

**Minutes of LIBOR Trade Association Working Party Meeting
held on 27 January 2021**

Present:

ACT
AFB
AFME
GFMA
ICMA
ICMSA
ISDA
LMA
LSTA
SIFMA
UK Finance

1. Introduction

The LMA welcomed members back from the holiday season. The purpose of the meeting was for the trade associations to provide updates on any developments in respect of LIBOR transition since the last meeting.

2. ACT update

The ACT noted that corporates were focusing on Brexit and Covid, so ACT communications in Q1 on LIBOR would be limited. On communications, the ACT highlighted its collaboration with other trade associations such as the LMA and UK Finance in efforts to develop more extensive end-user communication materials for smaller trade associations to relay to their members.

The ACT noted that there was concern in the borrower community on lender readiness in the loan market, particularly in the syndicated loan market. The ACT hears from borrowers that although many banks are preparing for LIBOR transition and have developed appropriate systems (or workarounds), there are also lenders who are behind on their readiness for transition away from LIBOR.

Working Party members discussed whether there was anything that trade associations could do to help the situation and move lenders along. The LMA noted that this was a challenging issue to resolve, particularly as trade associations have continued to take multiple steps to reach out to the lender community. It was highlighted that this might be best resolved by the regulators who may be better equipped to communicate directly with senior representatives within the lender community. It was also highlighted that trade associations should continue to discuss these concerns with regulators to keep them informed of the disconnect between what is being heard on deals and what regulators are hearing regarding systems readiness.

The LMA also noted that regulators in the UK have been made aware of this issue and are having conversations around lender readiness. ICMA highlighted in particular that it is unclear what type of support and outreach such lenders are looking for. Once that is clarified, the Outreach and Communications Sub-Group could assist to provide more targeted communication.

The LMA noted that the process of identifying key blockers in the lender community was to be discussed further at the next Sterling Loan Enablers Task Force meeting. The LMA highlighted that

it is essential to first understand what these key blockers are, particularly given the milestone set by the Working Group on Sterling Risk-Free Reference Rates ("**£RFR WG**") of [end-Q1](#) to cease issuance of new GBP LIBOR linked loans that expire post-2021.

The Working Party agreed to keep highlighting the message to be ready for LIBOR transition, particularly in sterling ahead of the end-Q1 milestone.

3. AFB update

AFB agreed with the points raised on lender readiness and will follow up with the ACT on this.

AFB noted that it had not had major interactions with its members since the last Working Party meeting, but that the LIBOR transition message was clear and understood by its members. In addition, AFB responded to the [FCA consultations](#) on its proposed policy for exercising powers under new articles 23A and 23D of the [Financial Services Bill](#).

4. AFME update

AFME [published](#) on 6 January 2021 its "call to action" for active transition of LIBOR linked securitisations, which was well-received and picked up by the press.

Regarding recent IBOR consultations, AFME responded to the [Euro Risk-Free Rates Working Group consultation](#) on €STR-based EURIBOR fallback rates. In its response, AFME focussed on the points regarding securitisations. In addition, AFME, SIFMA, and ASIFMA submitted, and [published](#) on the SIFMA website, a joint response to the [ICE Benchmark Administration Limited \(IBA\) consultation](#) on potential cessation of all LIBOR settings.

AFME continues to work on trustee and paying agent issues with ICMA, ICMSA and TACT. AFME informed members that the last joint call between the trade associations was in Q4 2020, although the trade associations have continued transition efforts and also published AFME's "call to action" on their websites. Some of AFME's workstreams on trustee issues are currently being formalised, and will participate in a workshop on consent solicitations organised by ICMA in February.

5. GFMA update

GFMA noted that it will circulate its monthly newsletter on 29 January 2021. This will be focused on regional and global updates to help its members keep abreast of the developments with respect to the transition. GFMA highlighted that it is also currently updating its other global LIBOR materials.

6. ICMA update

ICMA is carefully following tough legacy legislative developments and continues to provide inputs to regulatory authorities on this. ICMA responded to the [FCA consultation](#) on its proposed policy for use of the power to require changes of a critical benchmark under new article 23D.

In line with the £RFR WG's [end-Q1 milestone](#) for bonds and securitisations to accelerate active transition where viable to reduce legacy volume, ICMA as Chair of the BMSG continues its work on encouraging consent solicitations. Regarding active transition, ICMA noted that it will be hosting a workshop on 11 February 2021 for the BMSG to work through issues around the consent solicitation process. This will be aimed at identifying any operational blips and inefficiencies to see whether they can be resolved or otherwise highlighted to the market. This would primarily focus on identifying ways to make the consent solicitation process more efficient.

