

## DEVELOPMENTS AT NOVEMBER 2020

### LATEST UPDATES

- **23 Oct 2020:** ISDA [launches](#) IBOR Fallbacks Supplement and IBOR Fallbacks Protocol (effective from 25 Jan 2021). [Welcomed](#) by UK bodies.
- **21 Oct 2020:** HM Treasury [Policy Paper](#) on amendments to UK Benchmarks Regulation to support LIBOR transition
- **21 Oct 2020:** Financial Services Bill 2019-21 [introduced](#) to Parliament – including new FCA benchmark powers
- **16 Oct 2020:** Financial Stability Board [publishes](#) Global Transition Roadmap for LIBOR
- **30 Sept 2020:** RFR WG [publishes](#) September 2020 newsletter
- **28 Sept 2020:** FCA and BoE [encourage](#) further switch to SONIA in interest rate swap markets
- **28 Sept 2020:** ISDA [publishes](#) RFR Conventions and IBOR Fallbacks – Product Table
- **18 Sept 2020:** RFR WG holds [webinar](#), 'Is your business ready for LIBOR transition?'

### OUTLOOK FOR NOV-DEC 2020

- Non-LIBOR linked loan alternatives to have been made available from end-Q3 2020
- Lenders and Borrowers working to meet end-Q1 2021 target for no new LIBOR-linked products
- FCA and HMT to hold [LIBOR transition briefing and Q&A](#) on 25 November

### PRODUCT FOCUS

#### BILATERAL LOANS

- **September 2020:** Innova Energy [completes](#) £30m SONIA-linked [term loan facility](#) to fund renewable energy projects
- **July 2020:** Coastline Housing [completes](#) £30 million SONIA-Linked revolving credit facility based on LMA Exposure Draft SONIA Facility Agreement
- **April 2020:** Riverside Group [completes](#) what is thought to be the first SONIA-linked £100m revolving credit facility in housing sector

#### SYNDICATED LOANS

- SONIA term rate expected to be available early 2021 ([BETA versions](#))
- **LMA** has created [exposure drafts](#) of compounded RFR facility agreements based on SONIA and SOFR. Methodology follows that seen in the bond market and bilateral loan market with the lag period being left open to agreement. An [update](#) on **28 February 2020** set out outstanding issues before the exposure drafts can be finalised
- **LMA** has also published [exposure drafts](#) of a multi-currency facility agreement, and a facility agreement involving a switching mechanism. Switching mechanism was used in: (i) BAT's [March 2020](#) SONIA and SOFR linked revolving credit facility. (ii) ABP's [May 2020](#) LIBOR and SONIA linked term loan facility

#### MORTGAGES & CONSUMER CREDIT

- **FCA** strongly encouraging mortgage lenders, intermediaries and mortgage borrowers to avoid new mortgage contracts that rely on LIBOR continuing beyond end-2021
- Alternative RFRs being considered by the industry include SONIA, Bank Base Rate, and Standard Variable Rate
- FCA's [forthcoming benchmark powers](#) will help address mortgage tough legacy issues

#### FINANCIAL MARKETS (Bonds, securitisations, derivatives)

- **Bonds:** no market consensus yet on a RFR alternative to LIBOR but we have seen daily compounding with a 5-day lag being used. Bond markets expected to follow developments in derivatives markets. **April 2020:** **ICMA** [discusses](#) challenges for legacy sterling LIBOR bond conversions
- **Securitisations:** **AFME** [published](#) wording in April 2018 for a model condition for benchmark rate modifications in RBMS & other securitised debt. **February 2020:** Goldman Sachs begins [marketing](#) first SONIA-linked securitisation
- **Derivatives:** **ISDA** IBOR Protocol effective from 25 January 2021. Sterling swaps liquidity providers to adopt new interdealer quoting conventions based on SONIA and move to use of single period swaps rather than forward rate agreements on [27 October](#), subject to prevailing market conditions.

### CUSTOMER FOCUS

- **28 October 2020:** UK Finance and Lending Standards Board [publish](#) best practice guidance on transitioning SME customers to non-LIBOR-linked products
- **16 September 2020:** UK Finance [publishes](#) guide to LIBOR discontinuation for business customers
- **23 June 2020:** **AFME** [publishes](#) paper, LIBOR Transition: Managing the Conduct and Compliance Risks: Client communications
- **17 December 2019:** **AFME** [published](#) a White Paper on managing the conduct and compliance risks of LIBOR transition - practical guidance for an effective corporate governance framework around LIBOR transition



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