

The transition from IBORs to near risk-free rates

This box summarises ICMA's involvement in work on the transition from IBORs (eg LIBOR) to near risk-free rates (RFRs). ICMA is involved in a number of different and complementary ways:

Sterling RFRs

2 First, in the UK, where SONIA has been chosen as the preferred RFR, the remit of the Sterling RFR Working Group has been broadened from the derivatives market to include the cash markets, including the loan market and the bond market. ICMA has been asked by the Bank of England and the FCA, and agreed, to chair a new Bond Market Sub-Group, whose remit relates to the transition from LIBOR to RFRs in the sterling bond market, including FRNs, securitisations and capital securities.

3 With the Bank of England and the FCA, ICMA has established a Bond Market Sub-Group which is designed to be representative of the sterling bond market as a whole, and comprises: public sector, corporate sector and financial sector issuers; asset managers and investors; financial intermediaries in the primary and secondary markets; four of the most active law firms in the bond market; trade associations with a particular interest in the sterling bond market; and the Bank of England/FCA, who provide the Secretariat.

4 The first meeting of the Bond Market Sub-Group, chaired by Paul Richards, was held at the FCA on 16 February, and a subsequent meeting on 26 March. On each occasion, there was a high turnout. The issues being addressed include: how the transition from LIBOR to SONIA should be managed in the sterling bond market; whether it is feasible to convert legacy bonds from LIBOR to SONIA and if so how, bearing in mind that protocols are not currently used in the cash markets; a set of other legal issues; coordination between the cash and derivatives markets and between the UK and other IBOR jurisdictions; and raising awareness of the transition to risk-free rates.

Euro and Swiss franc RFRs

5 Second, ICMA has been invited, and agreed, to join the Euro RFR Working Group, organised by the ECB, the European Commission, ESMA and FSMA (the Belgian regulator). The main task of the Euro RFR Working Group is to choose an RFR for the euro, though additional workstreams are being established: in particular to address questions relating to term structure and contractual robustness. The main members of the Working Group are banks. ICMA, represented by David Hiscock, is a non-voting member of the Working Group, along with a few other trade associations.

6 ICMA has also been invited, and agreed, to join the National Working Group on Swiss Franc Reference Rates (NWG), co-chaired by the Swiss National Bank and ZKB. Martin Scheck will be representing ICMA on the NWG. Beat Gabathuler, from ZKB, chair of the ICMA Swiss Regional Committee, is already a member of the NWG.

Global benchmark survey

7 Third, ICMA has been invited by ISDA, and agreed, to support a global benchmark survey, along with SIFMA, SIFMA Asset Management Group and AFME. The detailed work on the survey is being carried out by Ernst & Young (EY). A roadmap was published on 1 February. In-person interviews have been conducted by EY, and an electronic survey has also been organised by EY. A report is due to be prepared by EY by the summer summarising the results of the survey. The authorities in the five main IBOR jurisdictions - ie the UK, the US, the euro area, Switzerland and Japan - are being consulted at each stage in the process.

Awareness raising

8 Fourth, the authorities are keen to raise awareness of the transition to RFRs in the cash markets. ICMA has been asked to help. The FCA has attended a number of ICMA Committees to discuss the transition to RFRs; and ICMA is arranging a panel on international benchmark reform, with officials from different IBOR jurisdictions, at the Conference after the ICMA AGM in Madrid at the end of May.

9 ICMA also published a Quarterly Assessment on *The Transition from LIBOR* (in the ICMA Quarterly Report for the First Quarter of 2018); and joined a number of other trade associations in a letter dated 31 January to the Financial Stability Board on issues to be considered in the transition from LIBOR to RFRs globally in the cash markets.

ICMA webpage

10 Finally, ICMA has set up a [benchmark reform webpage](#), which covers: ICMA's own recent work on RFRs; publicly available official documents on benchmark reform from the authorities in the five main IBOR jurisdictions; joint work involving ICMA and other trade associations; and links to earlier work by ICMA.

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