

IBOR regulatory & industry update

**Sub Working Group: *Alignment with
international legislation and best practices***

16 December 2020

Agenda

- USD LIBOR – SOFR transition update
- GBP LIBOR – SONIA transition update
- EONIA & EURIBOR – €STR transition update
- Transition update Swiss & Asian IBORs
- Open public consultations
- IBOR events update

USD LIBOR – SOFR transition update

Insights into the proposed path to transition away from USD LIBOR 1/2

Background

1. On Monday 30 November 2020 several authorities have made important announcements on the **proposed path forward for the transition away from USD LIBOR**
2. These announcements include supervisory guidance **encouraging banks to stop new USD LIBOR issuances by the end of 2021**
3. They also cite plans of the **IBA to consult on specific timing for ceasing the publication of USD LIBOR**, with proposed end dates immediately following the December 31, 2021 publication for the one week and two month USD LIBOR settings, and the June 30, 2023 publication for other USD LIBOR tenors.

	Contracts	Maturity	Potential challenges or considerations
How will this likely impact contracts?	Existing LIBOR contracts (non-USD LIBOR)	Before 31 Dec 2021	None, except pre-cessation** for derivatives. Potential linear interpolation requirement for 1 week and 2 month USD LIBOR tenors between 1-1-2022 and 30-06-2023 is an attention item
	Existing LIBOR contracts (USD LIBOR)*	Before 30 June 2023	
	Existing LIBOR contracts (non-USD LIBOR)	Beyond 31 Dec 2021	<ol style="list-style-type: none"> 1. Direct transition to new ARR; or 2. Adjust fallback language to incorporate ARR with cessation taking place on cessation date applicable to all tenors
	Existing LIBOR contracts (USD LIBOR)	Beyond 30 June 2023	
	New transactions (USD LIBOR) entered 31 Dec 2021 – 30 Jun 2023)*		Not desired according to supervisory authorities and industry bodies, so to be determined if this would be allowed and/or accepted
	New contracts (ARR based)	Any maturity	<ol style="list-style-type: none"> 1. Pricing methodology 2. Fallback language (future possibility of term structure and alternatives to ARR itself)

* IBA is currently consulting on its intention to cease publication of overnight and 1, 3, 6 and 12 months setting immediately following the LIBOR publication on June 30 2023, and 1 week and 2 months settings immediately following LIBOR publication on December 31 2021.

** pre-cessation as per ISDA protocol & supplement

Insights into the proposed path to transition away from USD LIBOR 2/2

#	Top of mind questions for consideration	Response
1	What general impact do we foresee for frontbook developments across (US) banks in respect of SOFR?	<ul style="list-style-type: none"> Announcements are not supposed to materially change front-book planning Regulators are still putting pressure on banks to make sure they are moving their book to SOFR and other alternative reference rates latest 31 December 2021, ARRC recommendations provide sooner dates
2	What general impact do we foresee for 2021 backbook planning in respect of USD LIBOR-SOFR transition for the respective tenors published until 2023?	<ul style="list-style-type: none"> In the derivatives market, most existing contracts will roll off in the next few years, this does however not hold for the cash market Overall and apart from remediation of existing contracts, banks are at this point not already adjusting their planning too much, thereby considering 2021 budget planning cycle considerations
3	For clients with a desire to transition to SOFR term rates, is it expected that their appetite to repaper in H1 2021 might disappear opting for a wait and see strategy in 2021-2022?	This is not an unlikely scenario for certain clients, and as such shall be flagged for individual clients as part of customer outreach/engagement before active repapering is initiated/started
4	Which main elements do we expect IBOR transition programmes to reassess at this moment in respect of programme planning?	<ul style="list-style-type: none"> Announcements are supposed to mainly impact back-book planning, customer outreach and communications Banks are expected to start pushing out remediation of certain existing contracts, thereby impacting timing (2021 only vs. 2021-2023) and extent of engaging paralegals as part of back-book repapering factory
5	If the IBA point of view will be the final outcome of the consultation, is such an announcement to be considered a pre-cessation announcement for the respective USD LIBOR tenors in January? If yes, what consequences are foreseen in that respect?	<ul style="list-style-type: none"> Current announcements don't have an official legal status and after consultation period IBA/FCA will determine if the outcomes and plans are deemed feasible An announcement relating to all US Dollar tenors after the consultation in January will likely trigger a fixing of the spread for all tenors. Contracts would fall back to the fall-back rate after June 2023, even for the 1-week and 2-month tenors, with linear interpolation for tenors not published between 1-1-2022 and 30-06-2023 Most concern in the market is currently around the spread that potentially will be locked in years before actual USD Libor cessation
6	To what extent can supervisory authorities, such as FCA in UK, force LIBOR contributors to keep contributing for USD LIBOR tenors after 2021? To what extent might this conflict with local legislation (e.g., English law)? Is there already a very early view of contributors in respect of IBA's intentions in respect of USD LIBOR cessation (e.g., expected to be part of gentlemen's agreement or not)?	<ul style="list-style-type: none"> FCA welcomed a proposal for a 18-month extension of the USD Libor panel, to end-June 2023, following discussions with US Dollar Libor panel banks and is confident USD Libor will remain representative until that date Details on this are to be worked out. Will be updated on in the upcoming period
7	Will it be possible to maintain a representative US dollar LIBOR until end-June 2023?	FCA response: Yes, we would not be welcoming and supporting this proposed extension unless we were confident that representativeness thresholds could be maintained in terms of the number of panel banks

