

Hot topics:

NY State Senator Liz Krueger, chair of the finance committee, has put her support behind the LIBOR safe harbor legislation in the current Cuomo budget (due April 1st):

<https://www.bnnbloomberg.ca/libor-wall-street-fix-gets-a-boost-as-n-y-senator-backs-move-1.1579625>



The Alternative Reference Rates Committee (ARRC) chose Refinitiv to publish spread adjustments for SOFR to convert products currently on USD LIBOR. The main difference between ISDA and the ARRC is the one-year phase in period for cash consumer products.

<https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2021/20210317-press-release-Spread-Adjustment-Vendor-Refinitiv.pdf>



The ECB announced that it will begin publishing compounded ESTR (1W, 1M, 3M, 6M, and 12M) on April 15, 2021.

<https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210318~4835219b4b.en.htm>



The community has come to the realization (maybe a bit too late) that LIBOR volatilities don't have fallbacks:

<https://www.jdsupra.com/legalnews/pitfalls-and-issues-for-lenders-to-3235622/>

New issuance and trading:

An interdealer broker will launch its first SOFR order book, providing evidence of swap liquidity:

<https://www.newsbreak.com/news/2185480163158/tradition-to-launch-first-sofr-order-book>



The State Bank of India issued its first SOFR-linked external commercial borrowing deal:

https://www.business-standard.com/article/companies/sbi-iocl-ink-country-s-first-libor-alternative-rate-deal-121031601049_1.html

Legal :



The NY LIBOR bill is assessed as in good shape, the Federal bill is lagging, and litigation is possible regardless.

https://www.osler.com/en/resources/cross-border/2021/legislative-solutions-to-u-s-dollar-libor-cessation?utm_source=linkedin&utm_medium=social&utm_campaign=legislative-solutions-to-u-s-dollar-libor-cessation



The FCA's confirmed cessation dates are analyzed in detail:

<https://www.jdsupra.com/legalnews/fca-confirms-dates-for-cessation-of-7160538/>



A good, short summary of cessation from a legal perspective:

<https://alerts.davispolk.com/10/5616/uploads/major-new-developments-related-to-the-future-cessation-and-loss-of-representativeness-of-libor.pdf?sid=4c469847-6daf-408b-b3e0-81a418e454ea>

Central banks and regulators:



The Sterling RFR working group has produced a good guide for loans:

<https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/best-practice-guide-for-gbp-loans.pdf>



Egypt is studying how best to transition from USD LIBOR to SOFR:

<https://dailynewsegypt.com/2021/03/19/international-cooperation-minister-chairs-2nd-committee-meeting-studying-steps-for-transition-from-benchmark-interest-rate/>

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:

☆☆☆ New research on term SOFR and SOFR dynamics:

<https://poseidon01.ssrn.com/delivery.php?ID=06202100402112011910400312311501909110200805005802605410108910402408701202411200709501806104005510600600200307111112511400812310601600005801011802312312606901806906200311411011511908700000112111601115009019095026077066099089072011025080006066&EXT=pdf&INDEX=TRUE>

☆☆☆ A Moody’s report stated that RFR term rates are required for risk and forecasting.

<https://www.regulationasia.com/absence-of-term-rfrs-could-impair-risk-forecasting-functions/>

☆☆ A PWC report has a problematic table. It is not true that synthetic LIBOR will be necessary for USD between 12/2021 and 6/2023; rather, actual LIBOR will be quoted. It may however be true for JPY and GBP LIBORs. (Apologies if the table is hard to read. The doc was available only as a PDF readable on LinkedIn, rather than a downloadable PDF or link.)

