

**Minutes of LIBOR Trade Association Working Party Meeting
held on 10 September 2018**

Present:

ACT
AFME
APLMA
GFMA
ICMA
ICMSA
ISDA
JBA
LMA
LSTA
SIFMA

1. Introduction

The purpose of the meeting was for the trade associations to provide updates on any developments since the last meeting in relation to the global transition from LIBOR, as well as (given the interconnectivity of different product types) to discuss the external visibility of trade associations' communications with each other and what can be done to improve this.

2. LMA update

The LMA noted that work was continuing in the Sterling working groups. The LMA was also encouraging its members to respond to the Sterling term rate consultation and ISDA consultation on IBOR fallbacks.

The LMA also continued to be engaged on the various Euro working groups.

It was noted that there is still a lack of awareness of the issues related to LIBOR transition, and this is particularly so in developing markets.

3. APLMA update

The APLMA noted that they were engaging with the Hong Kong Monetary Authority and the Monetary Authority of Singapore.

It was noted that industry awareness is still an issue. The APLMA and Clifford Chance have produced a webinar which will be available on the APLMA website ([click here](#) to view)). There will also be a workshop held in Singapore to raise awareness ([click here](#) for more details).

4. AFME update

AFME had also been engaging with the Sterling and Euro working groups. AFME was also focusing on raising awareness and had held a webinar for its members, now available on its website ([click here](#) for more details). AFME is also encouraging its members to respond to both the ISDA consultation and Sterling term rate consultation.

AFME welcomed the latest developments in the market whereby Lloyds Bank had issued the first covered bond linked to SONIA. The issue had been well received by the market and

used the same conventions as the SONIA bond recently issued by the European Investment Bank.

5. ACT update

The focus of the ACT had been on raising awareness with corporates and the press. The ACT is encouraging corporates to respond directly on both the ISDA consultation and SONIA term rate consultation. There was also a corporate forum taking place in the afternoon where Nick Saggars from the Sterling term rate sub-group and ISDA would be presenting to give more information on the two consultations. The ACT also welcomed the Lloyds SONIA bond issue as it helps to raise awareness amongst corporates.

6. GFMA update

SIFMA and AFME have been leading efforts at a regional level for the GFMA. It was noted that the Bank of Japan ("**BOJ**") had relaunched its working group on benchmarks, to be chaired by MUFG.

The GFMA had held a summer board meeting which involved presentations from the chairs of the ARRC and Bank of England working groups, as well as from ISDA.

7. ICMA update

The ICMA had held a call for its members on 22 August to provide an update on LIBOR transition and the recording has been made available on the ICMA website ([click here](#) for more details). Also, as part of the Sterling bond market sub-group, a paper had been published on issues to consider if issuing new bonds referencing LIBOR; this has been made available on the Bank of England and ICMA websites ([click here](#) to view).

It was noted work was continuing in the Sterling working groups on potential conventions for referencing SONIA directly in transactions. ICMA highlighted the recent bond issues in the market referencing SONIA.

The ICMA were due to hold a corporate issuer forum, a financial issuer forum and several other events (including the ICMA Primary Market Forum) at which the transition to risk-free rates would be discussed. ICMA is also encouraging its members to respond to the ISDA and SONIA term rate consultations.

8. ICMSA update

ICMSA has been closely following developments in the bond market and how to deal with transition issues from a calculation agency perspective (in particular, the fact that the return on a SONIA-based transaction will not be known until the end of the interest period). A key issue is the economics of a LIBOR term rate versus a rate based on backward compounding of a daily risk-free rate.

9. ISDA update

ISDA's consultation on spread and term adjustments for IBOR fallbacks is open until 12 October.¹ The fallbacks contemplated in the consultation are to a form of the overnight risk-free rate (which could be a compounded version of the overnight risk-free rate but would not be a term rate equivalent) and the fallbacks are designed to apply on a permanent discontinuation of the relevant IBOR. The consultation requests input on term and spread adjustments that would apply if the fallbacks take effect. ISDA had published a set of FAQs, Bloomberg graphs and a webinar to assist the market with understanding the consultation ([click here](#) for details). A second webinar was due to be published shortly.²

It was also noted that ISDA would shortly be publishing its Benchmark Supplement, which is a response to the BMR requirement for firms to set out the steps they would take if a benchmark ceased to exist or materially changed but drafted so that it could apply globally.³ This is wider in scope than the ISDA work on IBOR fallbacks, in that it covers other interest rate benchmarks, as well as benchmarks used in equity, fx and commodity derivatives. However, the terms of the Benchmark Supplement would apply to IBORs before the fallbacks for IBORs are implemented or if such fallbacks fail. ISDA will be releasing a webinar and a set of FAQs on the Benchmark Supplement.⁴

10. JBA update

The JBA noted that a cross-industry committee on Yen benchmarks had been established in August, for which the BOJ is providing the secretariat. The committee has published an expected schedule of work and expects to publish a public consultation by mid-next year. The committee has established three sub-groups looking at term rates, loans and bonds respectively.

11. LSTA update

The LSTA is working on an ARRC consultation on fallback language for loans, which is expected to be made available in late September. In particular, there are two approaches which will be consulted on: (i) a hardwired approach (where the fallback rate and adjustment spread are agreed in advance); and (ii) an amendment approach. A separate consultation will be published on floating rate notes. The consultations are expected to be open for around 45 days and extend to early November, after which the ARRC plans to publish its recommendation for fallback language (expected by the end of the year). It was noted that a series of webcasts would be published on the consultations.

12. Discussion re visibility of trade association communication

It was noted that more could be done to raise the visibility of communication between the trade associations. This would be discussed further in the next meeting.

¹ Note that subsequent to this meeting, ISDA extended the deadline to 22 October 2018.

² Note that ISDA published the second webinar covering the FAQs subsequent to this meeting.

³ Note that ISDA published the Benchmark Supplement subsequent to this meeting.

⁴ Note that ISDA published FAQs subsequent to this meeting.