

Tushar Morzaria  
Chair of the Working Group on Sterling Risk-Free Rates

By email

27 October 2020

Dear Tushar,

Thank you for your letter dated 18 September 2020.

I note that an area of discussion of the Non-Linear Derivatives Task Force has been on the status of the ICE Swap Rate® (ISR) benchmark administered by ICE Benchmark Administration (IBA) and in particular the GBP LIBOR ISR page and the potential impact for legacy non-linear derivatives in certain circumstances such as (i) when GBP LIBOR is no longer published and (ii) prior to the effective date of the cessation of GBP LIBOR where there might no longer be sufficient liquidity in GBP LIBOR swaps to produce some or all tenors of GBP LIBOR ISR.

I am very pleased that, following a positive market response to IBA's [consultation](#) and [feedback](#) papers, IBA began publishing daily indicative GBP SONIA ISR 'Beta' settings on 02 October 2020.

Through initiatives such as this, IBA is providing products and solutions to help stakeholders transition efficiently away from LIBOR® to alternative rates. Market participants will need to prepare themselves for the cessation of GBP LIBOR ISR when the current LIBOR benchmark is no longer published or IBA is unable to source sufficient data to publish GBP LIBOR ISR.

The GBP SONIA ISR 'Beta' settings are determined using the published ISR Waterfall methodology and are available for the same tenors and at the same time as the current GBP LIBOR® ISR.

The 'Beta' settings are currently solely for information and illustration purposes in order to enable stakeholders to evaluate the rates and provide feedback during an initial testing period. IBA intends to announce in due course when GBP SONIA ISR will be made available as a benchmark for use in financial contracts.

IBA is engaging with the International Swaps and Derivatives Association (ISDA) with a view to the new ISR being memorialised in standard definitions for derivatives. IBA is also committed to engaging with other key infrastructure providers to facilitate a smooth transition away from LIBOR® for the swaps market.

IBA's introduction of GBP SONIA ISR does pave the way for this new benchmark to be used as a building block, either in ISDA definitions or by mutual agreement between the parties, to help settle legacy contracts that were written by reference to ISR linked to LIBOR.

We would be delighted to engage further with the Working Group on this and to attend at a future meeting of the Non-Linear Derivatives Task Force.

Yours sincerely,



Timothy J Bowler  
President  
ICE Benchmark Administration