



IBOR TRANSITION

Market Update June-July 2022

GLOBAL MARKET DEVELOPMENTS

FCA CONSULTATION ON WINDING DOWN SYNTHETIC GBP LIBOR AND USD LIBOR (JUNE 30)

FCA has published a consultation (CP22/11) on [Winding down 'synthetic' sterling LIBOR and US dollar LIBOR](#). The consultation seeks: (1) views on progress towards completing transition away from the 1-, 3- and 6-month sterling LIBOR settings and is intended to help inform the FCA's review of their compulsion decisions later this year, (2) to establish whether there are any insurmountable barriers to a smooth transition of US dollar LIBOR-referencing contracts to alternative rates before or upon the cessation of the US dollar LIBOR panel.

REFINITIV FORWARD LOOKING TERM RATE VERSIONS OF ARRC RECOMMENDED FALLBACK RATES FOR USD LIBOR (JULY 11)

Refinitiv [announced](#) that it intends to launch forward looking term rate versions of its ARRC recommended fallback rates - USD IBOR Cash Fallbacks - in September 2022. This follows the ARRC's March 2021 [announcement](#) that it had selected Refinitiv to publish its recommended fallback rates for cash products and Refinitiv's November 2021 [announcement](#) that it had released production fallback rates based upon various SOFR conventions.

EURO MARKET DEVELOPMENTS

EMMI BETA EFTERM AND CONSULTATION ON FALLBACK RATES METHODOLOGY (JUNE 13)

The [European Money Markets Institute](#) (EMMI) is now publishing a beta version of the EFTERM (Euro Forward Looking Term Rate), based on available market data on OIS referencing €STR. The Beta EFTERM Rates are for information and illustration purposes only. The European Money Markets Institute will launch a public consultation in due course to collect EURIBOR users' feedback to evaluate the suitability of the Beta EFTERM Rates as a fallback.

ESMA REVIEWS CLEARING AND DERIVATIVES TRADING OBLIGATIONS (JULY 11)

The ESMA, the EU's securities markets regulator, [launched](#) a [consultation](#) exploring the extension of the scope of both the Clearing Obligation (CO) and the Derivatives Trading Obligation (DTO).

ESMA's proposal includes for: **(1)** the CO: (i) the introduction of the overnight indexed swap (OIS) class referencing TONA (JPY); (ii) the expansion of the maturities in scope of the CO for the OIS class referencing SOFR (USD); and **(2)** for the DTO – the introduction of certain classes of OIS referencing €STR (EUR), which have shown a substantial increase in liquidity over the last months.

UK MARKET DEVELOPMENTS

BoE DERIVATIVES Co – MODIFICATIONS TO REFLECT USD INTEREST RATE BENCHMARK REFORM (JUNE 09)

The BoE [published](#) on June 09, a consultation paper setting out its proposal to modify the scope of contracts which are subject to the clearing obligation, by adding Overnight Index Swaps (OIS) that reference SOFR and, subsequently, removing contracts referencing USD Libor.

US MARKET DEVELOPMENTS

ARRC READOUT JULY 13 MEETING (JULY 14)

The ARRC published the [readout](#) from its July 13 meeting. Topics discussed included an update on recent ARRC releases including the [Legacy LIBOR Playbook](#), CME Group's SOFR First for Options initiative, momentum towards the Secured Overnight Financing Rate (SOFR), results from the latest sentiment survey of ARRC members, and ARRC working group updates.

FORTHCOMING OFFICIAL LAUNCH OF AXI, FXI, SOFRX AND SOFRY (JUNE 02)

AXI ([Across-The-Curve Credit Spread Indices](#)) are defined by SOFR Academy and administrated by Invesco Indexing, AXI is calculated as one number that is then scaled down to standard tenors (1-month, 3-months, 6- months, 12- months) and intended to be used in conjunction with SOFR, Term SOFR, simple daily SOFR, SOFR compounded in arrears or other SOFR variants to form a credit sensitive rate.

MARKET NEWS

- Publication of final versions of [the LSTA's Forms of Amendment](#) (Term SOFR) which offer three different approaches to amending a LIBOR-referenced credit agreement to adopt and/or implement, as applicable, Term SOFR.
- The Working Group on Sterling Risk-Free Reference Rates has published [summary minutes of the April/May 2022 meetings](#) of the Bond Market Sub-Group and the Loan Enablers Taskforce.
- The Bank of Japan (BoJ) and Financial Services Agency (FSA) have published a paper outlining an overview of events in the run up to JPY LIBOR's cessation.
- The LSTA published the latest revisions of the [LSTA Form of Credit Agreement - Revolving Credit Facility Term SOFR](#) and the [LSTA Form of Credit Agreement - Investment Grade Term Loan and Revolving Credit Facility](#) including the changes that relate to the transition to SOFR.
- The [ISDA-Clarus RFR Adoption Indicator](#) increased to an all-time high of 46.4% in June 2022 compared to 46.0% the prior month.
- For the week ending on July 08, [ISDA Swap Info analysis](#) shows that SOFR trade count totaled Trade count totaled 9.5 thousand (vs. 2.7 thousand for USD LIBOR), including 871 basis swaps.

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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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