



IBOR TRANSITION

Market Update – April 2022

GLOBAL MARKET DEVELOPMENTS

LCH CONSULTATION ON CONVERSION OF OUTSTANDING CLEARED USD LIBOR CONTRACTS (APRIL 29)

LCH is [issuing](#) an invitation to all SwapClear participants to respond to a [consultation](#) regarding the treatment of outstanding cleared USD LIBOR SwapClear Contracts at or around the index cessation date [As defined in ISDA's Fallbacks Supplement] and their potential conversion into (or replacement with) corresponding SOFR-based SwapClear Contracts.

CME ANNOUNCING SOFR FIRST FOR OPTIONS (MAY 09)

Based on client feedback and validation, CME Group will launch '[SOFR First for Options](#)', a market-wide initiative geared toward accelerating adoption and liquidity in SOFR options during the months of June and July.

The ARRC issued an [announcement](#) applauding CME Group's announcement regarding this initiative.

US MARKET DEVELOPMENTS

CFTC PROPOSED RULE TO MODIFY SWAP CLEARING REQUIREMENT (MAY 09)

On May 09, the CFTC unanimously [voted](#) to approve a notice of proposed rulemaking (NPRM) to remove certain clearing requirements tied to the LIBOR and other interbank offered rates, and replace them with similar clearing requirements for swaps referencing overnight, nearly risk-free reference rates.

The NPRM proposes to amend CFTC regulation 50.4(a) for six major currencies: GBP, CHF, JPY, EUR, USD, and SGD.

UK MARKET DEVELOPMENTS

FCA UPDATE TO THEIR WEBPAGES ON BENCHMARK REGULATION (APRIL 25)

The FCA have updated their webpages on '[Benchmarks Regulation: our powers, policy and decision-making](#)', stating that it will seek views on retiring 1-month and 6-month synthetic sterling LIBOR at the end of 2022, and on when to retire 3-month sterling synthetic LIBOR, via a public consultation around the end of Q2 / early Q3 2022.

PRA BUSINESS PLAN 2022/23 (APRIL 20)

The UK Prudential Regulation Authority (PRA) included the LIBOR Transition as part of its [Business Plan for 2022/23](#). The plan notes that work will focus on monitoring actions to remove any remaining dependencies on LIBOR, including synthetic LIBOR; transitioning away from USD LIBOR by June 2023; and the transition to the most robust alternative rates, including monitoring the use of credit sensitive rates.

ASIA MARKET DEVELOPMENTS

APLMA PRESS RELEASE "LIBOR NOT DISAPPEARING AS QUICKLY AS EXPECTED" (APRIL 20)

The Asia Pacific Loan Market Association (APLMA) shared [results](#) of its latest survey, addressing three main topics: (i) target timeline to a complete migration away from USD LIBOR, (ii) used calculation methodology based on the new RFR (daily simple SOFR, compounded in arrears and Term SOFR) and (iii) the use of credit adjustment spreads.

The survey found that 54% of APLMA members expected to take until 2023 to remove references to Libor from their existing loans, attributing the delay partly to lack of consensus around the way in which Libor alternatives should be calculated.

JAPANESE CROSS-INDUSTRY FORUM ON INTEREST RATE BENCHMARKS MEETING (APRIL 21)

The [first meeting](#) of the "[Cross-Industry Forum on Interest Rate Benchmarks](#)" was held on April 21, 2022. Discussed topics included: (i) Domestic and international trends and progress on the LIBOR transition, (ii) [Summary of Results of the Third Survey on the Use of LIBOR](#), (iii) Efforts on the enhancement of the reliability and robustness of TIBOR and TORF...

MARKET NEWS

- The SEC [stated](#) that it will continue assessing LIBOR exposure and plans to transition to Alternative Reference Rate (ARR) in 2022.
- Swiss National Bank (SNB) Governing Board members Andréa M. Maechler and Thomas Moser delivered a speech on “[Life after LIBOR: A new era of reference interest rates](#)” at the SNB’s Money Market Event 2022.
- The European Securities and Markets Authority (ESMA) published an updated version of their [Questions and Answers](#) (Q&A) on the EU Benchmarks Regulation (BMR).
- On April 20, LSTA published an article “[LIBOR TRANSITION AND LEVERAGED LOANS: WHAT 1Q22 HAS TAUGHT US](#)” analyzing 2022 first three months of SOFR loan originations.
- The ISDA-Clarus RFR Adoption Indicator increased to an all-time high of 43.8% in April 2022 compared to 40.5% the prior month, and to a monthly average of 36.6% in Q1 2022 vs 27.1% in the prior quarter.
- For the week ending on May 6th, ISDA Swap Info analysis shows that SOFR trade count totaled 10.9 thousand (vs 4.2 thousand for USD LIBOR), including 825 basis swaps.

STAY INFORMED ON THE IBOR TRANSITION

More information on our website: [click here to access our dedicated IBOR transition webpage](#).

Contact us for any queries: sgcib-regulatory-support.par@sgcib.com.

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