

# **IBOR regulatory & Industry update**

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

19 April 2021

# Agenda

- Dear CEO letter
- ARRC highlights
- ISDA: Adoption of RFRs
- USD LIBOR – SOFR transition update
- GBP LIBOR – SONIA transition update
- Swiss & Asian IBORs transition update
- Next steps – Conduct risk
- Product conventions
- Reflecting on workstream roadmap

**Dear CEO letter**

# UK regulators say to expect supervisory inquiries for deviation from targets

26 March 2021

Dear CEO,

## Transition from LIBOR to Risk Free Rates

We have written to you previously<sup>1</sup> about the preparations you should be making for the cessation of LIBOR. Now that cessation dates for all panel bank LIBOR settings have been confirmed,<sup>2</sup> we have entered the final and critical phase of the transition from LIBOR to Risk Free Rates (RFR). It is imperative that the industry continues to build on work undertaken to date, and in some areas, accelerates efforts.

We expect all firms to meet the milestones of the Working Group on Sterling Risk Free Reference Rates (RFRWG)<sup>3</sup> and the targets of other working groups and relevant supervisory authorities as appropriate. The annex to this letter sets out a list of priority areas where further action by firms is necessary to prepare for the cessation of LIBOR. This list is not exhaustive and the onus is on firms and responsible Senior Manager Function (SMF) holder(s) to determine the specific actions necessary to mitigate the risks to safety and soundness arising from their firm's exposures to LIBOR, to ensure good client outcomes and to preserve market integrity.

We have written separately today to the named SMF responsible for oversight of transition at the PRA and FCA firms with the largest and most complex LIBOR exposures to outline the steps we expect them to take in the remaining time available. The responsible SMFs should satisfy themselves that all appropriate actions are being taken to ensure an orderly transition. As a key regulatory priority, we expect that this transition forms part of the performance criteria for determining their variable remuneration.

As we enter the final phase of LIBOR transition, the PRA and FCA are intensifying our supervisory focus on firms' management and oversight of the risks associated with transition. We will use firm meetings, relevant management information and the LIBOR and RFR exposure data we collect to assess your transition progress. As previously indicated, we are keeping a range of supervisory tools under review for use where we see either insufficient progress, or incidents of poor risk management or governance of transition, including relative to the expectations set out in the annex to this letter.

Thank you for your firm's constructive engagement on the transition from LIBOR to date. We look forward to this dialogue continuing as part of our supervisory engagement on this important priority over the coming months.



The **tone of the letter** implies that deviating from recommended timelines could cause **supervisory scrutiny**



It stresses that it is "imperative that the industry continues to build on work undertaken to date, and in some areas, **accelerates efforts**" and the PRA/FCA "**expect all firms to meet the milestones of the RFRWG**"



Letter clarifies that the obligation is on firms to determine the actions necessary to mitigate the risks to safety and soundness **to ensure good client outcomes and to preserve market integrity**



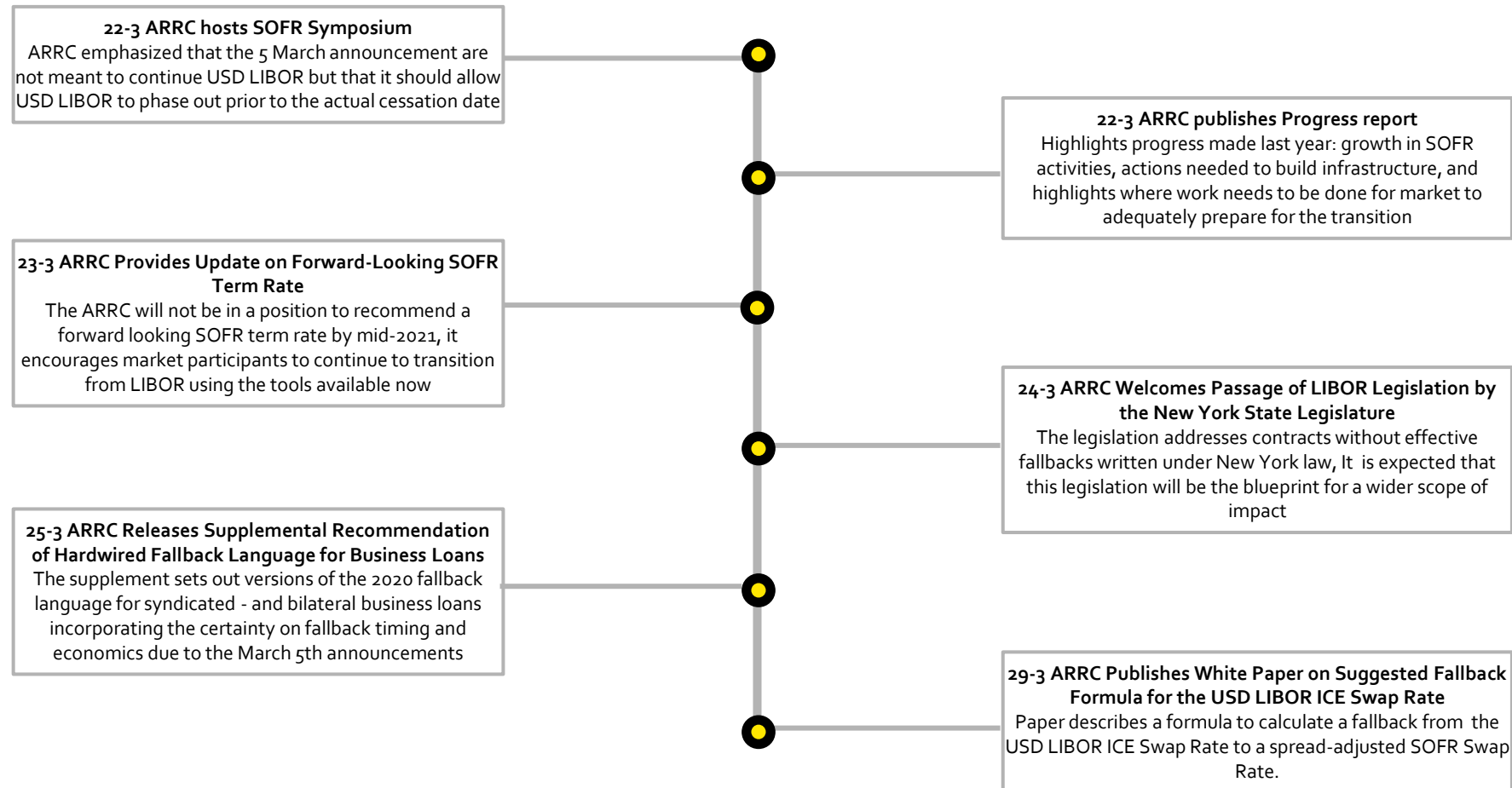
States that the PRA/FCA is keeping a **range of supervisory tools under review for use** where they see either insufficient progress, or incidents of poor risk management or governance of transition



In the annex a non-exhaustive list of **priority areas where further action by firms is necessary** to prepare for the cessation of LIBOR is set-out

