



IBOR TRANSITION

Market Update – February 2022

GLOBAL MARKET DEVELOPMENTS

ARRC FEBRUARY MEETING READOUT (FEBRUARY 16/17)

The Alternative Reference Rates Committee (ARRC) [published](#) the readout from its February 16, 2022 meeting. Topics discussed at the meeting included the momentum towards the Secured Overnight Financing Rate (SOFR) and the ARRC's key objectives for 2022.

The ARRC also published [detailed objectives](#) for 2022. These include promoting a continued growth in use of SOFR in new activity, as well as supporting the transition of legacy contracts ahead of the 30 June 2023 cessation deadline for the remaining USD LIBOR tenors.

CREDIT SENSITIVE RATES (FEBRUARY)

[IHS Markit](#) is now offering its Credit Inclusive Term Rate (Critr) and Credit Inclusive Term Spread (Crits) for live use in wholesale financial products, while the SOFR Academy has appointed Invesco to begin publishing the Across-the-Curve Credit Index, or Axi, through the investment firm's regulated benchmarks administration arm. The rate is expected to be available for use in the coming weeks.

US MARKET DEVELOPMENTS

ECONOMIC CONTINUITY AND STABILITY ACT (MARCH 02)

A bipartisan group of senators has [introduced](#) legislation aimed at averting market turmoil by guiding the transition of trillions of dollars from LIBOR to a new reference rate. The bill focuses on contracts that face a June 2023 cessation of LIBOR while lacking fallback language identifying a substitute benchmark rate.

The [Economic Continuity and Stability Act](#) would create a safe harbor for contracts lacking a replacement rate for LIBOR and direct the Federal Reserve, when necessary, to determine a new benchmark rate.

GNMA LIBOR INDEX TRANSITION REFERENCE GUIDE (FEBRUARY 08)

The Government National Mortgage Association (GNMA) [published](#) a "LIBOR Index Transition Reference Guide." The document includes updates regarding the GNMA Single-Family Forward Program, Reserve Program, Multiclass Securities Program, FHA Single-Family Program, and FHA HECM Program.

RBSL CONSULTATION ON POTENTIAL CESSATION OF CDOR (JANUARY 31)

Refinitiv Benchmark Services (UK) Limited (RBSL), as administrator of CDOR, published a consultation on the potential cessation of CDOR. This consultation follows a December 2021 [white paper](#) from the Canadian Alternative Reference Rate Working Group (CARR) recommending that RBSL cease the calculation and publication of CDOR after 30 June 2024. CARR also [published a statement](#) welcoming the consultation.

EURO MARKET DEVELOPMENTS

ESMA ON BENCHMARKS' SUPERVISION AND EURIBOR COLLEGE (JANUARY 31)

The European Securities and Markets Authority (ESMA) [officially](#) started as the supervisor of EU critical benchmarks and EU recognized third-country administrators under the EU Benchmarks Regulation (EU BMR) on 1 January. ESMA also took over the chairmanship of the EURIBOR College from the Belgian Financial Services and Markets Authority (FSMA) and their first meeting as Chair was held on 27 January.

UK MARKET DEVELOPMENTS

BOE, FCA, AND UK RFR WG JOINT PRESS RELEASE (FEBRUARY 09)

The BOE, FCA, and UK RFR WG [published](#) a joint press release highlighting the achievements relating to the LIBOR transition in the sterling markets, as well as the steps that are still needed to complete the transition. The key takeaways are: (1) Less liquid GBP LIBOR 1M and 6M tenors are very likely to disappear at the end of the year 2022, (2) more precision will be provided in 2022 on the timeline of disappearance of the 3M GBP LIBOR Tenor, (3) UK RFR WG will continue to operate with amended objectives and (4) UK Supervisor is monitoring new use of USD LIBOR by supervised entities.

ASIAN MARKET DEVELOPMENTS

CROSS-INDUSTRY COMMITTEE ON JAPANESE YEN INTEREST RATE BENCHMARKS (MARCH 02)

On March 2nd, BoJ [announced](#) that the "Cross-Industry Forum on Interest Rate Benchmarks" was established following the reorganization of the [Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks](#). The Forum will provide opportunities to exchange opinions for a wide range of market participants and interest rate benchmark users, aiming to facilitate smooth transactions referencing Japanese yen interest rate benchmarks in the Japanese markets.

MARKET NEWS

- The [ISDA-Clarus](#) RFR Adoption Indicator, which shows global trading activity (in six currencies - USD, EUR, JPY, GBP, AUD and CHF) measured by DV01 in RFR-referencing OTC and exchange-traded IRD, reached an all-time high of 31.9% in January 2022, up from 31.7% in December.
- Bloomberg [reported](#) a stride forward for SOFR in derivative markets, with near \$100m new straddle trade.
- Tradeweb [claims](#) that signs of SOFR maturation, notably inversions in liquidity and trading activity, show the “full force” progression of dollar swaps moving from LIBOR to SOFR.
- With March 7-10 marking the first Eris quarterly roll following year-end regulatory guidance limiting Libor usage, market participants are poised to migrate to [Eris SOFR](#) as they roll from March to June contracts.
- The LSTA [updated](#) its ‘Daily Simple RFR Multicurrency Concept Document’, which provides an example of a credit agreement referencing an RFR with interest calculated on a simple, in arrears basis. A blackline copy is also provided.
- Tom Wipf, Chair of the Alternative Reference Rates Committee (ARRC), authored a [Barron’s opinion-editorial](#) titled “The World’s Most Important Number is Done. The Work to Replace it Continues.”
- The Swiss RFR WG announced its dissolution as SARON has fully replaced CHF LIBOR.
- The Reserve Bank of New Zealand (RBNZ) [announced](#) its adherence to ISDA’s Fallbacks Protocol, which was extended to include New Zealand’s bank bill benchmark rate (BKBM).

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.

DISCLAIMER

This document has been prepared by Societe Generale (SG). The information it contains is general and does not constitute advice. It was first prepared prior to the date it is sent and may not have been updated to reflect recent market developments. It contains information on IBOR reform that is intended for the use of SG clients only and it should not be shared with third parties. SG accepts no responsibility or liability to you with respect to the use of this document or its contents. If you have questions in relation to the contents of this document, you should consider seeking independent professional advice (legal, tax, accounting, financial or other) as appropriate.