ICMA also reported that it has observed up to 40 consent solicitations in the market so far, although some had failed. ICMA noted that this did not send a comforting signal to the market so ICMA aims to understand what issues are still faced.

Regarding documentation and fallbacks, ICMA has contributed to the drafting of a consultation paper to support a recommendation nominating a successor rate for legacy GBP LIBOR bonds. ICMA noted that it is hoped that the £RFR WG will be releasing this paper next week and will include

a six-week response deadline. (Note: The paper was subsequently published on 2 February). This supplements the LMA's work on the appointment of a provider to publish the recommended credit adjustment spread for fallbacks in cash products referencing GBP LIBOR.

On the education side, ICMA will release a [podcast](#) on LIBOR transition over the next two weeks. ICMA also made an announcement to its members to highlight that the latest consultations are not meant to be seen as pre-cessation announcements on non-representativeness but that members should review their fallbacks to check how they operate.

7. ICMSA update

ICMSA is preparing for the workshop to be hosted by ICMA on 11 February to discuss the consent solicitation process.

ICMSA highlighted that on 20 January 2021, ICMSA [published two LIBOR transition bulletins](#) on its website. The bulletin on 'The discontinuation of LIBOR/IBORS – operational and procedural considerations for consent solicitations and written resolutions' is topical and primarily covers operational issues. The second bulletin is an updated version of a previously published version in 2018 and includes relevant issues for legacy transactions. It is hoped that these will be helpful to the market during their transition efforts.

ICMSA continues to monitor the various tough legacy developments and is keeping a watching brief on overall transition in the market.

8. ISDA update

ISDA noted that on 25 January 2021, the [ISDA IBOR Fallbacks Protocol](#) and [ISDA IBOR Fallbacks Supplement](#) came into effect. ISDA highlighted that there had been positive uptake, with over 12,000 entities already having adhered to the ISDA IBOR Fallbacks Protocol.

ISDA also informed members of the [speech](#) delivered by Edwin Schooling Latter of the FCA at City and Financial's Managing LIBOR Transition event on 26 January 2021 where it was mentioned that, in the sterling market, 85% of uncleared derivatives in the UK sterling market now include fallbacks. When including cleared swaps and futures, it was noted that 97% of sterling interest rate derivatives in the UK now include fallbacks, prior to including non-cleared derivatives amended bilaterally to include the fallbacks.

ISDA continues to work on its new 'rate options' for daily RFRs which will be added to the 2006 ISDA Definitions. The inclusion of such daily RFR 'rate options' will facilitate use of the RFRs with certain conventions which will be helpful for more precise hedges.

Over the coming year, ISDA will also look into issues around cross-currency swaps. ISDA highlighted that the ARRC looked into this in 2018. ISDA intends to pick up on this with particular focus on issues arising from situations where there is a discontinuation (or a non-representativeness announcement) of LIBOR while there may be a separate leg in the cross-currency swap which does not yet have any fallbacks. ISDA is also looking at the future of the ICE swap rate.

Regarding tough legacy, ISDA continues to keep a watching brief of the legislative proposals in the Euro area, the UK, and the US (for New York and Federal US proposals). ISDA noted that following the ISDA IBOR Fallbacks Protocol going live, ISDA is now also looking at potential cross-jurisdictional conflicts between the various legislative solutions.

9. LMA update

The LMA will be hosting its live [Q&A and webinar](#) update on the transition from LIBOR in the loan market at 12:00 GMT on 28 January. Over 2,400 people had registered to attend.

On the documentation side, the LMA would be publishing [exposure draft multicurrency term and revolving facilities agreements incorporating backward-looking compounded rates and forward](#)

[looking interbank term rates](#) (the **Multicurrency Compounded Rate/Term Rate Facilities Agreements**) accompanied by a [term sheet](#) and a [commentary](#) (these were published subsequent to the meeting on 28 January). The LMA also highlighted that it will soon be updating its single currency SONIA and SOFR based term and revolving facilities agreements. The LMA further noted that it will also soon publish general and specific issues lists on sector-related issues which may arise on an RFR-based deal (for example, real estate finance deals use forward-looking interest projections in financial covenants).

Regarding LIBOR education, the LMA is also particularly focussed on developing markets and is preparing for its virtual Developing Markets Conference to be held in April 2021. This will also include a session on LIBOR.

The LMA further noted that following the publication since 11 January 2021 of forward-looking term SONIA by Refinitiv and IBA, and given the intended limited use of such term rates as outlined by the [£RFR WG paper](#), the LMA is looking at some of the considerations for the identified use-cases (such as export finance) of using the term rates. The LMA is particularly thinking through considerations such as what the fallback rate should be for term SONIA rates, which currently remains unclear. The LMA has reached out to its export finance working party on this to seek feedback.