Multiple US authorities publish statements on the path forward for USD LIBOR

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas		Likely implications / follow-up actions for TBB			
				Frontbook	Backbook			Function	
1	ARRC/FED/SEC	<p>Multiple parties have made announcements on the USD LIBOR transition. These announcements include supervisory guidance encouraging banks to stop new USD LIBOR issuances by the end of 2021. They also cite plans of the IBA to consult on specific timing for ceasing the publication of USD LIBOR, with proposed end dates immediately following the December 31, 2021 publication for the one week and two month USD LIBOR settings, and the June 30, 2023 publication for other USD LIBOR tenors.</p> <p>FED/FDIC/OCC – cease entering into new USD LIBOR contracts by 31 December 2021 (link) (link)</p> <p>SEC – ready to assist and encourage proactive behavior (link)</p> <p>ARRC – welcomes significant milestones (link)</p>	XXL	FB	Yes	Legal & Compliance	Yes	<p>Monitor new developments, prioritize industry-wide plans, Turkish banks to incorporate appropriate fallback language in existing & new LIBOR contracts and Turkish banks cease entering into new USD LIBOR contracts ultimately by 31 December 2021.</p>	
	IT & Operations					Yes			
	30/11/2020			Proposed path forward for the transition away from USD LIBOR	XXL	BB	Yes		Risk
Communications		Yes							
2	LSTA	<p>LIBOR cessation planning should not really change and lenders should continue to remediate their LIBOR portfolios and use hardwired fallbacks.</p>	XXL	FB	Yes	Legal & Compliance	Yes		<p>Monitor new developments, prioritize industry-wide plans, Turkish banks to incorporate appropriate fallback language in existing & new LIBOR contracts and Turkish banks cease entering into new USD LIBOR contracts ultimately by 31 December 2021.</p>
	IT & Operations					Yes			
	30/11/2020			First take: LIBOR is ending, remediation is safer	XXL	BB	Yes	Risk	
Communications		Yes							
30/11/2020	First take: LIBOR is ending, remediation is safer	XXL	BB	Yes	Treasury	Yes			

NA XS S M L XL XXL Relevance indicator

ARRC publishes guide to help interpret recent USD LIBOR developments

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector						
				Likely impact areas		Likely implications / follow-up actions for TBB				
				Frontbook	Backbook			Function		
3	ARRC	ARRC published a guide on recent announcements and ARRC Chair Tom Wipf participated in an ISDA webinar on these developments.	XL	FB	Yes	Legal & Compliance	Yes	<ul style="list-style-type: none"> - Continue to prepare to stop issuing USD LIBOR contracts as per 31 Dec 2021, but also take into account dates as published within ARRC recommendations. - Participate in IBA consultation on LIBOR cessation dates per LIBOR currency. - Further assess impact of anticipated USD LIBOR cessation per 30/06/2023. 		
	04/12/2020	Key announcements: IBA – consultations FED, FDIC, OCC – stop new issuances per 12/2021 FCA – welcomes and supports proposed dates								
	ARRC Releases Guide and Highlights New ISDA Webinar on USD LIBOR Endgame Developments	Key points: <ul style="list-style-type: none"> - Everyone should continue to prepare to stop using LIBOR in new contracts by the end of 2021 - The fixing of the spread adjustments takes place when there is a spread adjustment fixing date which can occur on or before cessation - In case some tenors are stopped, whereas others continue, linear interpolation shall be used based on the rates still published - The ARRC continues to pursue its legislative proposal within NY state Link guide Link transcript Link webinar								
				BB	Yes	Treasury	Yes			

