

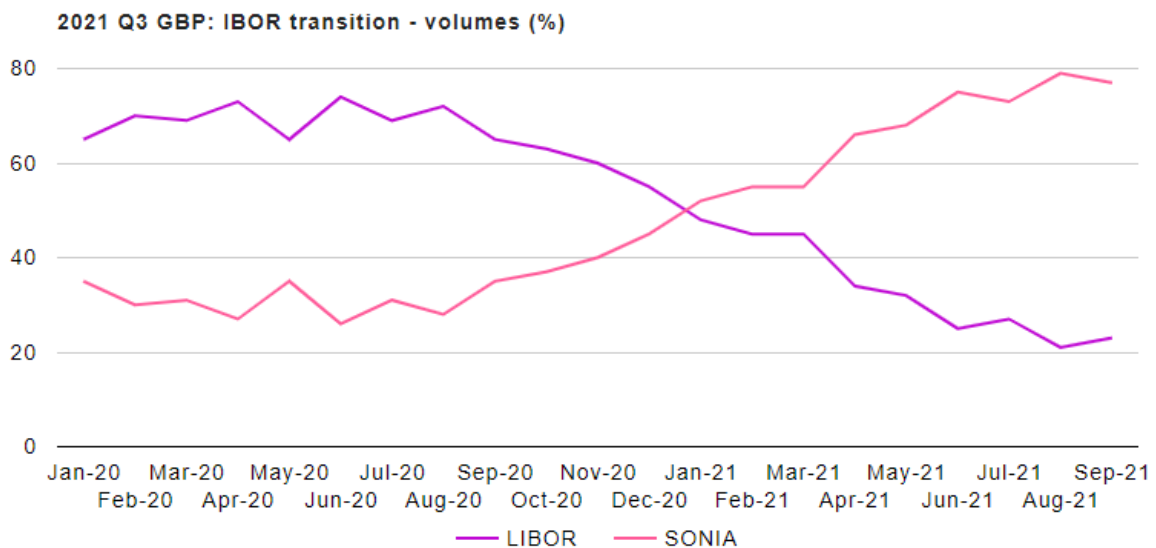
IBOR reform: Q3 2021 review – SORA, SARON, TONA and SOFR are the big movers...

Following up on our [Q2](#) and [Q1 reviews](#) OSTTRA has assessed the data processed by our MarkitWire platform to evaluate the progress during Q3 of interbank offered rate (IBOR) transition for the \$355 trillion single currency interest rate swaps (IRS) market. Analysing market share in; EUR, GBP, USD, JPY, CHF, AUD, CAD, and SGD between legacy IBORs, legacy / continuing overnight index swaps (OIS) and the new risk free rates (RFRs).

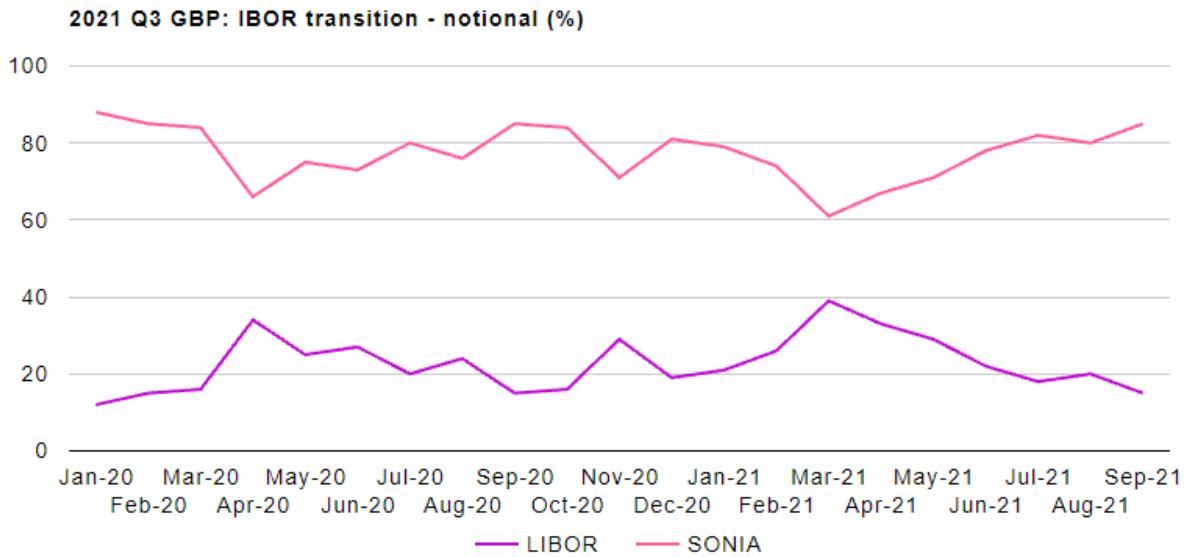
How has the market share of RFRs evolved since the start of 2020?