# **ARRC Highlights**

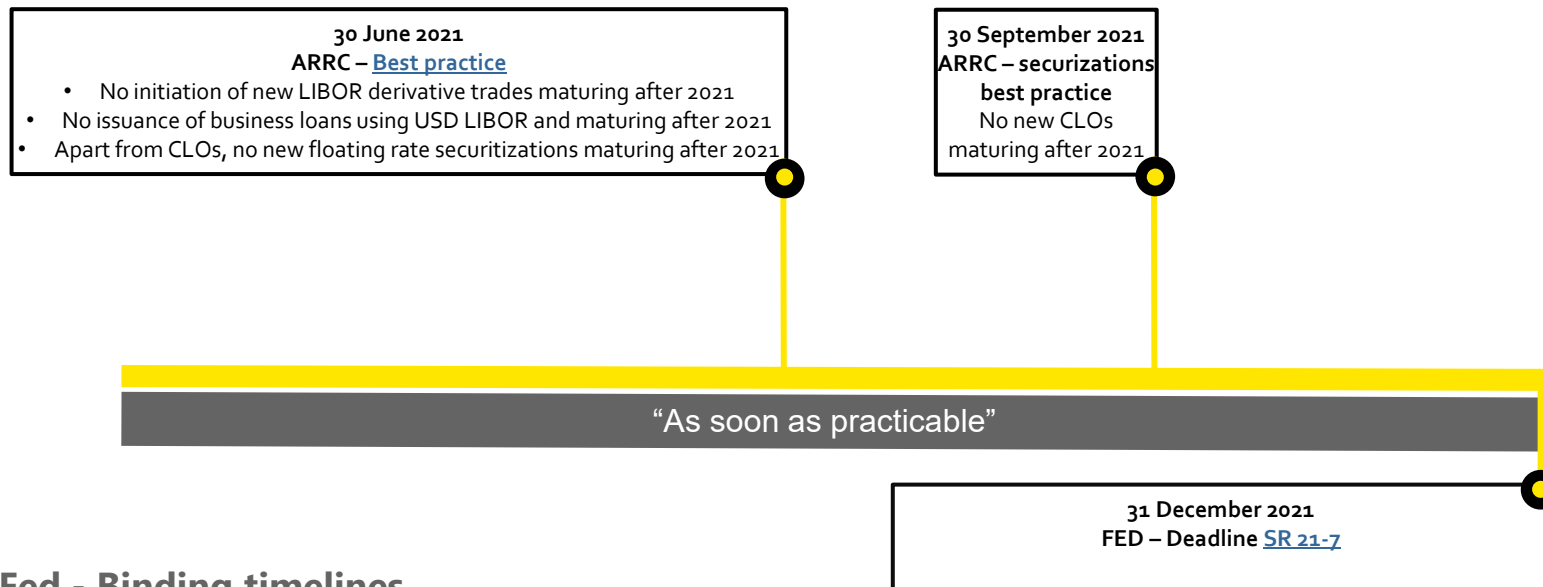
# ARRC aims to accelerate USD LIBOR to SOFR transition



# Recommended ARRC milestones vs. Binding timelines of the Fed

---

## ARRC – Recommended timelines



## Fed - Binding timelines

# **ISDA Highlights**



# ISDA's Adoption of RFRs Major Developments in 2021

## *Forward-looking term structures & Credit sensitive LIBOR alternatives*

### *Forward-looking term structures*

#### **SOFR:**

- The ARRC announced in March 2021 that although trading activity in SOFR derivatives is growing, **it will not be in a position to recommend a forward-looking SOFR term rate by its original mid-2021 target** based on current levels of liquidity in SOFR derivatives markets.

#### **SONIA:**

- **Limited use of forward-looking term rates**, and that the sterling fixed income and wholesale lending market should predominantly transition to SONIA compounded in arrears
- **IBA and Refinitiv launched their own TSRRs in January 2021**, with available one-, three-, six- and 12-month tenors.

#### **ESTR:**

- The WG published a consultation to identify EURIBOR fallback provisions based on €STR for cash products. **The consultation proposed a forward- and backward-looking €STR term structure as a component of the fallbacks;**
- The forward-looking term structure would be based on a methodology using €STR OIS committed quotes that was examined by the working group in 2019. This method would require a successful transition from EONIA to €STR, with a significant transfer of liquidity to €STR OIS markets. However, **current liquidity of the €STR OIS market remains modest.**

#### **TONA:**

- In Japan, the Committee selected Quick Corporation as administrator to calculate and **publish a forward-looking term version of TONA in February 2020**
- Prototype rates have been published on a weekly basis since May 2020 and on a daily basis since October 2020. These prototypes have been used by market participants and interest rate benchmark users to develop their administrative frameworks. **Publication of production rates for use in actual transactions is scheduled to begin before mid-2021**

### *Credit sensitive LIBOR alternatives*

#### **AMERIBOR:**

- AMERIBOR is an interest rate benchmark based on overnight unsecured loans transacted on the American Financial Exchange. It reflects the actual borrowing costs of thousands of small, medium and regional banks across the US. Compared to SOFR, **AMERIBOR contains a credit spread component based on unsecured loans.**

#### **ICE BYI:**

- ICE BYI will be a **forward-looking, credit-sensitive benchmark** developed as a potential LIBOR replacement for US dollar lending activity.

#### **BSBY:**

- BSBY represents a series of **credit-sensitive reference rates that incorporate systemic bank credit spreads**. It measures the average yields at which large global banks access US dollar senior unsecured marginal wholesale funding.

#### **IHS Markit:**

- IHS Markit is developing a **US dollar credit spread adjustment that will use commercial paper and certificates of deposit**, secondary market bank bond transactions and indicative price quotes for bank bonds. IHS Markit is also considering publishing an all-in rate.

# ISDA's Adoption of RFRs Major Developments in 2021

## Target milestones for 2021

**Table 1: ARRC Target Milestones for 2021**

Date	Target Milestones
<b>December 2020</b>	No floating rate notes using US dollar LIBOR and maturing after 2021 should be issued after December 31, 2020.
<b>March 2021</b>	Dealers should change the market convention for quoting US dollar-based derivatives from LIBOR to SOFR.
<b>June 2021</b>	Market participants should not initiate new LIBOR derivative trades maturing after 2021 that will increase LIBOR risk unless such trades are for risk or default management of legacy LIBOR positions after June 30, 2021. No business loans using US dollar LIBOR and maturing after 2021 should be originated after June 30, 2021. Other than collateralized loans obligations (CLOs), no floating-rate securitizations using US dollar LIBOR in its tranches and maturing after 2021 should be issued after June 30, 2021. Creation of a term reference rate based on SOFR derivatives markets once liquidity has developed sufficiently to produce a robust rate in the first half of 2021.
<b>September 2021</b>	No CLOs (both corporate and commercial real estate) referencing US dollar LIBOR should be issued after September 30, 2021.

Source: ARRC recommended best practices

**Table 2: RFRWG Target Milestones for 2021**

Date	Target Milestones
<b>Q1 2021</b>	Cease initiation of new sterling LIBOR-linked loans, bonds, securitizations and linear derivatives that expire after the end of 2021, except for risk management of existing positions. Complete identification of all legacy sterling LIBOR contracts expiring after end-2021 that can be actively converted and accelerate active conversion where viable. Widespread sign-up to the ISDA protocol ahead of effective date. Live production of term SONIA reference rates.
<b>Q2 2021</b>	Cease initiation of new sterling LIBOR non-linear derivatives that expire after end-2021, except for risk management of existing positions. Cease initiation of new sterling LIBOR exchange-traded derivatives that expire after end-2021, except for risk management of existing positions. Progress active conversion of all legacy sterling LIBOR contracts expiring after end-2021 where viable. If not viable, then ensure robust fallbacks are adopted where possible.
<b>Q3 2021</b>	Complete active conversion of all legacy sterling LIBOR contracts expiring after the end of 2021 where viable. If not viable, then ensure robust fallbacks are adopted where possible.
<b>Q4 2021</b>	Be fully prepared for the end of sterling LIBOR.