NA XS S M L XL XXL

Relevance indicator

ARRC publishes guide to help interpret recent USD LIBOR developments

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas		Likely implications / follow-up actions for TBB		
				Frontbook	Backbook			Function
4	ARRC	<p>On March 6, 2020, the ARRC released a proposal for New York State legislation that is intended to reduce some of the legal uncertainty and adverse economic impacts associated with the transition from LIBOR.</p> <p>The proposed legislation would (i) prohibit a party from refusing to perform its contractual obligations or declaring a breach of contract as a result of the discontinuance of LIBOR or the use of the proposed legislation's recommended benchmark replacement rate, (ii) establish that the recommended benchmark replacement rate is a commercially reasonable substitute for and is a commercially substantial equivalent to LIBOR, and (iii) provide a safe harbor from litigation for the use of the recommended benchmark replacement rate.</p> <p>The proposed legislation would (i) override existing fallback language in a contract that falls back to a LIBOR-based rate and instead require the use of the legislation's recommended benchmark replacement rate, (ii) nullify existing fallback language if that language requires polling for LIBOR or other interbank funding rates, and (iii) include the recommended benchmark replacement rate as the LIBOR fallback in financial contracts that do not have any existing fallback language.</p> <p>The proposed legislation will not override existing contract language that specifies a non-LIBOR-based rate (such as the Prime rate) as a fallback to LIBOR.</p> <p>Link</p>	L	FB	No	Legal & Compliance	Yes	The Turkish regulators and / or legislators may consider a similar solution for tough legacy issues in the Turkish financial sector with existing IBORs that are to be replaced by the end of 2021 or later.
	IT & Operations					Yes		
	BB			Yes	Risk	Yes		
					Treasury	No		

NA XS S M L XL XXL

Relevance indicator

ARRC publishes conventions for use in bilateral business loans

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas		Likely implications / follow-up actions for TBB		
				Frontbook	Backbook			Function
5	ARRC	<p>New SOFR Loan Conventions:</p> <ul style="list-style-type: none"> • Interest Rate – Both simple and compound • Lookback – Business day lookback with no observation shift • Daycount – ACT/360 • Rounding – 5 decimal points for interest rate and 2 decimal points for dollar amounts • Interest rate floors - recommended that the floor be calculated daily • Distribution of interest – Daily calculation of accrued interest <p>Legacy LIBOR Loans Converting to SOFR:</p> <ul style="list-style-type: none"> • Spread adjustment - The spread adjustment is the published five-year historical median difference between LIBOR and SOFR • Floors - For legacy loans falling back to Daily Compounded SOFR, the corresponding floor would be applied to the daily SOFR rates, and would be the difference between the LIBOR Floor Rate and the SOFR spread adjustment • Other conventions – Non-standard conventions can be used such that there is no basis risk 	L	FB	Yes	Legal & Compliance	Yes	Where appropriate, take into account conventions for use in bilateral business loans.
					IT & Operations	Yes		
	25/11/2020					Risk	Yes	
	SOFR "In Arrears" Conventions for Use in Bilateral Business Loans			BB	Yes	Treasury	Yes	
						Communications	Yes	