LIBOR	Tenor	End of Panel Bank Submissions		Potential Synthetic LIBOR Publication ¹	
		Date	Result	Begin	End ²
CHF	ALL	December 31, 2021	Permanent cessation	Not applicable	
EUR	ALL	December 31, 2021	Permanent cessation	Not applicable	
GBP	o/n, 1-week, 2-month, 12-month	December 31, 2021	Permanent cessation	Not applicable	
	1-month, 3-month, 6-month	December 31, 2021	Loss of representativeness	January 1, 2022	December 31, 2031 ³
JPY	o/n, 1-week, 2-month, 12-month	December 31, 2021	Permanent cessation	Not applicable	
	1-month, 3-month, 6-month	December 31, 2021	Loss of representativeness	January 1, 2022	December 31, 2022
USD	1-week, 2-month	December 31, 2021	Permanent cessation ⁴	Not applicable	
	o/n, 12-month	June 30, 2023	Permanent cessation	Not applicable	
	1-month, 3-month, 6-month	June 30, 2023	Loss of representativeness	July 1, 2023 ⁵	June 30, 2032 ^{1,4}

¹ Publication of synthetic LIBOR is contingent on subsequent FCA consultations.
² Each of the LIBORs would permanently cease publication following the end of the synthetic LIBOR publication period.
³ The FCA's powers allow them to compel publication of synthetic LIBOR for a period of up to 10 years, subject to an annual review during that time.
⁴ Under the RDA fallbacks, 1w and 2m USD LIBOR settings will be computed using linear interpolation between the end of 2021 and June 30, 2023, before falling back to the adjusted risk-free rate plus spread adjustment.
⁵ The FCA noted they will "consider the case" for using the proposed powers under UK benchmark regulation legislation to require continued publication of 1-, 3-, and 6-month USD LIBOR settings on a synthetic basis after June 30, 2023.

☆☆☆ S&P issued a special report on the impact of the cessation on structured finance:

<https://www.spglobal.com/ratings/en/research/articles/210316-credit-faq-impact-of-the-recent-financial-conduct-authority-libor-announcement-on-the-structured-finance-mar-11875317>

☆☆ A KPMG report stated that LIBOR dates from 1986. While it's true that official BBA LIBOR fixings began in 1986, LIBOR itself dates from the 1970s. Indeed, the introduction of Eurodollar futures in 1981 relied on LIBOR as the payment rate.

☆ The differences between a simple RFR, an averaged RFR, a compounded RFR, and a term RFR should be crystal clear. That is not the case in the below, which includes the confusing quote "The new observed rates cannot simply replace LIBOR in a floating rate contract, because RFRs are based on observed overnight rates that are compounded over the period."

<https://www.financederivative.com/last-days-of-libor-what-asset-managers-and-fund-administrators-should-do-next/>

☆ The NYC City Bar made an endorsement of NY State LIBOR proposals that are focused on smooth continuation of contracts. This is not the same thing as the safe harbor bill, so the City Bar's article is of dubious help to the transition.

<https://www.mosessinger.com/articles/city-bar-endorses-libor-discontinuance-legislation>

☆ BDO (under the dubious headline "BDO Knows LIBOR Transition") continues to refer to the "discontinuation of LIBOR," as though the rate might come back after cessation. For example, the US Treasury 20 Year Bond was discontinued in 1986, but reintroduced in 2020. Ain't going to happen with LIBOR.

<https://www.bdo.com/resources/libor>

☆ A discussion of legacy loans did not treat tough legacy cases:

<https://blogs.duanemorris.com/bankinglaw/2021/03/17/libor-transition-legacy-loans-on-the-backburner/>

✧ Another paper seeking to assist holders of loans, but no discussion of RFR accruals:

<https://www.huschblackwell.com/libor-transition-resource-center>

✧ And yet another doc seeking to show expertise on loans, but nothing on accrued interest:

<https://blog.freshfields.us/post/102gtbq/the-arcc-hardwired-approach-to-libor-transition-a-cheat-sheet>

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

✧ Scott Shay wrote another tiresome article about how Ameribor is the only RFR to consider. If it seems familiar, it repeats the content in his May 4th, 2020 article in the same magazine. I guess if you don't have any new or intriguing to say about a product, just market the heck out of it.

<https://www.americanbanker.com/opinion/dont-steer-lenders-to-one-libor-alternative>

✧ The Bloomberg BSBY talk scheduled for this past week (March 16th) was cancelled, and no new date has been announced. Since I had raised issues with the credit sensitivity, I am waiting to see if this is the reason it was cancelled.

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