GBP Swaps

Background: Reformed SONIA will replace LIBOR which will cease publication on December 31, 2021. GBP continues to lead the pack; reformed SONIA now makes up almost 80% of new trades executed...



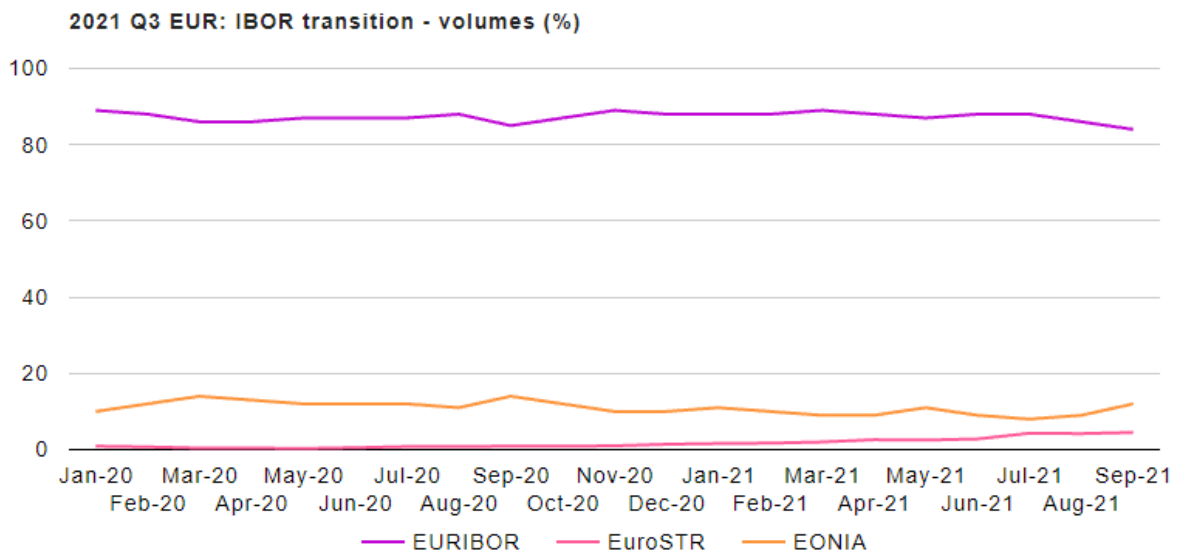
... and approximately 85% of the notional traded.