Source: Working Group on Sterling Risk-Free Reference Rates

**Table 3: The Cross-industry Committee on Japanese Yen Interest Rate Benchmarks Target Milestones for 2021**

Date	Target Milestones
<b>Q1 2021</b>	Develop systems and operations for overnight RFR compounding (fixing in arrears).
<b>Q2 2021</b>	Cease issuance of new loans and bonds referencing LIBOR.
<b>Q3 2021</b>	Significantly reduce the amount of loans and bonds referencing LIBOR. Adopt new quoting conventions for yen interest rate swaps based on TONA instead of LIBOR no later than the end of July 2021. Market participants should adopt the new quoting conventions earlier if they can. Cease initiation of new interest rate swaps referencing yen LIBOR that mature after the end of 2021 no later than the end of September 2021, except for the risk management of existing positions. Market participants should transition before the end of September if they can.

Source: The Cross-industry Committee on Japanese Yen Interest Rate Benchmarks

**Table 4: HKMA Target Milestones for 2021**

Date	Target Milestones
<b>January 2021</b>	Authorized institutions should be in a position to offer products referencing alternative reference rates from January 1, 2021. Adequate fallback provisions should be included in all newly issued LIBOR-linked contracts that will mature after 2021 from January 1, 2021.
<b>December 2021</b>	Authorized institutions should cease to issue new LIBOR-linked products that will mature after 2021 by the end of 2021.

Source: Hong Kong Monetary Authority

ISDA's Adoption of  
RFRs Major  
Developments in  
2021  
[Link](#)

**USD LIBOR – SOFR  
transition update**

# ARRC sets out supplemental recommendation for business loan



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				Likely implications / follow-up actions for TBB	
				Likely impact areas					
				Frontbook		Backbook			Function
1	ARRC	The supplemental recommendation for business loans sets out versions of the 2020 fallback language for syndicated business loans and bilateral business loans incorporating the certainty on fallback timing and economics due to the March 5th announcements. These simplified versions of the ARRC's hardwired business loans fallback reflect the ARRC's effort to support a transition away from USD LIBOR and the adoption of SOFR. <a href="#">Link</a>	M	FB	Yes	Legal & Compliance	Yes	Supplemental recommendation of hardwired fallback language apply to LIBOR syndicated and bilateral business loans, recommendations of hardwired fallback language should be taken into account, if not adopted already. Parties who continue to use the 2020 fallback language will likely want to incorporate the impact of the March 5th statements going forward.	
	IT & Operations					Yes			
	Risk			Yes					
	Communications			No					
Supplemental recommendation of hardwired fallback language for Business loans	25/03/2021			BB	Yes	Treasury	No		
2	LSTA	This document illustrates a multicurrency loan facility bearing interest at USD LIBOR for Dollar, EURIBOR for Euros, TIBOR for Japanese Yen, Daily Simple SONIA for Sterling, and Daily Simple SARON for Swiss Francs. <a href="#">Link</a>	S	FB	Yes	Legal & Compliance	Yes		No direct implications from this publication, concept document could be used as input.
	IT & Operations					Yes			
	Risk			Yes					
	Communications			No					
IBOR/RFR multicurrency concept document	13/04/2021			BB	Yes	Treasury	No		
3	LSTA	This document contemplates using the "compound the balance" method to calculate daily compounded interest where SOFR is applied to principal and all accrued, unpaid interest (excluding margin) on a daily basis. The concept credit agreement describing a term loan referencing daily simple SOFR or daily compounded SOFR ("compound the balance" approach). <a href="#">Link</a>	S	FB	Yes	Legal & Compliance	Yes	No direct implication from this publication.	
	IT & Operations					Yes			
	Risk			Yes					
	Communications			No					
LSTA's SOFR concept credit agreement	13/04/2021			BB	Yes	Treasury	No		

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator

# LSTA provides draft credit sensitive rate fallback language for lending



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas				Likely implications / follow-up actions for TBB
				Frontbook Backbook		Function		
4	LSTA	The LSTA has last year investigated Credit Sensitive Rates as potential replacements for LIBOR. The LSTA has been working to ensure that any potential replacement rate for LIBOR can be effectuated. This involves education around potential rates, as well as working to ensure that i) systems can consume all possible rates, ii) that all possible replacement rates can be documented and iii) that there is an understanding of conventions that replacement rates might need. he latest step along this path was education around potential credit sensitive replacement rates for LIBOR. <a href="#">Link</a>	S	FB	Yes	Legal & Compliance	Yes	No direct implications from this article.
	IT & Operations					Yes		
	Risk					Yes		
	A (credit) sensitive topic			31/03/2021		BB	Yes	
Treasury		No						

	BSBY	Ameribor	Bank Yield Index	Markit
<b>Publisher</b>	• Bloomberg	• American Financial Exchange (AFX) on CBOE Platform	• ICE Benchmark Administration	• IHS Markit Benchmark Administration
<b>Frequency</b>	• Daily rate	• Daily rate	• Daily rate	• Daily rate
<b>IOSCO compliant</b>	• Yes	• Yes	• TBD	• Yes
<b>Background</b>	• Short history • Constructed using aggregated data that is anchored in transactions of CP, CD & USD bank deposits	• Based on overnight unsecured loans transacted on the AFX • Short history (2011) • Rate is not tested	• Forward-looking, credit-sensitive benchmark • Used in lending transactions over 30 years • Equivalent USD LIBOR tenors	• Composed of CP, CD, corporate bond transactions and indicative price quotes
<b>Market acceptance</b>	• Growing	• Under consideration	• Under consideration	• Under consideration
			<div style="display: flex; justify-content: space-around; align-items: center;"> <span>NA</span> <span>XS</span> <span>S</span> <span>M</span> <span>L</span> <span>XL</span> <span>XXL</span> </div>	Relevance indicator

# ARRC published white paper with model for SOFR in asset-backed securities



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	The ARRC published a white paper that outlines a model for using SOFR in asset-backed securities products. This methodology uses published 30-day Average SOFR which uses the actual SOFR rates from the 30-day period before the applicable reset date. <a href="#">Link</a>	S	FB	Yes	Legal & Compliance	Yes	Implications for USD LIBOR referencing commercial and asset-backed mortgage backed securities	
	29/03/2021					IT & Operations	Yes		
ARRC publishes approach to using SOFR in new issuance of Variety of Securitized products		BB	Yes	Risk	Yes	Communications	No		
				Treasury	Yes				
6	LSTA	As it is expected that by year-end there will be a "multirate" world, meaning that there will be loans priced over LIBOR, variations of SOFR and potentially even Credit Sensitive Rates. This article by the LSTA covers aspects of "How are we going to manage the transition to the multirate world and, once there, how will we function?". There will be a multirate environment starting late 2021 because banks must stop originating LIBOR loans (and thus will originate on SOFR or CSR), while legacy loans will still be on LIBOR. <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes		No direct implications but it provides some relevant considerations to take into account when moving away from LIBOR.
	15/04/2021					IT & Operations	Yes		
LIBOR: living in a multirate world		BB	Yes	Risk	Yes	Communications	No		
				Treasury	No				
7	LSTA	The LSTA has hosted a presentation focused on the operations side of the LIBOR transition and the possible consequences of the recommended and regulatory deadlines. Banking regulators have said new LIBOR loans must cease "as soon as practicable", but definitely no later than 12/31/21. Presentation was aimed at starting a discussion around how to actually operationalize different post-LIBOR rates. <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes	No direct implications from this publication, presentation could contain some point to take into account regarding operations and (post) LIBOR rates.	
	14/04/2021					IT & Operations	Yes		
LIBOR transition: this is it		BB	Yes	Risk	Yes	Communications	No		
				Treasury	No				