FSB published global LIBOR transition progress report

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas				Likely implications / follow-up actions for TBB
				Frontbook Backbook		Function		
6	ISDA 18/11/2020 Statement on IBA and UK FCA Announcements on LIBOR Consultations	ISDA published a statement in response to the announcement made by ICE Benchmark Administration (IBA), the administrator of LIBOR, and the UK FCA. Neither of the issued statements constitute an index termination event under the IBOR Fallbacks Supplement or the ISDA 2020 IBOR Fallbacks Protocol as they will not trigger the fallback nor have any effect on the calculations of the spread. Link	M	FB	Yes	Legal & Compliance	Yes	No direct implications for now as the announcement is related to a consultation only, thereby not classifying as a pre-cessation trigger. It is likely that shortly after the consultation closes end of January and results are agreed with FCA a subsequent announcement will constitute a pre-cessation trigger.
	IT & Operations					Yes		
Risk	Yes							
Communications	Yes							
BB	Yes	Treasury	Yes					
7	FSB 20/11/2020 Reforming Major Interest Rate Benchmarks 2020 Progress report	The report covers: <ul style="list-style-type: none"> reforms to a number of key benchmarks mapping of major benchmarks to ARRs efforts led by industry groups such as ISDA to improve contractual robustness to address risks of discontinuation of widely used interest rate benchmarks in derivative contracts. challenges surrounding tough legacy contracts & proposed approach (including potential legislative solutions) link 	S	FB	No	Legal & Compliance	No	Good reading to understand the LIBOR transition progress in different jurisdictions, however no direct implications.
	IT & Operations					No		
Risk	No							
Communications	No							
BB	No	Treasury	No					

NA XS S M L XL XXL
Relevance indicator

USD LIBOR fate becomes uncertain



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas		Likely implications / follow-up actions for TBB			
				Frontbook	Backbook			Function	
8	LSTA	LSTA recommends not to add amendment fees when including ARRC recommended hardwired fallbacks before or on 30 June 2021. This is a non-binding recommendation. Link	S	FB	No	Legal & Compliance	Yes	Turkish banks to decide whether or not to include amendment fees.	
	23/11/2020					IT & Operations	No		
LIBOR fallback language amendment fees	ARRC	Top 3 take aways: 1. IBA consultation 2. ISDA launched its IBOR Fallbacks Supplement and IBOR Fallbacks Protocol, which will take effect on January 25, 2021. 3. A further step in the ARRC's Paced Transition Plan was completed when the London Clearing House (LCH) and Chicago Mercantile Exchange (CME) Group successfully transitioned from the Effective Federal Funds Rate (EFFR) to SOFR discounting and Price Alignment Interest (PAI) on all outstanding cleared USD-denominated swap products. Link	NA	FB	NA	Risk	No		No direct implications from this publication.
						07/12/2020	Communications		
ARRC Newsletter Oct - Dec	Bloomberg	The push to replace Libor is heating up, with the American Financial Exchange completing its first interest-rate swap linked to the alternative Ameribor benchmark. Regulators still prefer SOFR to Libor because a vast amount of trading underpins the benchmark. Link	NA	BB	Yes	Treasury	No	No direct implications from this publication.	
						ARRC Newsletter Oct - Dec	Legal & Compliance		
LIBOR replacement race picks up with Ameribor swap debut	03/12/2020			BB	NA	IT & Operations	NA		No direct implications from this publication.
							Risk		
						Communications	NA		
						Treasury	NA		

