of LIBOR \(September 30, 2019\)](#)**

As a part of its “Bank Overground” series, the Bank of England (BOE) published an internal analysis titled “How prepared are markets for the end of Libor?”. This analysis highlights that “many new long-dated derivative contracts also continue to reference Libor, with steady growth in the stock cleared sterling Libor

swap contracts maturing beyond 2021.” It is also stressed that firms need to focus on shifting to alternative reference rates and establishing clear transition plans to mitigate legacy risk of older contracts.

### **[RFRWG Publishes Terms of Reference for the Risk-Free Rates Senior Advisory Group \(September 2019\)](#)**

The Working Group on Sterling Risk-Free Reference Rates (RFRWG) published the Terms of reference for the Risk-Free Rates Senior Advisory Group. The RFRWG decided it would benefit from creating a Senior Advisory Group to provide strategic support and senior engagement from firms to assist with RFRWG deliverables and objectives.

### **[RFRWG Publishes September Newsletter \(September 2019\)](#)**

The Working Group on Sterling Risk-Free Reference Rates (RFRWG) released its latest newsletter for September 2019. The newsletter provides an update from the Working Group regarding 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](#).

## **APAC**

### **[EMEAP Publishes Study on the Impacts of Financial Benchmark Reforms \(September 24, 2019\)](#)**

The Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP) published a report entitled “Study on the Implications of Financial Benchmark Reforms.” The study was conducted by the EMEAP’s Working Group on Financial Markets (WGFM). The report was initiated in September 2018 and its focus was on LIBOR discontinuation, EU Benchmarks Regulation (BMR), and the reform of local benchmarks in the region. The full text of the report can be found [here](#).

## **JPY**

### **[The Task Force on Term Reference Rates Releases Terms of Reference Document \(September 25, 2019\)](#)**

The Task Force on Term Reference Rates (“Task Force”) released a Terms of Reference document providing details on objectives and issues to be deliberated. The issues identified include: “1) issues on the selection criteria for the calculating and publishing entities of Term Reference Rates; 2) issues on data requirements for Term Reference Rates; 3) issues on the development of organizational frameworks for calculating and publishing prototype rates for Term Reference Rates; 4) issues on the development and organizational frameworks for calculating and publishing production rates for Term Reference Rates; and 5) other necessary issues.”

## **Additional Materials**

\*This section provides additional news articles that may be of interest regarding the IBOR transition.

### **[Bondholders Vote to Change Bonds from LIBOR to SONIA \(October 11, 2019\) – Nasdaq Article](#)**

On October 11, investors voted to change the coupons for two Holmes bonds from LIBOR to SONIA. Holmes is Santander UK’s RMBS master trust insurance vehicle and this will be the first securitization to switch existing bonds to SONIA. On October 7, investors for a covered bond, the Series 2018-3 from Lloyds Bank, also voted to switch to SONIA. This was the first instance of switching for a covered bond and it was structured with “negative consent” language allowing the issuer to make the switch unless more than 10% of investors objected.

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