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator

# ARRC to publish all fallback provisions in single document



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	<p>The LSTA has published an advisory which addresses adding a “credit sensitive rate” option as part of the LIBOR fallback language included in syndicated loan and bilateral loan documentation. The LSTA is providing this language in light of the interest shown by a number of LSTA members in credit sensitive rates that are emerging. This gives the opportunity to credit sensitive rates to develop as viable replacements for LIBOR given that June 30, 2023 is the expected cessation date for the most widely used tenors of USD LIBOR for legacy transactions. <a href="#">Link</a></p>	XS	FB	Yes	Legal & Compliance	Yes	<p>No direct implication from this publication as some credit sensitive rates are not BRM compliant (yet) nor viable at the moment. Follow developments around credit sensitive rates.</p>	
	13/04/2021					IT & Operations	Yes		
Credit sensitive hardwired	Risk		Yes						
9	ARRC	<p>Key take aways:</p> <ul style="list-style-type: none"> <li>The ARRC plans to publish all of its fallback provisions for different products in a single document to provide clarity for market participants</li> <li>LIBOR liquidity will likely decline after the end of this year, but it won't be nonexistent ARRC likely won't produce term rate by end of year</li> </ul> <p><del>No link available</del></p> <p>LSTA published a market advisory which addresses adding a “credit sensitive rate” option as part of the LIBOR fallback language included in syndicated loan and bilateral loan documentation. In particular, this advisory provides sample language developed by the LSTA in collaboration with a working group of its sell-side and buy-side members to facilitate the use of credit sensitive rates in hardwired fallback language for members who are interested in incorporating a credit sensitive rate option. <a href="#">Link</a></p>	XS	FB	Yes	Legal & Compliance	Yes		<p>No direct implication from this publication.</p>
	09/04/2021					IT & Operations	Yes		
Office hours notes	Risk		Yes						
10	LSTA	<p>LSTA published a market advisory which addresses adding a “credit sensitive rate” option as part of the LIBOR fallback language included in syndicated loan and bilateral loan documentation. In particular, this advisory provides sample language developed by the LSTA in collaboration with a working group of its sell-side and buy-side members to facilitate the use of credit sensitive rates in hardwired fallback language for members who are interested in incorporating a credit sensitive rate option. <a href="#">Link</a></p>	XS	FB	Yes	IT & Operations	Yes	<p>sensitive rates are considered then the fallback language proposed by the LSTA for syndicated and bilateral loans could be useful.</p>	
	08/04/2021					Risk	Yes		
	CSR slot-in rider for fallback language market advisory			Communications	Yes				
			BB	Yes	Treasury	No			

NA	XS	S	M	L	XL	XXL	Relevance indicator
----	----	---	---	---	----	-----	---------------------

# ARRC Endorses Decision to Sign New York State LIBOR Legislation into Law



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas				Likely implications / follow-up actions for TBB	
				Frontbook Backbook		Function			
11	ARRC	The ARRC commended the signing of LIBOR legislation into NY state law, a step that will help to minimize legal uncertainty and adverse economic impacts associated with the transition from LIBOR. Initially presented by the ARRC last year, this new law addresses the issue of legacy contracts that mature after mid-2023 and do not include effective fallbacks. <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes	Limited impact for no given its US state law however it is expected that this will be the blueprint for federal legislation. Follow developments.	
	07/04/2021					IT & Operations	Yes		
ARRC Endorses Decision to Sign New York State LIBOR Legislation into Law	BB	Yes	Risk	Yes					
Communications			No						
12	Risk.net	ISDA has created documentation that would govern trading in BSBY swaps, which was sent to members on March 23. Following a comment period, the new benchmark will be added to the trade body's interest rate definitions in mid-April. <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes		No direct implications from this article.
	05/04/2021					IT & Operations	Yes		
Isda preps swaps blueprint for new Bloomberg rates benchmark	BB	Yes	Risk	Yes					
Communications			No						
13	LSTA	This concept document illustrates a syndicated loan referencing the relevant risk-free rate for each currency on a simple, daily basis. In addition, it provides alternative drafting for using EURIBOR and TIBOR for Euro and Yen, respectively, if parties wish to do so. The concept document also includes additional language in the definition of "Daily Simple RFR". <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes	No direct implications from this article.	
	31/03/2021					IT & Operations	Yes		
Publication of simple RFR multicurrency concept document	BB	Yes	Risk	Yes					
Communications			No						
Treasury	No								

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator



# LSTA published notice relating to LIBOR transition



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas				Likely implications / follow-up actions for TBB	
				Frontbook Backbook		Function			
14	Risk.net	The extended timetable for US dollar Libor's demise may have thrown a lifeline to firms scrambling to move safely off the doomed benchmark, but it is also causing agitation among some participants. Across cash and derivatives markets, many fear they will be locked into unrepresentative fallback rates that were crystallised more than two years before taking effect. <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes	No direct implications from this article.	
	IT & Operations					Yes			
	31/03/2021			BB	Yes	Risk	Yes		
US markets fret over 'unrepresentative' fallbacks	Communications	No							
15	LSTA	The new abridged hardwired fallback language is shorter, simpler and easier to digest. Because it is so straightforward, it should reduce confusion between counterparties and should be more easily adopted in negotiations with borrowers. In turn, this will help banks meet the bank examiners' imperative that new LIBOR referenced loans should contain hardwired fallbacks. <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes		Parties who continue to use the 2020 fallback language will likely want to incorporate the impact of the March 5th statements going forward.
	25/03/2021					IT & Operations	Yes		
	LIBOR hardwired fallbacks: better & more useable			BB	Yes	Risk	Yes		
						Communications	No		
						Treasury	No		