NA XS S M L XL XXL Relevance indicator

GBP LIBOR – SONIA transition update

Sterling WG publishes guidance on transition in non-linear derivatives

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas		Likely implications / follow-up actions for TBB			
				Frontbook	Backbook			Function	
1	Sterling RFRWG	<p>This paper provides considerations on how a non-linear derivatives market based on a risk free rate could be structured using compounded in arrears SONIA. The paper covers a range of products, and is intended to support all users of non-linear derivatives to meet the Working Group's target milestone for market participants to cease initiating new GBP LIBOR linked non-linear derivatives expiring after 2021 by end Q2/Q3 2021.</p> <p>It recognizes that non-linear derivatives used for hedging purposes would benefit from having consistency with cash products based on compounded in arrears SONIA. The view taken by the Working Group is that a fully functioning SONIA-referencing non-linear derivatives market could potentially exist on terms similar to those found in ISDA's IBOR fallbacks protocol and supplement. link</p>	M	FB	Yes	Legal & Compliance	Yes	<p>By taking all necessary steps to complete operational transition plans for non-linear derivatives by end Q2/Q3 2021, market participants can reduce the financial stability risks arising from the widespread reliance on GBP LIBOR and to support an orderly transition ahead of end 2021.</p>	
	26/11/2020					Risk	Yes		
2	FCA	<p>In this statement, the FCA:</p> <p>supports the proposed extension by panel banks and IBA to key USD LIBOR tenors</p> <p>supports limiting new use of US\$ LIBOR after end-2021 as per Federal Reserve Board of Governors</p> <p>encourages market participants which are parties to legacy LIBOR contracts to continue work to convert these contracts or adopt robust fallbacks</p> <p>states that this statement should not be read as announcing that the LIBOR benchmark has ceased, or will cease, to be provided permanently or indefinitely or that it is not, or no longer will be, representative for the purposes of language adopted by ISDA. link</p>	M	FB	Yes	Legal & Compliance	Yes		<p>No direct implications from the statement, but the change of tone is worthy to note.</p>
	30/11/2020					Risk	Yes		
2	FCA response to IBA's proposed consultation on intention to cease US\$ LIBOR			BB	Yes	Treasury	Yes		
						Communications	Yes		

NA XS S M L XL XXL

Relevance indicator

FCA updates guidance on conduct risk during the transition

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas		Likely implications / follow-up actions for TBB		
				Frontbook	Backbook			Function
3	FCA	<p>The FCA updated its existing page on conduct risk during LIBOR transition with two new Q&As:</p> <ul style="list-style-type: none"> Given that the spread between LIBOR and SONIA will vary, how can firms address this fairly when actively transitioning to SONIA? Can LIBOR contracts be converted upon LIBOR cessation or loss of representativeness to Bank rate plus an appropriate spread, rather than SONIA plus an appropriate spread? <p>Adding a fixed credit spread, based on a historical median, to the relevant compounded risk-free rate. Counterparties may agree to convert LIBOR contracts to Bank Rate plus a spread as well. Key expectations also apply where conversion to Bank Rate plus a spread takes place. Where firms are dealing with counterparties who may not be fully able to assess fair terms, they may wish to consider other conversion mechanisms. For example, they may consider whether it is appropriate to use contractual arrangements which see the last reset before end-2021 being based on LIBOR, before moving to an alternative rate thereafter. link</p>	M	FB	Yes	Legal & Compliance	Yes	LIBOR discontinuation should not be used to move customers with continuing contracts to replacement rates that are expected to be higher than LIBOR would have been.
	IT & Operations					No		
	Risk					Yes		
Communications	Yes							
	Conduct risk during LIBOR transition			BB	Yes	Treasury	No	

FCA updates guidance on conduct risk during the transition

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas				Likely implications / follow-up actions for TBB
				Frontbook Backbook		Function		
4	IBA	<p>IBA has launched its GBP SONIA ICE Swap Rate as a benchmark for use by licensees. GBP SONIA ICE Swap Rate benchmark settings are determined using the published ICE Swap Rate® 'Waterfall' methodology using eligible input data in respect of SONIA interest rate swaps, and are available for the same tenors and at the same time as the current GBP LIBOR® ICE Swap Rate.</p> <p>The launch of the GBP SONIA ICE Swap Rate benchmark follows a positive market response to feedback and consultation papers issued by IBA, and the successful publication of GBP SONIA ICE Swap Rate settings on an indicative 'Beta' basis since October 2020. This also will accelerate the transition to SONIA in the non-linear derivatives market. Link</p>	M	FB	Yes	Legal & Compliance	No	This is an important step forward in helping the non-linear derivatives market transition from LIBOR, and Turkish FS sector should assess the use of IBA's term rate for the transition of non-linear derivatives.
	IT & Operations					No		
15/12/2020	ICE Benchmark Administration launches GBP SONIA ICE Swap Rate as a benchmark for use by licensees	M	BB	No	Risk	Yes		
					Communications	Yes		
						Treasury	Yes	

