

Note: this memo is going over to an email-by-subscription model in the near future. Watch this space.

Hot topics:



The ARRC issued a framework for a recommendation of term SOFR:

[20210506-term-rate-indicators-press-release \(newyorkfed.org\)](https://www.newyorkfed.org/outreach/20210506-term-rate-indicators-press-release)



LCH and CME will automatically convert LIBOR trades to SOFR by the cessation deadline of 6/30/2023:

[Recent Clearinghouse Actions Reduce LIBOR Derivative Transition Risk \(fitchratings.com\)](https://www.fitchratings.com/news/recent-clearinghouse-actions-reduce-libor-derivative-transition-risk)



Swiss LIBOR is being readily replaced by SARON. This rate is secured, and the only tenor rates are via compounding in arrears. There will not be a term SARON. In short, the Swiss are very comfortable with a SOFR-like replacement:

[Review: LMA/MLL the LIBOR/SARON Webinar 3.0 – 26.04.2021 - MLL-News](https://www.mll-news.com/news/review-lma-ml-the-libor-saron-webinar-3.0-26.04.2021)

New issuance and trading:



A SOFR MBS based on a pool of SOFR mortgages:

[Freddie Mac Prices \\$849 Million Multifamily K-Deal, K-F110 \(globenewswire.com\)](https://www.globenewswire.com/newsroom/2021/05/10/246849)



Nordic Investment bank issued a five-year bond linked to 90 day SOFR:

[Nordic Investment Bank - NIB issues its inaugural SOFR Index Linked Global Benchmark](https://www.nordicinvestmentbank.com/news/nib-issues-its-inaugural-sofr-index-linked-global-benchmark)

Central banks, regulators, SROs:

Corporates prefer SOFR to credit-sensitive USD LIBOR replacements:

[Corporates prefer SOFR to credit-sensitive rates | Conduct | Practice Insight \(iflinsight.com\)](#)



ICE is consulting on the cessation of the ICE swap rate for GBP LIBOR. ICE currently quotes SONIA swap rates.

[ICE Benchmark Administration Consults on Potential Cessation of ICE SWAP Rate based on GBP LIBOR.pdf \(theice.com\)](#)

Local area talks, webinars, podcasts etc.:

The Mexican Stock Exchange will host a LIBOR transition Zoom in English and Spanish. It will take place on Friday, May 14th, at 10 AM ET / 1500 London. Register here:

<https://lnkd.in/djE-EFh>

The ARRC will host “The SOFR Symposium: The Final Year” via Zoom on Tuesday, May 11th at 10:30 AM ET.

[Summary - The SOFR Symposium: The Final Year \(cvent.com\)](#)

Academic and Trade literature:

☆☆☆ This detailed analysis points to ups and downs of the NY State law. These include issues with other states' laws, federal securities laws, and federal contract laws:

[Legislating for LIBOR's cessation | Eversheds Sutherland \(US\) LLP - JDSupra](#)

☆☆ A forward curve can be implied out of T-bills, providing more perspective on short-term rates:

[Why the marketplace will benefit from Treasury Risk Forward Securities | LinkedIn](#)

☆☆ Good comparison of Ameribor and BSBY, but then falls off the rails. While it's reasonable to compare to the Bank Yield Index, one should not conflate credit spread indexes (essentially additive corrections to SOFR) with SOFR replacements. Furthermore, CMT has no credit risk at all.

[USD LIBOR transition: credit-sensitive fallback... | Chatham Financial](#)

☆ The 91 day T-bill was offered as a replacement for LIBOR (presumably 3M), but of course few banks fund at rates on the Treasury curve. It has the same lack of credit sensitivity claimed for SOFR:

[611760_2021-05_Creditflux_opinion_CLOs.pdf \(eaglepointcredit.com\)](#)

☆ It's passing strange that corporates are complaining that they have to compound interest rates:

[Euromoney Corporates braced for daily compounding impact of Libor replacements](#)

☆ The quantifying of GBP SONIA swaps should include DV01, as in the ISDA-Clarus Tech indicator. Merely counting the number of swaps and their notional gives an incomplete picture:

[IBOR Reform: Global transition update, GBP SONIA roaring ahead, what the data shows so far | LinkedIn](#)

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

☆☆ Creditable review of SOFR and its alternatives, openly stating that SOFR is the “dominant rate”:

[Funky SOFR, or a plug-and-play? You choose | Article | ING Think](#)

☆ Even before the Kentucky Derby drug test disqualification, I asked whether the race could be judged fairly by one of the horse owners. Can Bloomberg really do a fair comparison of its own BSBY to other rates?

[Race for Libor's Replacement Is Too Close to Call - Bloomberg](#)

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