10. LSTA update

The LSTA informed members that the [ARRC proposal](#) for New York State legislation for legacy US dollar LIBOR contracts has been taken up in the New York state 2022 budget plan. The LSTA will continue to monitor this, although this legislation may not affect loans and CLOs due to the potential extension of publication of certain USD LIBOR tenors to mid-2023, following the [IBA consultation](#). The LSTA noted that it had been focused on the [FCA consultations](#) on the new 23A and 23D powers and the [IBA consultation](#) on the potential cessation of all LIBOR tenors.

In particular, the LSTA continues to assess the impact of a potential announcement by the IBA of most USD LIBOR tenors ceasing to exist in mid-2023 on the [ARRC hardwired fallback language](#). The LSTA noted that such an announcement by the IBA will likely result in the fixing of the credit adjustment spread and the LSTA is considering whether to add this into the hardwired fallback language. The LSTA noted that hardwired fallbacks require the agent to deliver a trigger notice and the LSTA is working on developing a form of notice for the market to use. The LSTA is also working on the practical implications of some LIBOR tenors ceasing at end-2021 and key USD LIBOR tenors ceasing in mid-2023. The LSTA is looking at the implications for multicurrency transactions.

The LSTA also informed the Working Party that it hears from participants in the US leveraged market that, although the [ARRC recommendation](#) is for loans to include hardwired fallbacks, leveraged borrowers are pushing back on the inclusion of hardwired fallbacks. The ARRC intends on engaging in a dialogue with sponsors and lenders on this, to understand the issues behind this and what type of clarity the market still needs from its regulators.

The LMA noted that it was interesting to see a similar issue experienced in the US dollar market as with the sterling market, where it has been challenging to transition market participants away from an amendment approach to rate switch agreements. The ACT further noted that it has experienced similar challenges as well where it has been difficult to understand what type of education or guidance the loan market wants from its regulators to help with the transition. It was noted that lawyers had been adopting a conservative approach which could be contributing to this.

Regarding documentation, the LSTA is developing an amendment document to cater for a number of scenarios, including where the underlying loan includes no fallback provisions at all and forms of notice for conforming changes to be used with the ARRC hardwired approach fallback language, although these may be less relevant for certain LIBOR tenors until mid-2023. The LSTA also highlighted the its SOFR-based suite of documents, including the 'Daily Simple SOFR Concept Document'.

11. SIFMA update

SIFMA noted the ARRC's [update](#) in December 2020 to its proposal for New York State legislation for legacy US dollar LIBOR contracts which is now included in the New York State budget. SIFMA highlighted its continued efforts in communicating with various offices to ensure that the legislation remains coherent and stays within the state budget.

Regarding federal legislation (Representative Sherman's bill), SIFMA noted no further changes since December 2020. SIFMA has since communicated with staff of US House Representative Brad Sherman. SIFMA further noted that the majority committee leader indicated this bill to be a priority and intends on holding hearings. Overall, SIFMA continues its discussions with offices and reported that no negative responses on the Bill have surfaced so far.

Regarding IBOR consultations, SIFMA submitted [a joint response](#) with AFME and ASIFMA to the [IBA consultation](#).

12. UK Finance update

UK Finance is working closely with the Sterling Outreach and Communications Sub-Group, along with other trade associations such as the LMA and ACT to strengthen end-user outreach for LIBOR transition. UK Finance highlighted the three main goals of the Sub-Group, including the production of: (i) a catch-all end-user target list which includes a variety of trade associations such as community housing associations; (ii) a communication touchpoints map, (iii) and a master pack on resources. UK Finance noted that it is hoped these resources will be finalised by the end of February.

On the education side, UK Finance highlighted to members its various webinars held in December. These include the ['LIBOR Transition Financial Conduct Authority Q&A session'](#) on 2 December 2020, the webinar on ['LIBOR transition for foreign and international banks'](#) on 7 December, ['the end of LIBOR in the UK loans market – achieving the end Q1 2021 milestone'](#) on 11 December and the ['roundtable on the implications of LIBOR transition on Islamic finance'](#) on 16 December. UK Finance will also be hosting a roundtable focused on its members who are in the asset finance / invoice finance sector.

UK Finance highlighted that it is also working with PwC on developing a guide for members which will collate all relevant links and publicly available information on LIBOR transition for the market to refer to.

13. AOB

The LMA thanked members of the Working Party for their updates. The date of the next meeting is to be set for February 2021 and minutes would be circulated.