



IBOR TRANSITION

Market Update – January 2023

GLOBAL MARKET DEVELOPMENTS

THE ARRC PUBLISHED ITS LAST MEETING READOUT (JANUARY 25)

At their last meeting (January 19th), the members of [the ARRC discussed these main following topics](#): the continued momentum towards SOFR; the slower progression in the remediation of syndicated loans; the Fed’s publication of its final rule under the LIBOR Act and the risks associated with any widespread usage of Term SOFR outside their limited recommendations which remain unchanged. The ARRC reiterated their existing best practice instructions regarding Term SOFR scope of use.

EU MARKET DEVELOPMENTS

PUBLIC CONSULTATION ON THE POLISH NWG’S RECOMMENDATIONS ON OIS AND BONDS (JANUARY & FEBRUARY)

The Polish National Working Group for benchmark reform (NWG) invited stakeholders and financial market participants to review and submit comments on the NWG’s recommendation on two topics:

1. A [standard OIS transaction based on the WIRON index](#) and on the application of WIRON index in issues of floating-rate debt securities (January 4th).
2. The [rules and methods of applying the WIRON interest rate index](#) when entering new contracts for benchmark-based products in PLN offered by financial market entities (February 7th).

US & NORTH AMERICAN MARKET DEVELOPMENTS

FEDERAL RESERVE ADOPTED A FINAL RULE IMPLEMENTING THE LIBOR ACT (DECEMBER 16)

The Fed adopted a final rule that implements the Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30th, 2023. The final rule is substantially similar to the proposal with certain clarifying changes made in response to comments. The press release and Board memo [may be found here](#).

CANADA APPROVED TERM CORRA RATE (JANUARY 12)

The Canadian Alternative Reference Rate (CARR) Working Group has worked with relevant stakeholders to determine the most effective way of [administering Term CORRA](#).

A licensing agreement to use Term CORRA will be required by any entity that provides or originates financial products referencing the benchmark or that distributes it. End-users of Term CORRA products will not require a licence until the CDOR cessation date. Still, they will have to agree on standard terms and conditions of use. The use of Term CORRA will be restricted to [some specific use cases](#) detailed in this report.

THE FSOC PUBLISHED THEIR ANNUAL REPORT (DECEMBER 16)

In their last [annual report](#), the Financial Stability Oversight Council (FSOC) reminded the risks related to USD LIBOR and the goals of its transition to RFRs. They focused on the inherent risk of the widespread use of Term SOFR and the importance to align with the ARRC’s best practice recommendations. Eventually, regarding cash products, the Council encouraged market participants to actively migrate legacy contracts ahead of June 2023.

MARKET NEWS

- The Financial Stability Board (FSB) published a “[Progress Report](#) on LIBOR and other benchmarks transition issues”. The report provides an overview of transition efforts, provides updates from member jurisdictions and sets out conclusions and next steps.
- ISDA published its [Transition to RFRs Review](#) of the fourth quarter and the full year 2022. The ISDA-Clarus RFR Adoption Indicator increased to a monthly average of 45.3% compared to 16.4% in 2021.
- For the week ending on January 27th, ISDA Swap Info analysis shows that SOFR trade count totaled 12.3 thousand (including 1 thousand basis swaps), vs 4 thousand for USD LIBOR.
- CARR announced the launch of a series of [CDOR Transition webcasts](#), developed in partnership with TMX.

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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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