Press release

National Working Group on Swiss Franc Reference Rates

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Executive summary of the 13 June 2019 meeting of the National Working Group on Swiss Franc Reference Rates

The National Working Group on Swiss Franc Reference Rates (NWG) met on 13 June 2019 to discuss current challenges in respect of the LIBOR transition in Switzerland and relevant international developments. At its previous meeting in February, the NWG presented different options for using a compounded SARON in cash products.

The key items of yesterday's meeting were:

(i) NWG members were briefed about international developments related to term rates. This included information on the recently published FSB note Overnight Risk-Free Rates: A User's Guide, which provides details on the usage of backward-looking term rates. Furthermore, national developments as the provision of compounded SARON by SIX, observable tendencies for using and implementing compounded SARON and legal aspects were discussed.

(ii) A discussion paper on SARON Floating Rate Notes (FRN), which includes an assessment for different interest rate provisions and a draft fallback language, was presented.

(iii) The NWG discussed the latest developments in LIBOR fallback languages for cash products and derivatives. ISDA elaborated on the ISDA IBOR fallback consultations with a focus on pre-cessation issues.

(iv) A document on potential market conventions for cross-currency swaps referencing overnight risk-free rates (RFRs) was circulated. The aim of the document prepared by the Alternative Reference Rates Committee (ARRC) is to encourage market participants to provide feedback.

(v) Lastly, the discussion focused on accounting and regulatory challenges regarding the LIBOR transition. These include implications on hedge accounting and potentially on capital requirements under the Fundamental Review of the Trading Book (FRTB) standard.

The NWG members agreed on the following main recommendations:

- SIX should further increase the visibility of compounded SARON by providing certain tenors of compounded SARON, including an explanatory document outlining the calendar conventions applied in the calculations.
- Market participants should provide feedback to the ISDA consultations on technical issues that will apply if the fallbacks are triggered and on pre-cessation issues.
- Moreover, market participants were encouraged to provide feedback on the ARRC document on potential conventions in the cross-currency swap market.
- Publication of the following documents
    - Discussion paper on SARON FRN
    - Paper "IBOR to RFR transition: effects on financial reporting"

The minutes of the meeting will be published in due course on the NWG website.[1]

[1] The NWG is the key forum to foster the transition to SARON and to discuss the latest international developments. The NWG ceases to exist once the transition to SARON is materially completed. The NWG is co-chaired by a representative of the private sector and a representative of the Swiss National Bank (SNB). The SNB supports the NWG by co-chairing the working group alongside a representative from the private sector. The NWG publishes recommendations based on consensus. Recommendations are not legally binding. The SNB abstains from voting and acts primarily as a moderator. Furthermore, the SNB runs the NWG's technical secretariat and facilitates the organisation of the meetings. In this capacity, the SNB also publishes on its webpage documents discussed by the NWG such as this document. The items published do not necessarily reflect the views of the SNB.