LMA updates list of RFR referencing syndicated and bilateral loans

Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas		Likely implications / follow-up actions for TBB			
				Frontbook	Backbook			Function	
5	LMA	<p>Previously update on the 16th of October, the LMA have published and updated list setting out the RFR referencing loans which have been announced to date. This list gives a current view of the publicly available reference rates, however, does not include all them. The updated list provides the following as additional loans since the October update:</p> <ul style="list-style-type: none"> USD LIBOR to SOFR Loan of \$29 million compounded in arrear with a lookback to LKT Gas Carriers Pte Ltd. on the 23 October from Danske Bank link 	S	FB	Yes	Legal & Compliance	No	<p>No direct implications, however useful in pricing lending products based on alternative rates.</p>	
	IT & Operations					No			
12/11/2020	List of RFR referencing syndicated and bilateral loans	BB	No	Risk	Yes	Communications	Yes		
				Treasury	Yes				
6	FCA	<p>This document provides background to the Benchmarks Regulation and amendments proposed by the Government under the Financial Services Bill (FSBill) to give FCA enhanced powers, in particular in relation to managing the orderly wind-down of critical benchmarks. It also provides links to relevant consultations about proposed polices in respect of those powers. link</p>	S	FB	Yes	Legal & Compliance	Yes		<p>It is useful to understand how the Financial Services Bill will impact LIBOR transition.</p>
	18/11/2020					IT & Operations	No		
	FCA Financial Services Bill	BB	Yes	Risk	No	Communications	No		
				Treasury	Yes				
7	Sterling RFRWG	<p>The newsletter contains a summary of all relevant benchmark transition updates published in the month of November. link</p>	XS	FB	Yes	Legal & Compliance	Yes	None.	
	1/12/2020					IT & Operations	Yes		
	Monthly Newsletter	BB	Yes	Risk	Yes	Communications	Yes		
				Treasury	Yes				

NA XS S M L XL XXL Relevance indicator

**EONIA & EURIBOR – €STR
transition update**

EU extends transitional period for third-country benchmarks



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas				Likely implications / follow-up actions for TBB
				Frontbook		Backbook		
				Function				
1	European Commission	<p>European Parliament and the Council have reached an agreement on the European Commission's proposal to amend the Benchmark Regulation. A proposal for these amendments had already been published by the European Commission last July. The proposed amendment were largely motivated by the anticipated discontinuation of LIBOR as of end of 2021. The agreement includes two key points:</p> <ul style="list-style-type: none"> Mandatory replacement rate Transitional period for third country benchmarks 	L	FB	Yes	Legal & Compliance	Yes	The extension of the transitional period of third-country benchmarks until the end of 2023 implies that EU market participants will be able to use benchmarks administered in a country, such as TLREF, outside the EU until the end of 2023.
	IT & Operations					Yes		
	Risk					Yes		
BB	Yes	Communications	Yes					
		Treasury	Yes					
2	ECB	<p>Market participants have been slow in making the transition to the euro short-term rate (€STR) as the new reference rate in short-term interest rate derivatives markets and are encouraged to increase their use of €STR ahead of the discontinuation of EONIA.</p> <p>The trading activity in ESTR-referencing overnight index swaps has remained at very low levels compared with EONIA swaps and EONIA swaps that mature after the transition deadline have continued to rise. Link</p>	S	FB	Yes	Legal & Compliance	Yes	Encourage market participants to increase the use of €STR in the derivatives market.
	IT & Operations					Yes		
	Risk					Yes		
BB	No	Communications	Yes					
		Treasury	Yes					

Transition update Swiss & Asian IBORs

FINMA publishes LIBOR transition roadmap



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas		Likely implications / follow-up actions for TBB		
				Frontbook	Backbook			Function
1	FINMA	<p>FINMA published a transition roadmap for LIBOR and recommends affected supervised entities to follow this in order to be as prepared as they can possibly be for a discontinuation of LIBOR in various currencies:</p> <p>25 January 2021: Signing of ISDA 2020 IBOR Fallbacks Protocol; 31 January 2021: No new tough legacy and readiness to grant loans based on ARR; 31 March 2021: Plans for the reduction of tough legacy; 30 June 2021: System and process changes implemented, mitigation of risks for remaining tough legacy, new contracts in general based on ARR; 31 December 2021: Full operational readiness, all new contracts based on ARR.</p> <p>Link</p>	M	FB	Yes	Legal & Compliance	Yes	FINMA roadmap should be taken into account in the preparation for the discontinuation of LIBOR.
	Risk					Yes		
	04/12/2020					Communications	Yes	
	FINMA Guidance 10/2020: LIBOR transition roadmap			BB	Yes	Treasury	Yes	
2	Cross-Industry committee on Japanese Yen Interest Rate Benchmarks	<p>A total of 35 entities (financial institutions, institutional investors and non-financial corporates) participated in the consultation and most respondents supported the recommendations by the Committee.</p> <p>Fallbacks in loans and bonds: Majority of respondents agreed with proposed replacement benchmark waterfall structure and spread adjustment methodology. Link</p>	S	FB	Yes	Legal & Compliance	Yes	The recommendations described by the Committee should be taken into account in the replacement of JPY LIBOR.
	Risk					Yes		
	30/11/2020					Communications	Yes	
	Final Report on the Results of the Second Public Consultation on the Appropriate Choice and Usage of Japanese Yen Interest Rate Benchmarks			BB	Yes	Treasury	Yes	