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator

**GBP LIBOR – SONIA  
transition update**

# FCA & BoE support shift away from GBP LIBOR non-linear derivatives market



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas		Likely implications / follow-up actions for TBB		
				Frontbook	Backbook			Function
1	LMA	LMA published an exposure draft RFR documentation as recommended forms. LMA has replaced the existing single currency SONIA and SOFR exposure drafts with two recommended form single currency RFR facilities agreements (one based on observation shift and one without shift) and updated the RFR Terms and notes outlining LIBOR transition considerations for the LMA's wider suite of documentation. <a href="#">Link</a>	M	FB	Yes	Legal & Compliance	Yes	Take considerations for market participants into account when using the RFR Agreements and compounded in arrear RFRs in the context of certain other loan product areas and jurisdictions.
	IT & Operations					Yes		
30/03/2021	Exposure draft RFR documentation	M	BB	Yes	Risk	Yes		
The FCA and the Bank of England encourage market participants in a switch to SONIA in the sterling non-linear derivatives market from 11 May					Communications	Yes		
	BoE & FCA	Following close engagement with market participants, the FCA and Bank of England support and encourage liquidity providers in the sterling non-linear derivatives market to adopt new quoting conventions for inter-dealer trading based on SONIA instead of LIBOR from 11 May this year. This is to facilitate a further shift in market liquidity toward SONIA, bringing benefits for a wide range of users as they move away from LIBOR. <a href="#">Link</a> <a href="#">Link</a>	M	FB	Yes	Legal & Compliance	Yes	
29/03/2021	IT & Operations					Yes		
The FCA and the Bank of England encourage market participants in a switch to SONIA in the sterling non-linear derivatives market from 11 May	The FCA and the Bank of England encourage market participants in a switch to SONIA in the sterling non-linear derivatives market from 11 May	M	BB	Yes	Risk	Yes		
					Communications	Yes		
FMSB	The Sterling RFRWG, the FCA & BoE issued a joint statement welcoming FSMB publication of a proposed standard recognising the conduct and systemic risk advantages associated with a broad-based adoption of SONIA compounded in arrears and considering selected use cases for Term SONIA reference rates in sterling markets where there is a robust rationale to meet specific needs. <a href="#">Link</a> <a href="#">Link</a>	M	FB	Yes	Legal & Compliance	Yes	No direct implications from this publications as it is a draft for now, follow developments.	
					IT & Operations	Yes		
24/03/2021	Standard on use of Term SONIA reference rates draft	M	BB	Yes	Risk	Yes		
					Communications	No		
						Treasury		Yes

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator

# BoE has been seeking consultation on actions to take for a swift change



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas		Likely implications / follow-up actions for TBB			
				Frontbook	Backbook			Function	
4	LMA	<p>The purpose of this note is to highlight considerations for LMA members when using Term SONIA Reference Rates (TSRRs). TSRRs are forward-looking in nature and so similar in some respects to LIBOR, making a transition to TSRRs simpler from a documentation and operational perspective than a transition to compounded in arrears RFRs. However, TSRRs also have a number of important differences to LIBOR which need to be factored in to their use and documentation.</p> <p>This guide covers how and which TSRRs should be used, fallbacks for TSRRs in documentation, approach to market disruption and break costs, credit spread adjustments and interaction with hedging. <a href="#">Link</a></p>	S	FB	Yes	Legal & Compliance	Yes	Consider the guide with regards to the use of TSRRs.	
	26/03/2021					IT & Operations	Yes		
5	BoE	<p>Consultation was seeking views of bond market participants on whether it would be helpful for the RFRWG to make a recommendation on a successor rate to GBP LIBOR for bonds upon the occurrence of a permanent cessation event or a pre-cessation event, and to seek feedback on the successor rate to be recommended. All 24 respondents to the consultation considered that it would be helpful for the RFRWG to make a recommendation on the successor rate to GBP LIBOR. <a href="#">Link</a></p>	S	FB	Yes	Legal & Compliance	Yes		No direct implications from this publication.
	30/03/2021					IT & Operations	No		
	Consultation on successor rate to GBP LIBOR in legacy bonds referencing GBP LIBOR – Summary of Responses			BB	Yes	Risk	Yes		
						Communications	No		
						Treasury	Yes		

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator

# Sterling RFRWG publishes summary overview of latest announcements



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				
				Likely impact areas		Likely implications / follow-up actions for TBB		
				Frontbook	Backbook			Function
6	BoE	<p>This market notice sets out the Bank's risk management approach to collateral referencing all LIBOR rates for use in the SMF. It forms part of the Documentation for the BoE operations under the SMF and should be read in conjunction with the SMF Documentation. Pursuant to this Market Notice, a haircut add-on will be applied to all LIBOR Linked Collateral. For the avoidance of doubt, haircuts will be capped at 100 per cent. <a href="#">Link</a></p>	S	FB	Yes	Legal & Compliance	Yes	<p>Pursuant to this Market Notice, a haircut add-on will be applied to all LIBOR Linked Collateral. The haircut add-on will be 10 percentage points from (and including) 1 April 2021, 40 percentage points from (and including) 1 September 2021 and 100 percentage points from (and including) 31 December 2021. For the avoidance of doubt, haircuts will be capped at 100 per cent.</p>
	IT & Operations					Yes		
	Risk					Yes		
Communications	Yes							
7	Sterling RFRWG	<p>Key take aways:</p> <ul style="list-style-type: none"> <li>The Bank of England's LIBOR-linked collateral and haircut policy comes into effect per 1-4-2021;</li> <li>Milestone for market participants to cease initiation of new GBP LIBOR-linked non-linear derivatives that expire after end-2021;</li> <li>Provides a short summary of all updates and milestones that have come into affect over the last 4 months.</li> </ul> <p><a href="#">Link</a></p>	XS	FB	Yes	Legal & Compliance	No	
	IT & Operations					Yes		
	Risk					Yes		
	01/04/2021			BB	Yes	Communications	No	
	March newsletter					Treasury	No	

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator



**Transition update  
Swiss & Asian IBORs**

# Timelines for discontinuation of SOR, SIBOR and JPY LIBOR



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector				Likely implications / follow-up actions for TBB
				Likely impact areas				
				Frontbook Backbook		Function		
1	SC-STs	<p>SC-STs announced new industry timelines to cease issuance of SOR derivatives and SIBOR-linked financial products by end-September 2021:</p> <ul style="list-style-type: none"> <li>- All financial institutions and their customers should cease usage of SOR in new derivatives contracts;</li> <li>- All financial institutions and their customers should cease usage of SIBOR in new contracts.</li> </ul> <p><a href="#">Link</a></p>	M	FB	Yes	Legal & Compliance	Yes	No direct implications from this publication for Turkish banks or regulators but should be taken into account.
	31/03/2021					IT & Operations	Yes	
New timelines to cease issuance of SOR derivatives and SIBOR-linked financial products		<p>Sub-Group for the Development of Term Reference Rates expects market participants to proceed with necessary preparations with regard to the discontinuation of JPY LIBOR in the interest rate swap market:</p> <ul style="list-style-type: none"> <li>- Initiation of new interest rate swaps referencing JPY LIBOR and maturing after the end of 2021 shall be ceased by no later than the end of September 2021;</li> <li>- TONA shall be the main alternative benchmark for the JPY interest rate swaps market;</li> <li>- New quoting conventions for the JPY interest rate swaps market based on TONA, instead of LIBOR, shall be adopted by no later than the end of July 2021. <a href="#">Link</a></li> </ul>	M	BB	No	Risk	Yes	
26/03/2021	Communications					Yes		
Preparations for the discontinuation of LIBOR in the JPY interest rate swaps market		<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	FB	Yes	Treasury	Yes	
2	26/03/2021					Legal & Compliance	Yes	
HKMA		<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	BB	No	IT & Operations	Yes	No direct implications from this publication.
3	25/03/2021					Risk	Yes	
Update transition milestones		<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	FB	Yes	Communications	No	
Update transition milestones						<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	BB	
Update transition milestones		<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	BB	No			
Update transition milestones						<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	
Update transition milestones		<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	BB	No			Risk
Update transition milestones						<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	BB
Update transition milestones		<p>One of the transition milestones, published by the HKMA in July 2020, was that institutions should cease to issue new LIBOR-linked products that will mature after 2021 by 30 June 2021.</p> <p>In light of the latest developments and taking into account the industry's feedback institutions should continue to press ahead with their transition preparations and should cease to issue new LIBOR-linked contracts by the end of this year (instead of 30 June 2021). <a href="#">Link</a></p>	M	BB	No			

