

DEVELOPMENTS AT MAY 2021

LATEST UPDATES

- **29 Apr 2021:** Financial Services Bill gains [Royal Assent](#) – publication as [Financial Services Act 2021](#) c.22
- **23 Apr 2021:** Sterling RFR WG – [statement](#) on active transition of legacy GBP LIBOR contracts
- **21 Apr 2021:** Sterling RFR WG [seeks](#) urgent update from HM Treasury on safe harbour proposals for tough legacy contracts
- **20 Apr 2020:** FMSB [publishes](#) second Spotlight Review on navigating conduct risks in LIBOR transition
- **29 Mar 2021:** FCA and BoE [issue](#) joint statement on switch to SONIA in sterling non-linear derivatives market
- **26 Mar 2021:** PRA and FCA issue [joint Dear CEO](#) letter on priority areas for transition from LIBOR to RFRs
- **24 Mar 2021:** FSMB [draft standard](#) on the use of Term SONIA reference rates in Sterling fixed income and wholesale lending products.
- **18 Mar 2021:** Sterling RFR WG [publishes](#) revised version of its best practice guide for GBP loans

OUTLOOK FOR MAY-JUN 2021

- **Cessation of new sterling LIBOR business.** From 1 April 2021, no sterling LIBOR loan, bond, securitisation or linear derivatives business should be written by PRA and FCA regulated firms and groups, unless specifically permitted within the RFR WG milestones.
- Outcome of HM Treasury safe harbour consultation expected
- FCA to consult on legacy use in Q2

PRODUCT FOCUS

BILATERAL LOANS

- **March 2021:** The Guinness Group [completes](#) first SONIA revolving credit facility – SONIA Compounded in arrear with a lookback .
- **January 2021:** Hines Pan European Core Fund (HECF) [completes](#) a green loan facility - Compounded SONIA will be used for GBP, with a partial cash-flow hedge priced over SONIA.
- **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

SYNDICATED LOANS

- ICE Term SONIA reference rates and [indices](#) are available to licensees.
- **LMA** has updated exposure drafts as [recommended forms](#) of (i) compounded RFR facility agreements based on SONIA and SOFR. (ii) multi-currency facility agreements, and (iii) facility agreements involving a switching mechanism, [with considerations for their use](#).
- Switching mechanism was used in, e.g.: (i) BAT's [March 2020](#) SONIA and SOFR linked revolving credit facility (ii) ABP's [May 2020](#) LIBOR and SONIA linked term loan facility (iii) Implenia AG's [March 2021](#) multicurrency revolving credit facility with a built in switch from LIBOR to SARON.
- **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. [March 2021 Dear CEO](#) letter highlights conduct risk mitigation.
- 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:** In the SONIA-referencing bond market, the convention has been to aggregate the daily SONIA rates on a compounded basis. Sterling FRF WG [published](#) feedback in March 2021 on successor rate to GBP LIBOR in legacy bonds referencing GBP LIBOR. In a publication from **April 2021:** **ICMA update** on consent solicitation issues
- **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.

CUSTOMER FOCUS

- **12 Feb 2021:** UK Finance [guide](#) advises comprehensive approach to customer outreach
- **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



STEVE MACKIE
Partner
+44(0)7921 417457
+44 (0)207 160 3269



ROSANNA BRYANT
Partner
+44(0)7738 697349
+44(0)113 209 2048



SARA EVANS
Principal Knowledge Lawyer
+44(0)7766 361038
+44(0)207 160 3045