



IBOR TRANSITION

Market Update – May 2022

GLOBAL MARKET DEVELOPMENTS

ARRC PROVIDES UPDATE ENDORSING CME 12-MONTH SOFR TERM RATE (MAY 19)

The Alternative Reference Rates Committee (ARRC) provided May 19 an update, [announcing](#) its endorsement of the CME Group’s forward-looking 12-month Secured Overnight Financing Rate (SOFR) term rate for certain uses in line with its [Best Practice Recommendations Related to Scope of Use](#).

CME TERM SOFR REPORTING AND AUDIT GUIDE (MAY 10)

The CME published on May 10 a detailed [CME Term SOFR Reporting and Audit Guide](#), including requirements under Information License Agreement (ILA) used by CME Group to meet UK Benchmark Regulation (UK BMR) reporting requirements. It concerns financial products, issued by UK supervised entities, that reference CME Term SOFR under the Category 1 and Category 2 Use licenses.

EURO MARKET DEVELOPMENTS

RUSSIAN MOSPRIME ACCELERATED CESSATION (APRIL 29)

On April 29, the Russian «National Finance Association» decided to [accelerate](#) the cessation of the MOSPRIME Rate benchmark and transfer to the RUONIA benchmark on January 01, 2023. Further clarifications on the accelerated cessation of the MOSPRIME should follow from the Bank of Russia.

POLISH GPW BENCHMARK ADMINISTRATOR CONSULTATION, WIBID - WIBOR (MAY 23)

GPW Benchmark [starts public consultation](#) whose object is to identify the optimal alternative interest rate benchmark and on its method. To the [consultation](#) are invited all the financial and non-financial entities, public institutions, in particular the entities that use WIBID and WIBOR reference rates and all other entities active on the financial market.

TRANSITION TIMELINE TO TURKISH TLREF (MAY 26)

On May 26, the Banks Association of Turkey [announced](#): (1) the cessation of TRLIBOR on June 30, 2022, (2) TRLIBOR/TLREF transition spread announcement by July 01, 2022, and (3) transition of active TRLIBOR-indexed transactions to TLREF by July 01, 2022.

US MARKET DEVELOPMENTS

RBSL ANNOUNCEMENT OF CESSATION OF CDOR IN JUNE 2024 (MAY 16)

On May 16, RBSL [announced](#) the cessation of the publication of CDOR on June 28, 2024. Following this, CARR has published a [roadmap transition](#) and has launched a [consultation](#) on the need to introduce a forward-looking Term CORRA for certain types of loan agreements/products.

As confirmed via the ISDA [announcement](#), May 16 is the “[Spread Adjustment Fixing](#) Date” for all CDOR tenors.

ARRC MEETING READOUT (MAY 18)

On May 18, the ARRC published the [readout](#) from its May 2022 meeting. Topics discussed included CME Group’s SOFR First for Options, momentum towards the Secured Overnight Financing Rate (SOFR), results from the latest sentiment survey of ARRC members, ARRC working group updates, and work evaluating 12-month Term SOFR.

ARRC RECOMMENDATIONS FOR CONTRACTS LINKED TO THE USD LIBOR ICE SWAP RATE (JUNE 08)

The ARRC released [recommendations for contracts linked to USD LIBOR ICE Swap Rates](#) (USD LIBOR ISR). To avoid disruption to contracts referencing the USD LIBOR ISR, the ARRC developed a set of recommendations including a suggested fallback formula that can be used for USD LIBOR ISR fixings after 3-month USD LIBOR has been discontinued or becomes non-representative.

UK MARKET DEVELOPMENTS

BoE MARKET NOTICE - COLLATERAL REFERENCING USD LIBOR (MAY 19)

On May 19, the BoE [published](#) a Market notice on its risk management approach to collateral referencing USD LIBOR for use in the Sterling Monetary Framework.

Pursuant to this Market Notice, a haircut add-on will be applied to all USD LIBOR Linked Collateral in the Sterling Monetary framework. The BOE updates on a monthly basis the list of eligible securities.

ASIAN MARKET DEVELOPMENTS

CONSULTATION ON ADJUSTMENT SPREADS FOR SORA LEGACY CONTRACTS (MAY 18)

MAS and the Steering Committee for SOR & SIBOR Transition to SORA (SC-STs) jointly announced an SC-STs [consultation](#) on adjustment spreads that will apply to legacy SOR business loans and derivatives.

The consultation covers the setting of the MAS Recommended Rate to provide contractual certainty for SOR contracts that remain outstanding after December 31, 2024, and supplementary guidance to support the on-going transition of legacy SOR contracts in wholesale markets.

BoJ REVIEW OF JPY LIBOR TRANSITION AND FUTURE INITIATIVES (MAY 30)

The BoJ published a [Review of JPY LIBOR Transition and Future Initiatives](#), noting that the transition from JPY LIBOR in the Japanese markets has progressed very smoothly. The future challenges are to transition a small number of contracts for which the transition from JPY LIBOR has not been completed, the transition from USD LIBOR, and efforts to enhance the reliability and robustness of JPY interest rate benchmarks, such as TORF and TIBOR.

MARKET NEWS

- CME Group has [published](#) a new proposal detailing their approach for converting USD LIBOR cleared swaps.
- The LSTA welcomes the ["Full Term SOFR"](#), and confirmed receiving comfort that business loans are in scope for 12-month Term SOFR.
- According to the Bank for International Settlements (BIS), the notional amount of FRAs fell sharply during H2 2021 as investors prepared for the LIBOR cessation - [Investment Executive Article](#).
- Bank of Japan published on May 30 the Cross-Industry Forum on Interest Rate Benchmarks [Minutes](#) for the April 21, 2022 Meeting.
- The ISDA-Clarus RFR Adoption Indicator increased to an all-time high of 46% in May 2022 compared to 43.8% the prior month.
- For the week ending on June 03, ISDA Swap Info analysis shows that SOFR trade count totaled 8.6 thousand (vs. 2.8 thousand for USD LIBOR), including 731 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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