

LIBOR TRANSITION AND IBOR REFORM

LIBOR and other interest rate benchmarks have attracted headlines in recent years amid evidence of manipulation and falling liquidity in underlying markets.

The liquidity and fiduciary problems affecting interbank offered rate (IBOR) benchmarks led to a series of recommendations from the Financial Stability Board (FSB) in 2014.

Many countries have responded by establishing working groups comprising market participants, regulators and central banks to reform IBOR designs and introduce risk-free realized rates as alternatives to IBOR benchmarks.

LIBOR is widely expected to cease once official support for contributions to the benchmark stops at the end of 2021. Relevant working groups have announced and released a series of overnight risk-free rates (RFRs) such as SONIA in the UK, SOFR in the U.S. and €STR in the euro area.

Transition comes with challenges and risks to be managed, both financial and non-financial ones. Market participants should act now and have appropriate plans in place to manage this transition effectively and in line with the end of 2021 deadline.

Refinitiv is working to ensure our clients can continue to work seamlessly as IBOR reform and the LIBOR transition develop.

Hundreds of users all over the world use LIBOR and other IBORs. As this transition unfolds financial institutions and companies need data, tools and services to move off these historical reference points and benchmark tools. Instead, alternative RFRs, term rates and/or adjusted RFRs will need to be employed.

Refinitiv products and services are being enhanced to allow customers to manage this transition to alternative reference and benchmarking tools, not to mention the many tools that are already available to help prepare for the transition.

Refinitiv is committed to providing the data and benchmarks clients need to adjust operating models across front, middle and back offices, and to create new financial products in light of the IBOR reforms and LIBOR transition, while also ensuring we meet the high regulatory standards required for benchmark administration and calculation.

What actions do organizations need to take to prepare for the LIBOR transition?

Firms need to put in place programs and projects to manage the move away from LIBOR. LIBOR is already embedded into multiple processes throughout financial institutions and companies, and organizations require a multitude of content and data points to support a transition to alternative reference rates and benchmarks.

A good starting point is to develop an understanding of the organization's exposure to LIBOR and other IBORs. Where is LIBOR currently being used, or which reference rates are currently being used? Which processes and functions are IBORs feeding into? Once the touchpoints have been identified, alternative benchmarks and reference rates need to be assessed.

What data do firms need to navigate the LIBOR transition?

New content, data and benchmarking tools are being made available by institutions to serve as alternatives to LIBOR:

- New term reference rates such as TSRR (the GBP LIBOR alternative)
- RFRs, both existing and recently launched e.g. SONIA, SOFR and €STR
- New RFR based products and derivatives as liquidity grows
- Industry standard compound RFR Indices and fallback rates
- Enhanced fields and search tools to find bonds and derivatives that reference LIBOR
- Incorporate updated fallback language and protocols to bonds and derivatives

Refinitiv content and tools available to support LIBOR

Refinitiv Eikon

Eikon landing page (search IBOR in Eikon)

Within Eikon, the IBOR Transition app allows you to keep up to date with global changes to interest rate benchmarks. The app is updated regularly, and it provides news and values on a variety of rates:

- Risk-free realized rates (RFRs)
- Reformed IBOR benchmarks
- Incumbent interest rates
- Broker RFR derivative content
- Exchange RFR derivative content

In the app, you will also find:

- All new Risk-Free Rate data such as Fixings, Basis Swaps (SOFR vs Libor for instance), Broker RFR content, exclusive news from Reuters News and IFR, and Charts comparing new RFRs to LIBOR
- Open SOFR, €STR, or SONIA Tabs to view relevant data and news on these new Risk-Free Rates

Additionally:

- Issuers have started issuing Floating-Rate Notes (FRNs) based on new Risk-Free Rates. To find them:
 - Use our advanced search tool: type 'GOVSRCH' and enter 'SOFR' in Quick Filter to find the filter to apply
 - Monitor bond issuances referencing IBORs and RFRs using the FINIM App
- For derivatives such as OIS rates, FRAs, and Basis Swaps use the Advanced OTC Interest Rate Derivatives search tool:
 - Enter the name of the new RFR as a criteria search. The search engine will return the Basis Swaps, such as SOFR vs Fed Funds, and the FRAs available from the various Brokers such as Fenics, Tradition, and Tullett Prebon
- As with LIBOR-based rates, Refinitiv derives and calculates added value content from the new Risk-Free Rates:
 - Bootstrapped OIS curves for SOFR, €STR and SONIA. These curves can be used in our Bond (BNDC) and Swap (SWPR) calculators to discount cashflows or project forward cashflows
- All this content and analytics can also be found in Datascope and at the platform level available through different feeds such as Elektron

Refinitiv Reference Data

IBOR fallback language and event triggers

Regarding reference data, Refinitiv is making changes and introducing new fields into our data models:

- Fallback language captured in bond notes
- Working towards standardized model for fallback events and replacement
- Bond covenant and transition changes capture
- Implement changes in pricing models to support RFR-based derivative products like futures, caps, floors, or swaptions

Refinitiv administered, calculated and published benchmarks

- Launch new Refinitiv term reference rates (LIBOR alternative with a term structure) to support key markets such as loans transition away from LIBOR. The first term reference rate to launch will be TSRR (Term SONIA Reference Rate), the GBP LIBOR alternative available in maturities up to 1-year
- Work with central banks, regulators and industry associations to improve local IBORs and ensure they represent actual funding markets
- Calculate compound indices of major RFRs around the world, using market accepted conventions. Ensure any central bank calculated compound indices are redistributed to customers
- Ensure any newly launched RFRs, term rates, and IBOR fallbacks around the world are made available to desktop and feed customers

What additional support and solutions will be made available as part of our LIBOR transition offering?

- Scenario Analysis reports for users with Swap portfolios vs LIBOR or EURIBOR: Multi Asset Portfolio App, MARVAL to value and compare LIBOR vs RFR swaps
- Calculators for clients to use realized compounded rates for SONIA, SOFR, €STR, TONAR and more RFRs using standard conventions, or recommendations made by local regulators
- Refinitiv will produce real-time analytics derived calculations such as Forward OIS, Swaptions Skews on the new RFRs as soon as the underlying data becomes available

Refinitiv is one of the world's largest providers of financial markets data and infrastructure, serving over 40,000 institutions in approximately 190 countries. It provides leading data and insights, trading platforms, and open data and technology platforms that connect a thriving global financial markets community – driving performance in trading, investment, wealth management, regulatory compliance, market data management, enterprise risk and fighting financial crime.

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