

**Minutes of LIBOR Trade Association Working Party Meeting**  
**held on 10 July 2019**

**Present:**

AFME  
GFMA  
ICMA  
ICMSA  
ISDA  
JBA  
JSLA  
LMA  
LSTA  
SIFMA  
UK Finance

**1. Introduction**

The purpose of the meeting was for the trade associations to discuss the upcoming roundtable with the Financial Stability Board ("**FSB**") Official Sector Steering Group ("**OSSG**") on Monday 15 July 2019 in New York, United States, as well as to provide updates on any developments in respect of LIBOR transition since the last meeting.

**2. Discussion of the FSB OSSG meeting**

Members of the Working Party discussed a plan of action with respect to the meeting and exchanged ideas on how best to approach the meeting in order to maximise the time available and to address all the key outstanding issues with respect to the transition, both in terms of the overarching issues and those specific to each asset class.

The Working Party agreed that members should cover a number of issues, including international regulatory, tax and accounting coordination, as well as the outstanding steps to effectively promote and facilitate the adoption of risk-free reference rates ("**RFRs**") in cash products.

**3. AFME update**

AFME is working on a paper on consent solicitations for sterling securitisations.

AFME is working on updating its website to distil and centralise information that is relevant to the transition, in order to help its members keep abreast of developments across the relevant currency jurisdictions.

**4. GFMA update**

GFMA had been working with its members and other trade associations on compiling a monthly newsletter to help its members keep abreast of the developments with respect to the transition across the relevant jurisdictions. Members of the Working Party were encouraged to send to GFMA any relevant materials they wish to include in these updates going forward.

It was noted that regional regulators are increasingly interested in developments with respect to the transition across the different currency jurisdictions, and USD LIBOR and SOFR in particular. This shows an increased realisation of the interconnectedness of the financial markets and that the issues arising from the transition require enhanced international coordination given the issues cannot be dealt with simply on a currency-by-currency basis.

## 5. ICMA update

The next Sterling Bond Sub-Group meeting is due to take place on 16 July 2019.

ICMA continues to monitor new issuances in the SONIA-referencing bond market, where the uptake of such bonds continues to be on an upwards trajectory.

As part of its work in the Sterling Bond Sub-Group, ICMA is currently looking to contribute to a discussion paper on legacy cash products referencing LIBOR, which had been included in the milestones of the Working Group on Sterling Risk-Free Reference Rates ("**Sterling RFR Working Group**").

ICMA continues to be engaged with all relevant market consultations and continues to contribute to the regulatory dependencies taskforce.

## 6. ICMSA update

ICMSA is in the process of creating a new working group on IBORs which will bring together various ICMSA sub-groups. Given ICMSA's broad membership, representation on the working group will comprise of lawyers, tax advisers, analytics teams and trustees.

## 7. JBA update

The JBA had been proactively engaged with market outreach in Japan. It was noted that whilst the local banks recognise the issues arising from the transition, most institutions have not yet adopted any specific internal policies on how to deal with it. This is mainly due to a lack of recommendations from the official sector and the lack of certainty with respect to the transition in Japan.

There is a big concern with respect to using compounded rates in arrears as it is not currently a convention to do so in the Japanese market, where most banks use JPY TIBOR.

The JBA had recently published a set of frequently asked questions. The JBA is also due to hold an event focusing on LIBOR transition which is expected to be attended by over 200 market participants.

On 2 July 2019, the Bank of Japan released a [Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks](#) on its website. Responses to the consultation are due **by 30 September 2019**.

## 8. JSLA update

The JSLA is working on raising awareness amongst its members.

## 9. LMA update

The LMA had been working on revising the draft consultation on spread adjustments for cash markets. The LMA is expecting to share the next draft with the Sterling RFR Working Group and the Sterling Bonds Sub-Group in due course.

The LMA continues to work on producing LMA documentation for the transition.

The LMA continues to discuss LIBOR at all its relevant events across Europe, Middle East and Africa, and so far, had covered LIBOR at its events in 22 different jurisdictions this year.

The LMA continues to be engaged in the Sterling, Euro and Swiss Franc RFR working groups.

## 10. LSTA update

It was noted that there is an increasing concern that term rates will not be available in time to constitute a sufficiently reliable fallback rate.

It was noted that on the operations side, the LSTA is working on trying to implement fallback rates into loan systems. The LSTA continues to work closely with the LMA to ensure that uniform calculations are used across the market.

The LSTA is monitoring the uptake with respect to the adoption of the Alternative Reference Rate Committee's ("ARRC") recommended contractual fallback language for US dollar LIBOR denominated syndicated loans in the market (which was published on 25 April 2019). It was noted that whilst the uptake with respect to the ARRC's amendment approach had been positive and is on the rise, it is expected that the hard-wired approach will be adopted more frequently by the market once it is more familiar with SOFR.

The LSTA is working on producing documentation for the transition.

The LSTA is continuing to engage with market outreach, especially with respect to educating the market on the ARRC's recommended contractual fallback language.

#### **11. SIFMA update**

On 15 July 2019, SIFMA will hold a [LIBOR Transition Briefing](#) where there will be presentations and panel discussions with policymakers who are at the centre of the transition, including: (i) Andrew Bailey, Chief Executive Officer at the UK Financial Conduct Authority; (ii) John C. Williams, President and Chief Executive Officer at Federal Reserve Bank of New York; and (iii) Thomas Wipf, Vice Chairman of Institutional Securities at Morgan Stanley and Chair of the ARRC.

It was noted that SIFMA is due to publish a SOFR Primer which will provide an overview of the LIBOR transition, focusing specifically on SOFR. The SOFR Primer was subsequently published and is available [here](#).

#### **12. UK Finance update**

UK Finance is working with its members to ascertain the viability of using a form of backward compounded rate for mortgage contracts. The initial analysis has identified a number of challenges to this approach. For example, there is a concern that daily compounding as a calculation will be too complex for customers, it may not be in accordance with legally provided provisions, and there could be considerable operational and accounting challenges.

The Working Party was updated on the activities of UK Finance in the commercial loans space. UK Finance is particularly mindful of the need for its members' customers to be aware of transition issues and their possible impact. Ensuring its members are up-to-date with all key developments, as well as facilitating a network of commercial finance peers leading the transition internally to share best practice and understand areas of commonality, will be a key focus for UK Finance.

As part of its outreach initiative, UK Finance will launch a webpage focusing on the transition.

#### **13. ISDA update**

It was noted that responses to the following ISDA consultations are due on **12 July 2019**: (i) the consultation on spread and term adjustment for fallbacks in derivatives referencing US dollar LIBOR, CDOR and HIBOR and certain aspects of fallbacks for derivatives referencing SOFR; and (ii) the consultation on pre-cessation issues for LIBOR and certain other IBORs. AB encouraged members of the Working Party to invite its members to respond to the consultations.

ISDA continues to work on selecting a vendor who will publish the fallback rate and is expecting to make an official announcement in the due course.

#### **14. AOB**

The date for the next meeting is to be set for September 2019.