Press release

National Working Group on Swiss Franc Reference Rates

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Executive summary of the 9 November 2021 meeting of the National Working Group on Swiss Franc Reference Rates

The National Working Group on Swiss Franc Reference Rates (NWG) met on 9 November 2021 to discuss the progress of the LIBOR transition in Switzerland and relevant international developments.

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

(i) Members were briefed on the progress in legislation in some jurisdictions that included the Critical Benchmarks Bill in the United Kingdom and the Senate Bill 297B/Assembly Bill 164B under New York state law. Further, members were informed about the confirmation of the UK Financial Conduct Authority (FCA) that it will require ICE Benchmark Administration (IBA) to publish 1M, 3M and 6M GBP and JPY LIBOR under a synthetic methodology. Additionally, FCA conducted a consultation on the proposed decision to permit use in all legacy contracts except cleared derivatives. Finally, members were notified of the publication of the European Commission's Implementing Regulation, which designates a statutory replacement for 1M, 3M, 6M and 12M settings of CHF LIBOR for contracts without fallback provisions.

(ii) FINMA provided an update on their self-assessment survey, according to which those firms that were closely monitored had made strong progress and largely adhered to the milestones of the roadmap set out in Guidance 10/2020. The transition from CHF LIBOR to SARON has been largely successful with a 97% reduction of contract volumes without robust fallbacks since mid-2020 (remaining contracts amounting to CHF 12bn by end of September 2021). Firms' expected "tough legacy" has also reduced and amounts to CHF 375m, all relating to OTC derivatives. As also highlighted in Guidance 03/2021, FINMA stated that it will consider the disregard for the cessation of LIBOR-based new business transactions in the second half of 2021 as a violation of the supervisory requirements with regard to adequate risk management (except in exceptional cases). FINMA emphasized that full operational readiness is required by 31 December 2021.

(iii) A representative of SIX Financial Information Ltd presented the draft of the revised correction policy. The revision is intended to further strengthen the robustness of SARON.

(iv) Members discussed the transition to SARON in loan markets. According to SNB data, new loans are predominantly based on SARON across various product types and across all cantons. A member of LMA updated members about most recent deals in the syndicated loan market.

(v) Members discussed the transition to SARON in swap markets. Since the last NWG meeting, turnover in the SARON swap market increased considerably and dominates the trading activity since the summer months with a share of SARON-based swaps of about 60-80%. Remaining LIBOR-based swaps are mainly traded to close and net existing LIBOR swap positions. In the cross-currency basis swap (CCBS) market, trading conventions were successfully switched on 21 September 2021 for CHF, GBP, JPY and USD. Feedback from market participants about the transition in the CCBS market is positive.

(vi) An overview of the remaining key dates in the transition of cleared LIBOR swap contracts by LCH and EUREX was given and technical details of the transition were discussed. Further, the transition of ICE LIBOR Futures was presented and members were informed that EUREX revised the contract naming convention for SARON Futures.

(vii) As a last item, members concluded that the transition to SARON is conceptually completed and the operational transition to SARON is on track. Consequently, there is no further NWG meeting planned and *the NWG and its sub-groups will cease to exist after the end of Q1 2022 in line with its statutes. The final termination decision will be taken by the Co-Chairs and communicated by the NWG Secretariat.* Information and references will remain available for the foreseeable future on the NWG website. Additionally, the NWG Secretariat will remain available until the end of Q1 2022 and provide updates on material developments.

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 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.