Hot topics:

- Tier one banks are poorly prepared for the LIBOR transition. There is little understanding that an all-hands effort is needed. Banks are fighting the last war, hiring project managers as though LIBOR is the Y2K problem, or the change to the Euro. HR and senior management are completely missing a huge opportunity to hire smart quants and build a structure for the post-LIBOR, post-Covid world.

https://finance.yahoo.com/news/over-half-financial-institutions-admit-080000445.html

- Corporates lag banks in transition preparedness:

https://www.wsj.com/articles/companies-still-working-on-libor-changeover-11615545001?st=5t6haojs2wrkcq0&reflink=article_copyURL_share

- Many consultancies and industry groups are making pronouncements on loans, but few are providing the basics of how to compute and accrue interest from an RFR.

https://www.huschblackwell.com/newsandinsights/libor-faqs

https://www.pwc.com/us/en/industries/financial-services/regulatory-services/libor-reference-rate-reform/bringing-non-libor-loans-to-market.html?utm_campaign=5ee7232f3cd2740001835f79&utm_content=6047983283b1470001511962&utm_medium=smarpshare&utm_source=linkedin

New issuance and trading:

(No activity this week).

Legal :

 A good summary of the LIBOR transition for GBP and USD:

https://www.natlawreview.com/article/transitioning-libor-uk-perspective

 Focused on SOFR lenders:

https://www.lexology.com/library/detail.aspx?g=d68a5a4f-4941-47a6-adaf-ebc8e591ff56

A bill in the lower house of The State of Alabama appears to guarantee that changing from LIBOR to an RFR won't sever contracts. A true safe harbor for fallbacks would be more in line with the NY State and US Congress efforts.

https://legiscan.com/AL/bill/HB475/2021

Central banks and regulators:

The Fed issued SR 21-7 to guide examiners in assessing the LIBOR transition efforts of supervised banks. The guidance was split into two documents, for banks above or below the $100 B assets threshold:

https://www.federalreserve.gov/supervisionreg/srletters/SR2107a1.pdf

https://www.federalreserve.gov/supervisionreg/srletters/SR2107a2.pdf

SEC leads from behind with light-touch LIBOR examinations:

https://www.dlapiper.com/en/us/insights/publications/2021/03/sec-division-of-examinations-announces-2021-exam-priorities/?utm_source=linkedin_company&utm_medium=social&utm_campaign=coronavirus&utm_term=usa&utm_content=publication-coronavirus&linkId=113008210

ISDA New modular approaches are being prepared for RFRs, though the efforts might better put into educating the community on RFR swaps vs LIBOR swaps to prevent sticker shock.

https://www.risk.net/derivatives/7807281/isda-plans-modular-rfr-conventions

LSTA A form of notice was published in response to the IBA and FCA announcements:

https://www.lsta.org/news-resources/publication-of-lsta-form-of-notice-of-the-iba-and-fca-announcements/

Local area talks, webinars, podcasts etc.:

✡✡✡ Although the title is a bit anachronistic (The Last Year starts on 6/30/2022), this seems worthwhile. Maybe call it "The Final Biennium"?

https://web.cvent.com/event/b526b769-9b64-430d-9021-1bcbb1529efa/summary

Academic and Trade literature:

✡✡✡ Model risk is at the center of LIBOR transition quant work, particularly because RFRs may put rates into negative territory.

https://lnkd.in/gZC-xcY

✡✡ Confused presentation of who the users of term SOFR might be, how derivatives market use SOFR now, and how cash markets might:

https://www.refinitiv.com/perspectives/regulation-risk-compliance/term-sofr-benchmark-is-the-market-ready/?utm_source=LinkedIn&utm_medium=OrganicSocial&utm_campaign=108661_LinkedInRefinitivBAU2020&elqCampaignId=6919

✡ It is important to get right which benchmarks are ending in 12/2021, and which in 06/2023. This doesn't:

https://www.osborneclarke.com/insights/banking-market-spotlight/

✡ To understand options markets, you have to model the RFR stochastic processes. You can't just wave your hands about volatility, like here:

https://www.fmcr.com/publications/how-will-libor-options-transition

✡ Don't forget to include by far the most liquid LIBOR tenor (3M) when you report on news:

https://www.gtlaw.com/en/insights/2021/3/libor-transition-newsletter-issue-8?utm_content=buffer055dc&utm_medium=social&utm_source=linkedin.com&utm_campaign=buffer

ABC Rates (Ameribor, Bank Yield Index, and Constant Maturity Treasury) etc.:

✡ The choice of say Ameribor over SOFR should not be based on impact. That would be the dog walking the owner:

https://www.crowe.com/insights/libor-replacement-rates-and-contract-management-fnrpt?utm_source=bambu&utm_medium=social&utm_campaign=MO2107-005A&blaid=1289729

✡ The Bloomberg BSBY has not been demonstrated to be credit sensitive, such as showing it changes over a historical credit cycle. A talk on BSBY originally scheduled for 3/16 was cancelled and not rescheduled.

https://www.prnewswire.com/news-releases/bloombergs-bsby-short-term-credit-sensitive-index-now-available-for-us-loan-market-301241872.html

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