

## Press release

National Working Group on Swiss  
Franc Reference Rates

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Zurich, 30 September 2020

### **Executive summary of the 29 September 2020 meeting of the National Working Group on Swiss Franc Reference Rates**

The National Working Group on Swiss Franc Reference Rates (NWG) met on 29 September 2020 to discuss the progress of the LIBOR transition in Switzerland and relevant international developments.

The key items and recommendations of yesterday's meeting were:

- (i) FINMA presented the results of their self-assessment survey. The CHF LIBOR tough legacy volume appears to be small and not an existential issue.
- (ii) Regarding the future of CHF LIBOR, the NWG expects that CHF LIBOR will be discontinued at the end of 2021.<sup>1</sup> A synthetic CHF LIBOR is not expected. SNB and FINMA strongly advised users of CHF LIBOR to be completely prepared for the likely discontinuation at the end of 2021. Based on these expectations, the NWG, FINMA and SNB representatives recommended that all market participants (i) should sign up to ISDA's IBOR Fallbacks Protocol as soon as possible, or at the latest by its effective date, (ii) should sign similar protocols for other agreements (such as the Swiss Master Agreement, SMA) as soon as possible, (iii) and should ensure that robust fallback languages are used in all other contracts.
- (iii) NWG members were updated on the increasing supply of SARON-based cash products such as retail mortgages and corporate mortgages loans by various banks. Moreover, SIX informed about the launch of its web-based calculator.
- (iv) An update was given about diverging recommendations in international loan conventions. The meeting attendees discussed two versions of lookback methodologies, namely "shift" and "lag", and flooring conventions. The NWG

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<sup>1</sup> Given that discontinuation is a decision for LIBOR's administrator and regulator, clarity on a discontinuation would come from respective statements by FCA, in line with its regulatory powers, or by IBA, in line with its published cessation procedure.

repeated the recommendations to use the “shift” methodology and to floor the compounded SARON, as long as the domestic market is in the focus. In case international consistency is important, the “lag” methodology and flooring individual SARON values are viable alternatives.

- (v) Meeting participants were updated on the fallback language provided by Homburger. It was confirmed that the fallback language includes a cessation and pre-cessation trigger as implemented by ISDA. Furthermore, the fallback rate is compounded SARON with ISDA’s spread adjustment, whereas the spread adjustment can also be skipped for simplicity as long as this is in favor of the customer. The fallback language can also be used for bilateral loans with corporates or SME.
- (vi) A discussion was held how clearing houses will handle legacy trades. The conclusion was that consistency across clearing houses and legacy trades in general would be beneficial. By applying the ISDA fallback methodology (backward shift), legacy trades are economically similar but not identical to standard RFR trades (settlement delay). This could lead to a conversion of legacy trades to standard RFR trades sometime after 2021 and highlights the importance of using SARON-based derivatives now instead of CHF LIBOR-based derivatives.
- (vii) The last point on the agenda proposed the publication of additional material on the NWG webpage, namely FAQs.

The minutes of the meeting will be published in due course on the [NWG website](#).<sup>2</sup>

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<sup>2</sup> 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 acts 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.