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator

# JBA TIBOR Administration announcement no index cessation event



Publication details		Summary	Indicative relevance	Applicability to Turkish FS sector					
				Likely impact areas				Likely implications / follow-up actions for TBB	
				Frontbook Backbook		Function			
4	ISDA	JBA TIBOR Administration has announced that it will consult on its intention to retain yen TIBOR and discontinue euroyen TIBOR at the end of December 2024. This statement does not constitute an index cessation event under the IBOR Fallbacks Supplement or the ISDA 2020 IBOR Fallbacks Protocol and will not trigger the fallbacks for euroyen TIBOR under the supplement or protocol. <a href="#">Link</a>	XS	FB	Yes	Legal & Compliance	Yes	No direct implications from this publication for Turkish banks.	
	IT & Operations					Yes			
	29/03/2021			ISDA Statement on JBATA Announcement on Yen TIBOR and Euroyen TIBOR	BB	Yes	Risk		Yes
							Communications		No
				Treasury	Yes				

NA	XS	S	M	L	XL	XXL
----	----	---	---	---	----	-----

Relevance indicator



**Next steps in the IBOR  
transition – Conduct risk**

# Next steps in the IBOR transition – Conduct risk

## Conduct risk

### In the current phase of the IBOR transition conduct risk should be considered and taken into account:

- Client journey to be taken into account when defining and scoping IBOR transition next steps
- Many banks have completed a “blanket outreach” after the March 5<sup>th</sup> announcement by the FCA & IBA
- Clients with IBOR exposure are contacted by Relationship Managers (RM’s)
- Clients might have different levels of sophistication

### Some key activities which firms should consider with regards to conduct risk:

Activity	High Level Description
1. Control framework mapping	<ul style="list-style-type: none"> <li>• Document IBOR control framework against client journey for each business area (e.g. Lending / Derivatives) with identified conducts risks, mitigating actions, preventative and detective controls</li> <li>• Agree outcome testing and develop bespoke testing scripts with 1LoD</li> </ul>
2. Training on Conduct Risk for Transition Communication stage	<ul style="list-style-type: none"> <li>• Create and deliver Conduct Risk training materials applicable to product segments, including: <ul style="list-style-type: none"> <li>• Specific conduct risk and client options with Transition Communication stage</li> <li>• Critical information for RMs/Sales to present to clients (including do’s and don’t’s)</li> <li>• Retention of evidence and key artefacts from client journey</li> </ul> </li> </ul>
3. Regulatory gap analysis on Transition Communications	<ul style="list-style-type: none"> <li>• Review communication templates against industry and regulatory guidance to identify gaps and recommended remedial actions</li> </ul>
4. Review of IBOR Policies and thematic conduct review	<ul style="list-style-type: none"> <li>• Assess IBOR Transition policies against regulatory guidance and peer insight (e.g. comms strategy, complaints/query management, ref rate/CAS/switch dates transition strategy, pricing and costs strategy)</li> <li>• Support complaint and query management teams with IBOR SMEs to review emerging conduct themes, lessons learned and review whether policy changes are needed</li> </ul>
5. Conduct and Control MI Framework	<ul style="list-style-type: none"> <li>• Develop a comprehensive MI Framework with outputs for different seniority levels (e.g. management, executive MI)</li> <li>• Produce monthly dashboards with qualitative commentary and recommended remedial action (e.g. policy changes) to mitigate conduct risk</li> </ul>
6. Outcomes Testing / Assurance	<ul style="list-style-type: none"> <li>• Assist BAU 1LoD/voice surveillance teams to perform outcomes testing (e.g. develop bespoke testing script and reviewing call recordings) to identify themes and suggest rectification actions</li> </ul>

# Product conventions

# Overview per product type - benchmarks and their alternatives

Product Conventions			
Product	Current Rate	Alternate Rate	Methodology
Bilateral Loans	EURIBOR / EUR – LIBOR	€STR	Proposed fallback rate for capital market products: Lookback / Payment delay, no need to know the rate in advance, hedging needs and consistency across global markets ( <a href="#">Link</a> )
	GBP – LIBOR	SONIA	Recommendation BoE: Compounded in arrears (lookback without an observation shift) Lookback with an observation shift remains a viable and robust alternative ( <a href="#">Link</a> )
	USD-LIBOR	SOFR	1) Term SOFR 2) Daily simple SOFR 3) Lender selected rate (ARRC recognizes that market participants may wish to reference daily compounded SOFR or advance rates) ( <a href="#">Link</a> )
	CHF – LIBOR	SARON	Fallback rate Option 1: Compounded SARON plus ISDA's spread adjustment, Fallback rate Option 2: Compounded SARON without spread (in order to simplify the fallback and as long as it is in favor for the customer) ( <a href="#">Link</a> )
	JPY - LIBOR	TONAR	Lookback without observation shift approach ( <a href="#">Link</a> )
	HIBOR	HONIA	Hong Kong will adopt a multi-rate approach, whereby HIBOR and HONIA will co-exist. Forward term HONIA rate: for forward term rates in multiple-rate jurisdictions, two rankings are given: (i) one for such jurisdiction's existing non-LIBOR IBOR; and (ii) one for a forward term rate derived from such jurisdiction's identified RFR. ( <a href="#">Link</a> )
	SOR / SIBOR	SORA	Average rate of overnight SGD cash market transactions, Volume-weighted average of unsecured overnight interbank borrowings in the SGD cash market. 5 Business Day 'Lookback with Observation Shift' or 5 Business Day 'Lookback without Observation Shift.  For SOR bilateral loans, the recommended fallback would be in the following hierarchy: 1) Fallback Rate (SOR), 2) Recommended fallback rate by MAS, 3) A replacement rate that is agreed between the Lender and the Borrower plus the Benchmark Replacement Adjustment ( <a href="#">Link</a> )

# Overview per product type - benchmarks and their alternatives

Product Conventions			
Product	Current Rate	Alternate Rate	Methodology
Syndicated Loans	EURIBOR / EUR - LIBOR	€STR	Oposed fallback rate for capital market products: Lookback / Payment delay, no need to know the rate in advance, hedging needs and consistency across global markets ( <a href="#">Link</a> )
	GBP – LIBOR	SONIA	Recommendation BoE: Compounded in arrears (lookback without an observation shift) Lookback with an observation shift remains a viable and robust alternative ( <a href="#">Link</a> )
	USD-LIBOR	SOFR	Daily simple in arrears, daily compounded in arrears (business day lookback with no observation shift - 2 and 5 business days lookback) ( <a href="#">Link</a> )
	CHF – LIBOR	SARON	Further work will be conducted on the feasibility of options using compounded SARON in syndicated lending, including liaising with international working groups to align loan market conventions where beneficial according to NWG. ( <a href="#">Link</a> )
	JPY - LIBOR	TONAR	Lookback without observation shift approach ( <a href="#">Link</a> )
	HIBOR	HONIA	Hong Kong will adopt a multi-rate approach, whereby HIBOR and HONIA will co-exist. Forward term HONIA rate: for forward term rates in multiple-rate jurisdictions, two rankings are given: (i) one for such jurisdiction's existing non-LIBOR IBOR; and (ii) one for a forward term rate derived from such jurisdiction's identified RFR. ( <a href="#">Link</a> )
	SOR / SIBOR	SORA	Primarily for syndicated loans, the Replacement of Screen Rate Clause ("RSR Clause"), published by the Loan Market Association and endorsed by the Asia Pacific Loan Market Association, aids the transition to SORA by lowering the thresholds for borrower consent required to make such Transition ( <a href="#">Link</a> )