NA XS S M L XL XXL Relevance indicator

Open public consultations

Current consultations/information requests



Consultation details		Summary	Applicability to Turkish FS sector				
			Functions likely affected		Implications / follow-up actions for TBB		
			Vertical	Horizontal			
1	FCA	FCA issued a statement, together with two consultations, to set out its potential approach to the use of proposed new powers under the Financial Services Bill to ensure an orderly wind down of LIBOR. The first consultation seeks views on article 23A of the financial services bill, which related to designating an unrepresentative benchmark. The second consultation is also seeking open views on article 23D of the bill, which is related to requiring changes to a critical benchmark, including its methodology. link	FB	Yes	Legal & Compliance	Yes	An opportunity for the Turkish banks to respond to the consultation by January 18 2021 if they have a strong stance on the articles being consulted on.
	18/11/2020				IT & Operations	Yes	
FCA consults on new benchmark powers	BB	Yes	Treasury	Yes			
			Risk	Yes			
2	Working group on Euro risk free rates	The working group identifies a generic set of potential permanent EURIBOR fallback trigger events that market participants could consider including in fallback provisions in their contracts and financial instruments referencing EURIBOR. The consultation is seeking views on the proposed EURIBOR fallback trigger events.	FB	Yes	Legal & Compliance	Yes	An opportunity for the Turkish banks to respond to the consultation by January 15 2021 if they have a strong stance which events should constitute EURIBOR fallback trigger events.
	23/11/2020				IT & Operations	Yes	
Consultation on EURIBOR fallback trigger events	BB	Yes	Treasury	Yes			
			Risk	Yes			
			Communications	Yes			

Current consultations/information requests



Consultation details		Summary	Applicability to Turkish FS sector						
			Functions likely affected		Implications / follow-up actions for TBB				
			Vertical	Horizontal					
3	Working group on EURO risk free rates 23/12/2020	<p>This consultations seeks views on the most appropriate EURIBOR fallback provisions for cash products. It covers the following:</p> <ol style="list-style-type: none"> The most appropriate EURIBOR fallback rate based on (a) a €STR-based term structure methodology for each financial product assessed against a list of key criteria, and (b) a spread adjustment methodology used to avoid potential value transfer if a fallback is triggered; The market conventions which should be used to calculate the compounded term rate based on the €STR. 	FB	Yes	Legal & Compliance	Yes	<p>An opportunity for the Turkish banks to respond to the consultation by January 15 2021 if they have a strong stance on the most appropriate EUIBOR fallback provisions for cash products.</p>		
	Consultation on €STR-based EURIBOR fallback rates				IT & Operations	Yes			
4	ICE Benchmark Administration 25/01/2020	<p>IBA consults on its intention to cease publication of LIBOR tenors:</p> <ul style="list-style-type: none"> USD LIBOR 1, 3, 6 and 12 month per June 30 2023 Other currencies and tenors per December 31 2021 Link 	BB	Yes	Risk	Yes		<p>Turkish banks in favour of opposition of the extension proposed to most common USD LIBOR tenors can respond to this open consultation until January 25, 2021.</p>	
	ICE LIBOR Consultation on Potential Cessation				Communications	Yes			
5	18/12/2020	<p>Survey consisting of 25 questions covering: 1) Programme 2) RFR product adoption 3) Conduct risk 4) Client outreach 5) Contract repapering 6) Data, technology and operations 7) Structured notes</p> <p>Link</p>	FB	Yes	Treasury	Yes			<p>Turkish banks can consider participating in this survey to receive results against which they can benchmark their progress on LIBOR transition, as well as receive an aggregate of best practices at peer banks.</p>
	2020 IBOR transition banking survey				Legal & Compliance	Yes			
					IT & Operations	Yes			
					Risk	Yes			
					Communications	Yes			
			BB	Yes	Treasury	Yes			

