

Minutes of the LIBOR Trade Association Working Party meeting

held on 18 October 2023

via Microsoft Teams

Present

ACT
GFMA
ICMA
ICMSA
ISDA
LMA

1. Introduction

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, in particular following the first interest period resets since the cessation of USD panel bank LIBOR at end-June 2023.

2. ICMA update

ICMA chaired a sterling Bond Market Sub-Group (**BMSG**) meeting on 17 October. No particular issues with USD LIBOR transition were highlighted in that meeting. The BMSG had been consulted on any remaining concerns arising from USD LIBOR transition, but no major issues were reported other than the misalignment with the treatment of legacy transactions between the US and the UK and transactions potentially falling back to a fixed rate and decreased appetite to amend due to the current interest rate environment.

ICMA commented that it will be interesting to see what happens in the coming months as we approach the cessation of 3-month synthetic GBP LIBOR at end-March 2024 and synthetic US dollar LIBOR at end-September 2024. Regulators are confident that LIBOR transition is proceeding well.

3. AFME update

The LMA noted that AFME could not attend the meeting, but provided an update via email which was read out.

AFME is continuing to monitor developments in the UK, such as relevant FCA announcements, and participate in BMSG meetings whose frequency will be reduced due to most LIBOR settings having now ceased. AFME has not been made aware of any technical problems or concerns by its members with regard to synthetic GBP and USD LIBOR cessation dates as proposed by the FCA. Further, AFME is continuing to work on the monthly LIBOR transition updates published by GFMA that contain contributions from both SIFMA and AFME

4. ICMSA update

ICMSA noted that whilst the bond market is seeing increased consent solicitation requests, it seems that most market participants are waiting until closer to the end of synthetic LIBOR before embarking on further amendment activity. Further, it was noted that ICMSA has seen a slight reduction in outstanding bonds to transition.

The LMA commented that this was also the case in the loan market, where there are still a number of transactions using the synthetic rates and needing to be transitioned.

The Working Party agreed that it is important to continue to reiterate the messaging around synthetic rates only being a temporary solution for transition.

In terms of operational issues, ICMSA noted that dealer polls continue to be an issue for trustees and agents. The LMA asked whether there are any policies in place to deal with this issue (as per the FCA's suggestions). ICMSA explained that the issue is very much institution-specific and that ICMSA members have their own individual policies and approaches.

5. GFMA update

GMFA is continuing to monitor the LIBOR transition process from a global perspective. GFMA highlighted the recent [FSB statement on final reflections on LIBOR transition](#) and noted that GFMA is not aware of any recent issues or concerns but will keep a watching brief.

6. LMA update

The LMA had also not heard of any major issues with USD LIBOR transition. The LMA is currently following up with the Bank of England in relation to comments on the BMSG re loan market transition and will follow up with members, in particular in emerging markets, to discuss transition progress and whether there are any remaining issues.

It was noted that the LMA consulted members in relation to the Good Friday issue that was discussed at the last Working Party meeting. As a result, the LMA is updating its language to align with the LSTA, ISDA and APLMA approach. This change will initially be made to the LMA's investment grade compounded rate documentation.

Further, the LMA has also been working on documentation for fallbacks to term €STR from EURIBOR to reflect the Euro RFR Working Group's recommendations on robust fallbacks. The LMA term €STR switch document will be published as an exposure draft to allow members to provide their feedback. The LMA noted that the accompanying commentary also reinforces that cost of funds should be avoided as a primary fallback, as highlighted in the recent FSB statement on final reflections on LIBOR transition.

In relation to other IBORs, it was noted that the LMA is working on updating its CORRA schedule to provide drafting for both compounded and term CORRA for users of Canadian dollars. This is to be released in time for the CARR's 'no new CDOR milestone' from 1 November 2023. The LMA is also continuing its work on preparing for JIBAR transition. The LMA noted that the South African MPG [issued](#) three consultation papers on market conventions for ZARONIA-linked cash market products. The LMA [responded](#) to the loan market consultation reiterating the importance of consistency across markets.

7. ISDA update

ISDA agreed with the overall positive picture reported by the other trade associations and did not have anything further to report.

8. ACT update

The ACT commented that, from a borrower's perspective, LIBOR transition has been successfully completed and there is nothing further to report. However, there remains a concern in relation to emerging markets being generally slower in the transition process, including SME borrowers in the region.

In relation to transition in emerging markets, ICMA noted some confusion amongst some market participants in South Africa regarding the availability of term SOFR wording for bond documentation. This was indicative of a broader point that there are low levels of awareness regarding use cases for term SOFR in emerging markets.

It was asked whether the ACT had any insight on borrowers' use of term SOFR for internal purposes (as some issuers were still using LIBOR). The ACT noted that many corporates may be using term SOFR or other term rates internally, although the ACT has encouraged its members to think of possible inadvertent consequences of using term RFRs particularly in respect of tax authority requirements.

ISDA also commented that the messaging around the use of term RFRs (and LIBOR transition more generally) is not effectively reaching beyond the bigger players in emerging markets, notwithstanding the ARRC's efforts in producing guidance and recommendations. The trade associations have played a large role in messaging to emerging markets, however, to ensure the messaging reaches the right constituencies this is something that would need to come more locally. The LMA agreed, noting that the LMA raised this point with the FCA around messaging for developing markets and the right channels of communication. The LMA added that perhaps this issue could be raised with the South African Reserve Bank, and other local regulators should be encouraged to step in to provide messaging.

9. AOB

The LMA thanked members of the Working Party for their contributions and sought feedback as to whether it would be helpful to have any further meetings.

The Working Party agreed to set two additional meetings for March 2024 and September 2024 to provide an opportunity to discuss any potential issues that may arise from the cessation of the synthetic GBP and USD LIBOR rates.