# Overview per product type - benchmarks and their alternatives

Product Conventions			
Product	Current Rate	Alternate Rate	Methodology
Derivatives	EURIBOR / EUR - LIBOR	€STR	Adjusted RFR: Daily compounded in arrears (two business day backward shift - Offset lag) Fallback rate: Adjusted RFR + Spread Adjustment Follow the fallback supplement and protocol <a href="#">(Link)</a>
	GBP – LIBOR	SONIA	
	USD-LIBOR	SOFR	
	CHF – LIBOR	SARON	
	JPY - LIBOR	TONAR	
	HIBOR	HONIA	
	SOR / SIBOR	SORA	

# Overview per product type - benchmarks and their alternatives

Product Conventions			
Product	Current Rate	Alternate Rate	Methodology
Retail Mortgages	EURIBOR / EUR - LIBOR	€STR	Proposed fallback rate: Forward-looking / Last reset, for which the rate must be known in advance <a href="#">(Link)</a>
	GBP – LIBOR	SONIA	Recommendation BoE: Term SONIA/ Alternative rate <a href="#">(Link)</a>
	USD-LIBOR	SOFR	Adjustable rate mortgages: 30-day compound average SOFR, with a semi-annual reset period <a href="#">(Link)</a>
	CHF – LIBOR	SARON	The standardization should not anticipate consumer preferences whether the interest rate needs to be known in advance or at the end of the interest period. Hence, the recommended options for retail loans should include at least one option from the group “in arrears” and one option from the group “in advance”. In total, at least three options should be recommended (according to NWW) <a href="#">(Link)</a>
	JPY - LIBOR	TONAR	Lookback without observation shift approach <a href="#">(Link)</a>
	HIBOR	HONIA	Hong Kong will adopt a multi-rate approach, whereby HIBOR and HONIA will co-exist. Forward term HONIA rate: for forward term rates in multiple-rate jurisdictions, two rankings are given: (i) one for such jurisdiction's existing non-LIBOR IBOR; and (ii) one for a forward term rate derived from such jurisdiction's identified RFR. <a href="#">(Link)</a>
	SOR / SIBOR	SORA	Compounded averages of SORA (or Compounded SORA) is expected to be the main averaging methodology for SORA products.  Loans: Two main conventions to consider, compounding in-arrears and compounding in-advance. Deciding which convention to use will depend on the user's needs (compounded in arrears in most cases) <a href="#">(Link)</a>

# Overview per product type - benchmarks and their alternatives

Product Conventions			
Product	Current Rate	Alternate Rate	Methodology
FRNs	EURIBOR / EUR - LIBOR	€STR	Proposed fallback rate for capital market products: Lookback / Payment delay, no need to know the rate in advance, hedging needs and consistency across global markets ( <a href="#">Link</a> )
	GBP – LIBOR	SONIA	Overnight SONIA compounded daily in arrears over the interest period, with a five day lag and using the lag approach to weighting, with the margin added to the rate (but not compounded) ( <a href="#">Link</a> )
	USD-LIBOR	SOFR	Compounded daily average in arrear (lookback with an observation shift) - FRN working group preference because the observation period shift applies the correct weighting to the SOFR rates and could utilize a published compounded index. Other conventions that could be used are lockouts and payment delays. ( <a href="#">Link</a> )
	CHF – LIBOR	SARON	Compounded in arrears (with a lookback) - Recommended by NWG ( <a href="#">Link</a> )
	JPY - LIBOR	TONAR	Lookback without observation shift approach ( <a href="#">Link</a> )
	HIBOR	HONIA	Hong Kong will adopt a multi-rate approach, whereby HIBOR and HONIA will co-exist. Forward term HONIA rate: for forward term rates in multiple-rate jurisdictions, two rankings are given: (i) one for such jurisdiction's existing non-LIBOR IBOR; and (ii) one for a forward term rate derived from such jurisdiction's identified RFR. ( <a href="#">Link</a> )
	SOR / SIBOR	SORA	Lookback with observation shift and lookback without observation shift. • The fallback hierarchy when SOR is no longer deemed to be representative is: 1) Term SORA (if available), 2) Compounded SORA, 3) Other alternative rates ( <a href="#">Link</a> )

