

DEVELOPMENTS AT FEBRUARY 2021

LATEST UPDATES

- **26 Jan 2021:** FCA's Edwin Schooling Letter [delivers](#) speech on life without LIBOR beyond end-2021
- **25 Jan 2021:** ISDA [announcement](#) - New IBOR Fallbacks Take Effect for Derivatives
- **19 Jan 2021:** FMLC [highlights](#) jurisdictional disalignment and tough legacy issues as key areas of legal uncertainty in LIBOR transition
- **11 Jan 2021:** ICE Benchmarks administration [launches](#) ICE Term SONIA rates for use as a benchmark in financial instruments
- **11 Jan 2021:** Sterling RFR WG [updates](#) priorities and roadmap for 2021
- **11 Jan 2021:** [FCA](#) and [BoE](#) issue press releases on countdown to transition
- **8 Dec 2020:** BoE [speech](#) on key actions for firms' preparations for LIBOR cessation
- **4 Dec 2020:** ICE Benchmarks Administration (IBA) [consults](#) on cessation of GBP, EUR, CHF, JPY and certain settings of USD LIBOR
- **3 Dec 2020:** Sterling RFR WG [publishes](#) paper on non-linear derivatives transition to SONIA

OUTLOOK FOR FEB-MAR 2021

- Lenders and Borrowers working to meet end-Q1 2021 target for no new LIBOR-linked products
- Market participants to complete by end-Q1 2021 identification of all legacy GBP LIBOR contracts expiring after end 2021 that can be actively converted, and progress conversion where viable

PRODUCT FOCUS

BILATERAL LOANS

- **December 2020:** Metropolitan Thames Valley (MTVH) [agrees](#) a three-year facility believed to be the first Risk Free Rate (RFR) sustainability-linked loan in the sector..
- **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
- **The Renewables Infrastructure Group's (TRIG) December 2020** three-year revolving credit facility was one of the first ESG-linked SONIA loans.

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. FCAs [updated Q&A on conduct risk](#) include treating customers fairly on active transition
- FCA's [forthcoming benchmark powers](#) will help address mortgage tough legacy issues – FCA expected to consult on legacy use in Q2 2021

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. **Jan 2021:** [AFME call to action](#) – active transition of LIBOR linked securitisation
- **Derivatives:** **ISDA** IBOR Protocol effective from 25 January 2021. Sterling swaps liquidity providers were 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 2020](#), 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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