IBOR events update

Reflection on recent events 1/2



Risk.net LIBOR telethon Overview

On 8/12/2020, Risk.net organized its LIBOR Telethon with representatives from the FED, FCA, IBA, LSTA, BoE, LCH, US Dept of Treasury, US National Association of Corporate Treasurers, Tradeweb, and the industry (Barclays, Goldman Sachs, Credit Suisse, and Morgan Stanley). The agenda focused on priorities for the next year, potential of credit sensitive rates, cash markets and term RFRs, derivatives, trading and liquidity and LIBOR end-game.

Highlights

- The USD LIBOR proposed cessation date may be different, but new USD LIBOR shouldn't be used after the end of 2021.
- Convert the contracts if you or clients feel uncertain about the synthetic LIBOR or legislative options.
- USD LIBOR is not a different path. New use of USD LIBOR will not continue until 2023 and will have to stop by end of 2021 just like GBP LIBOR. For legacy, while the sterling market has chosen the synthetic LIBOR option, USD LIBOR market has chosen panel LIBOR as the case of synthetic LIBOR without representativeness is not convenient in the US markets due to tricky legislation. ARRC guidance has been voluntary, but now there is also binding supervisory guidance from the FED not to use new USD LIBOR beyond 2021 due to "safety and soundness concerns."
- SOFR has not failed: good liquidity in derivatives, discounting switch was a boost, SOFR in lending is also picking up. SONIA started much the same way as SOFR did and was easier for the market to adopt as it was an existing rate and UK market is much smaller and perhaps more compliant than the American market
- Corporate treasurers are end of line and want to just "get on" with the transition, as they have multiple lending contracts to negotiate and a five step waterfall to work with and prepare for each step. Introducing a SOFR alternative would be a hindrance in that process

Polling

- 1. What's the preferred outcome for the SOFR lending markets?**
Majority choose SOFR + choice of credit spread and less than 5% chose that SOFR isn't an appropriate lending rate
- 2. Will the 18-month lag for the dollar help or harm transition in dollar cash products?**
36% said it will help a little, 31.4% said it will help a lot, 25.6% said it harm a little, 7% said harm a lot
- 3. What path would you like to see the USD swaps market to follow?**
36.6% said option to use multiple benchmarks, 22.5% said only use term or credit sensitive rates, and 40.8% said everything should reference backward looking SOFR
- 4. Do you expect the FCA make a pre-cessation announcement for USD LIBOR at the same time as other currencies?**
55.4% said all currencies should be announced together, 44.6% said the announcements should be staggered with USD coming after sterling and other currencies

Reflection on recent events 2/2



ISDA Webinar: Path forward for USD LIBOR

ISDA organized a webinar called “The Path Forward for LIBOR” on the 4th of December.

Speakers:

- Scott O’Malia, ISDA
- David Bowman, Senior Associate Director at the Federal Reserve Board
- Edwin Schooling Latter, Director, Markets and Wholesale Policy, at the FCA
- Deepak Sitlani, Partner at Linklaters
- Tom Wipf, Vice Chairman of Institutional Securities, Morgan Stanley, Chairman of the ARRC, and ISDA Board Member

Highlights:

- IBA intends to consult on an end-2021 cessation for sterling, yen, Swiss franc, euro, and two of the lesser-used US dollar LIBOR settings, and an end-June 2023 stop for the remaining US dollar settings.
- Announcement early next year for all US dollar LIBOR tenors would fix the spread for all tenors. And in that instance, the spread would be applied – that is to say, contracts would fall back to the fallback rate after June 2023, even for the one-week and two-month tenors.
- The FCA thinks it will be possible to maintain a representative US dollar LIBOR until end-June 2023.

Video: [Link video](#)

Transcript: [Link transcript](#)

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