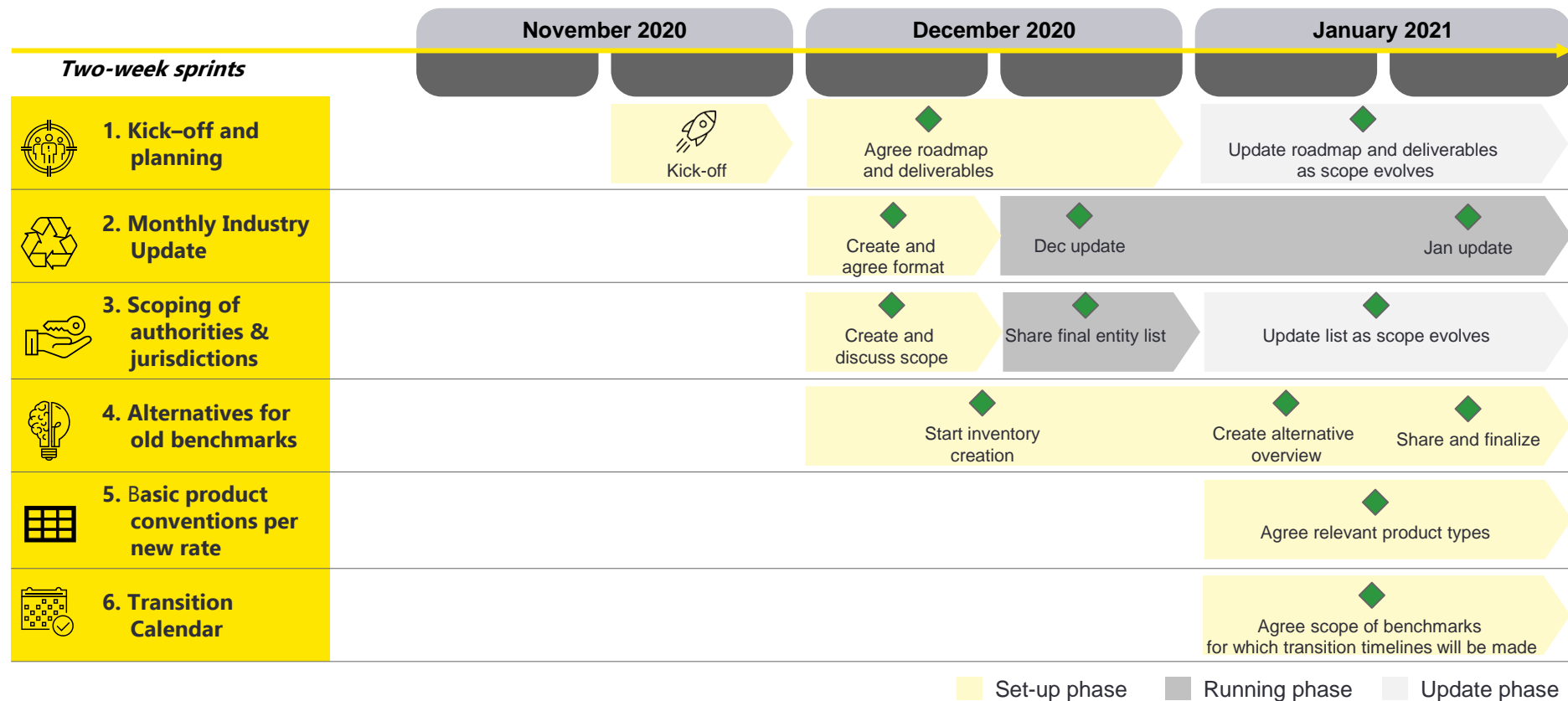


A yellow callout box with a pointed left side and rounded right corners, containing the text "Reflecting on workstream roadmap".

## **Reflecting on workstream roadmap**

# Summary of project roadmap and deliverables

## *Up for confirmation*

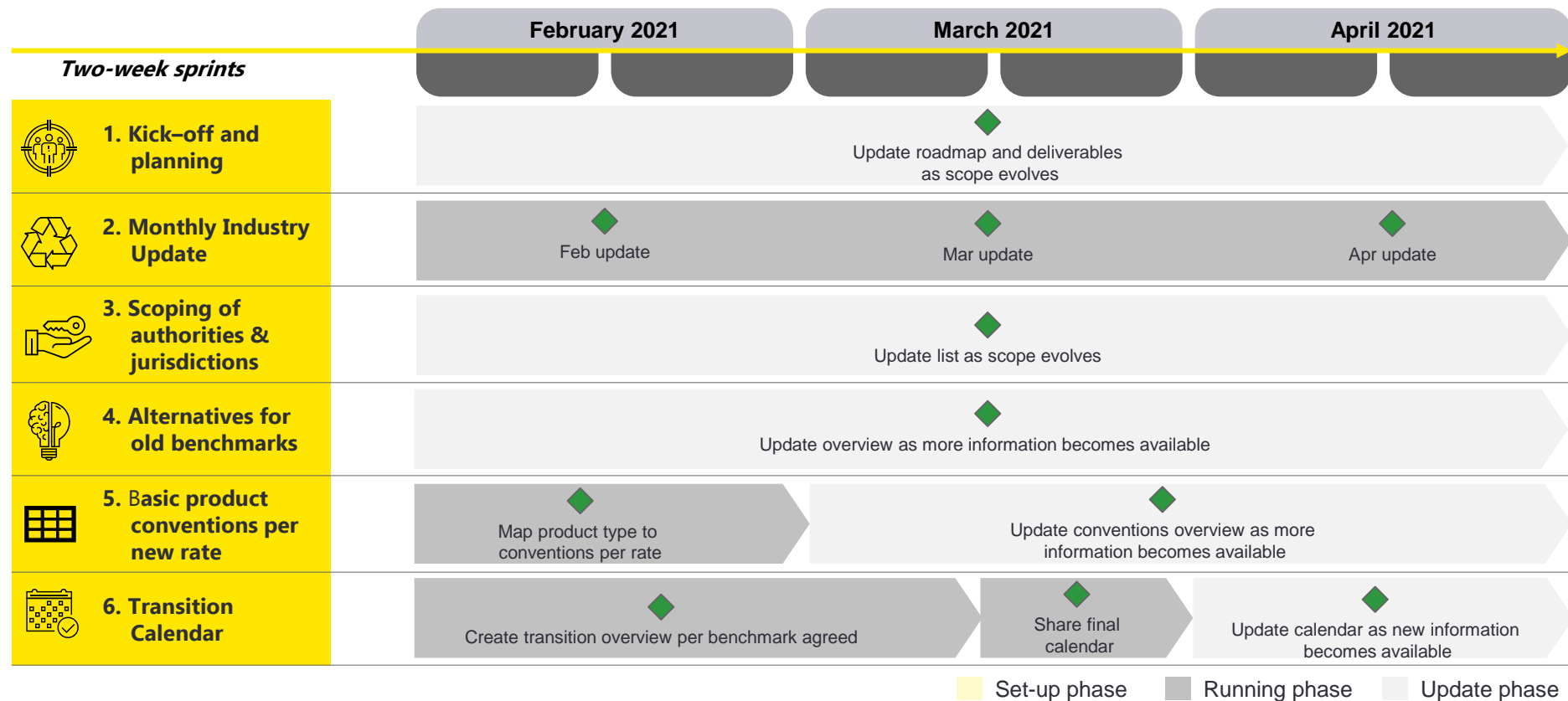


### Description for deliverables

1. Kick-off and planning includes agreeing scope, roadmap, monthly update format and deliverables during the course of the project
2. Monthly update will consist of relevant industry, regulatory and market news applicable to IBOR transition
3. Scoping of entities comprises a list of relevant international authorities that the sub-working group will monitor to stay updated on industry insights and best practices
4. An overview containing old benchmarks in most popular currencies that are changing together with new rates that have been identified and endorsed
5. Overview of conventions identified for new rates per basic product type, including any implementation timelines where available
6. A transition calendar that is in place for each major critical benchmark that is expected to end (i.e. SOFR, SONIA, €STR)

# Summary of project roadmap and deliverables

## *Up for confirmation*



### Description for deliverables

1. Kick-off and planning includes agreeing scope, roadmap, monthly update templates and deliverables during the course of the project
2. Monthly update will consist of relevant industry, regulatory and market news applicable to IBOR transition
3. Scoping of entities comprises a list of relevant international authorities that the sub-working group will monitor to stay updated on industry insights and best practices
4. An overview containing old benchmarks in most popular currencies that are changing together with new rates that have been identified and endorsed
5. Overview of conventions identified for new rates per basic product type, including any implementation timelines where available
6. A transition calendar that is in place for each major critical benchmark that is expected to end (i.e. SOFR, SONIA, €STR)

# Disclaimer

---

The information and statements contained in the presentations prepared by the independent company providing consultancy services to BAT (The Banks Association of Turkey) and the BAT National Working Group ("NWG") - established pursuant to the directives and instruction of the government authorities - as a result of the meetings held by the NWG and its sub-working groups, for the purpose of providing general information about the activities of the NWG on the matter only to our member banks and the public, which will be shared with the government authorities where necessary and which include no directives, recommendations or guarantees, do not contain the whole topic and are not aimed at providing any consultancy or recommendations on the matters. The presentations are published only for information purposes and our Association and the company providing consultancy services bear no responsibility regarding their content. Our Association expresses no general or specific opinion on the subjects contained in the presentations. The information or remarks contained in the presentations do not reflect our Association's official opinion or any decision that was or will be taken on such matters. All enterprises are required to determine their commercial strategies and decisions independently in the context of the applicable competition law. No issue contained in the presentations will be construed in violation of such regulations. Our Association has no obligation to update or correct the information contained in such texts.