

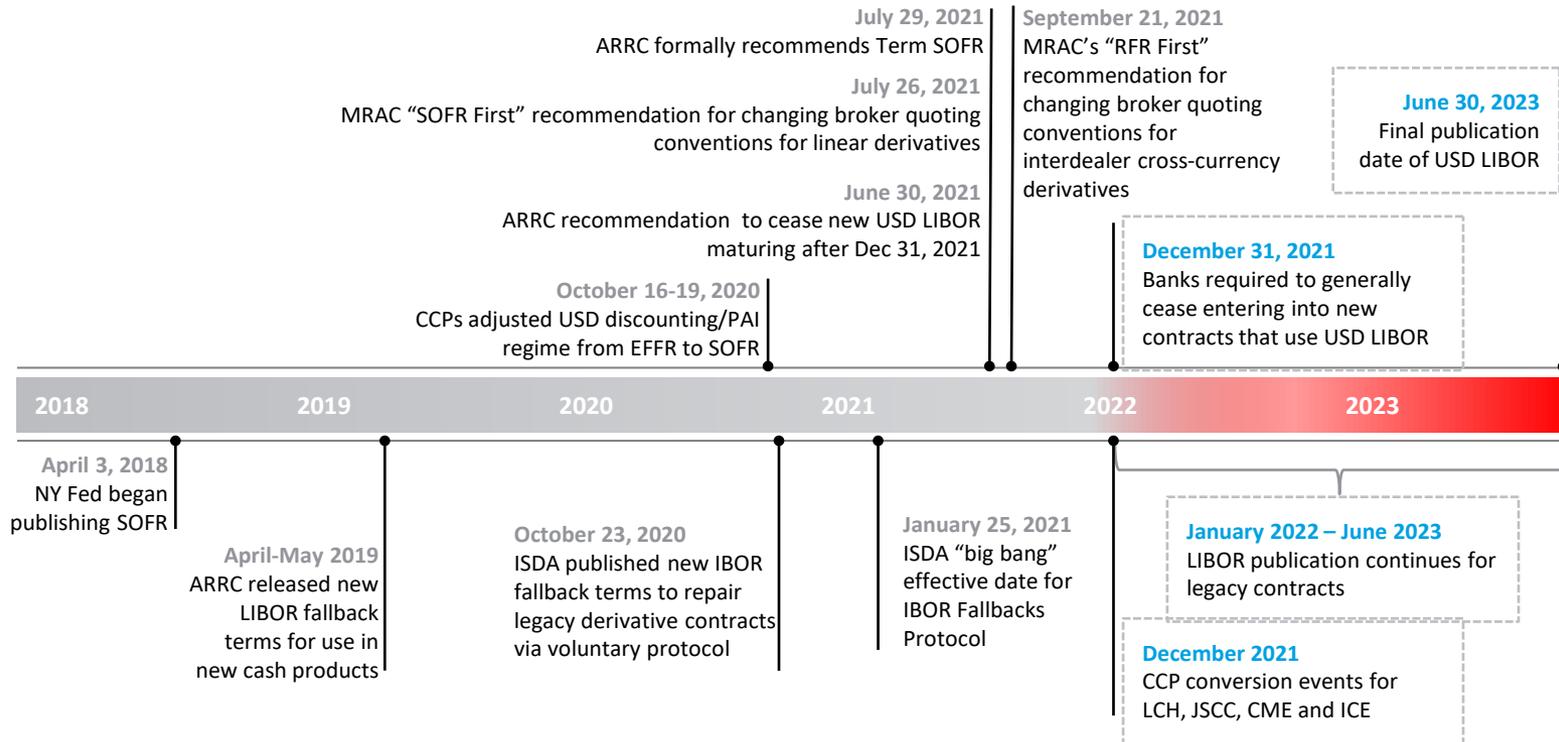
***LIBOR Transition Presentation To The
Financial Research Advisory Committee
Office of Financial Research***

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Chair Alternative Reference Rates Committee

September 29, 2021

Looking Forward | Transition Timeline in the US



Key Market Developments

RFR market development is progressing with Official Sector support

	1 'SOFR & TONA First'	2 Term SOFR	3 Credit Sensitive Rates
Market Development	<p>Interdealer quoting of most types of USD and JPY LIBOR swaps have switched to SOFR and TONA respectively</p>	<p>Term SOFR has been endorsed by ARRC and official sector for the institutional lending market and also for end user hedging</p>	<p>SEC as well as others in the official sector and IOSCO have continued to voice concerns regarding the robustness of these rates and additionally expressed support for SOFR</p>
Implication	<p>Interdealer swap liquidity has improved significantly for SOFR & TONA. Non-dealer demand for SOFR is slowly picking up.</p>	<p>There have been some early indicators of Term SOFR adoption but the full switch of the institutional lending market has not occurred yet.</p>	<p>This may dampen the use and adoption of credit sensitive rates.</p>

LIBOR Industry Progress – Q4 2021 Update

Strong adoption of ISDA's IBOR Fallbacks Protocol, coupled with "SOFR First," has greatly improved SOFR liquidity. While Term SOFR is widely discussed, lending market has not transitioned yet

		Legacy	New
Derivatives		<ul style="list-style-type: none"> • Protocol and bilateral negotiations of remaining non-USD LIBOR exposures • CCP conversion approaches may drive artificial increases in Firms' notional exposure 	<ul style="list-style-type: none"> • SOFR and TONA swap liquidity has increased post 'SOFR & TONA First' event • Term SOFR derivatives recommended for end users
Loans	Inst.	<ul style="list-style-type: none"> • Despite Term SOFR availability, active conversions of LIBOR loans not broadly underway 	<ul style="list-style-type: none"> • Term SOFR widely discussed but market transition has not yet occurred • Official sector remarks on Credit Sensitive Rates' robustness
	Retail	<ul style="list-style-type: none"> • Lenders have discretion to determine fallbacks 	<ul style="list-style-type: none"> • Non-mortgage retail loans appear to be switching to SOFR in Q4
Bonds		<ul style="list-style-type: none"> • FCA approach to Synthetic LIBOR not yet announced 	<ul style="list-style-type: none"> • SOFR is gaining traction as USD market standard • SONIA is GBP market standard