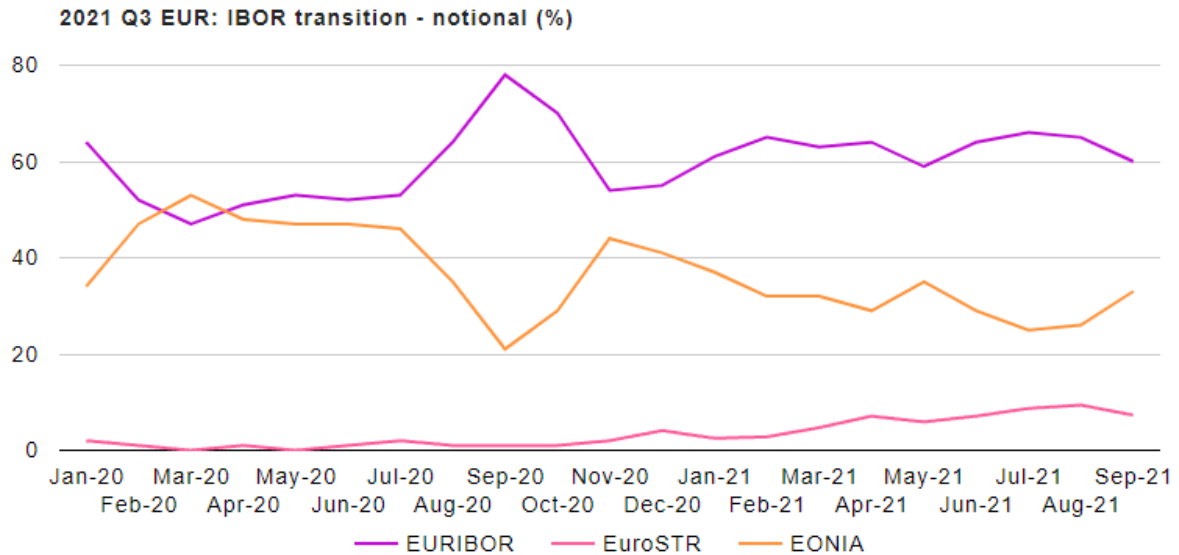
EUR Swaps

Background: EuroSTR (a.k.a. €STR) will replace EONIA. There was an initial uptick at the end of July 2020 driven by the CCPs switching from EONIA to EuroSTR discounting on 25 July 2020. It is expected that EURIBOR will continue to be published until at least 2025 but that there will be a material migration to EuroSTR. EUR-LIBOR will cease publication on 31 December 2021, but it is not traded in the swaps market, there have been <10 trades a month for many years

EuroSTR continues its modest progress creeping up to 4.5% of EUR swaps executed in September, up some 50% from 2.8% in June.



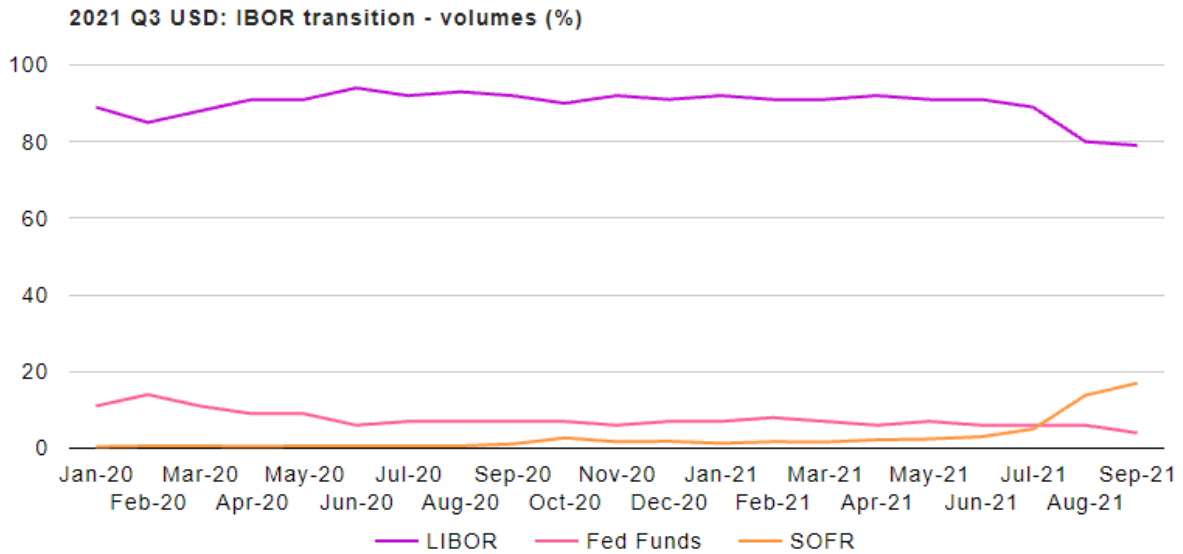
... and approximately 7% of notional traded.



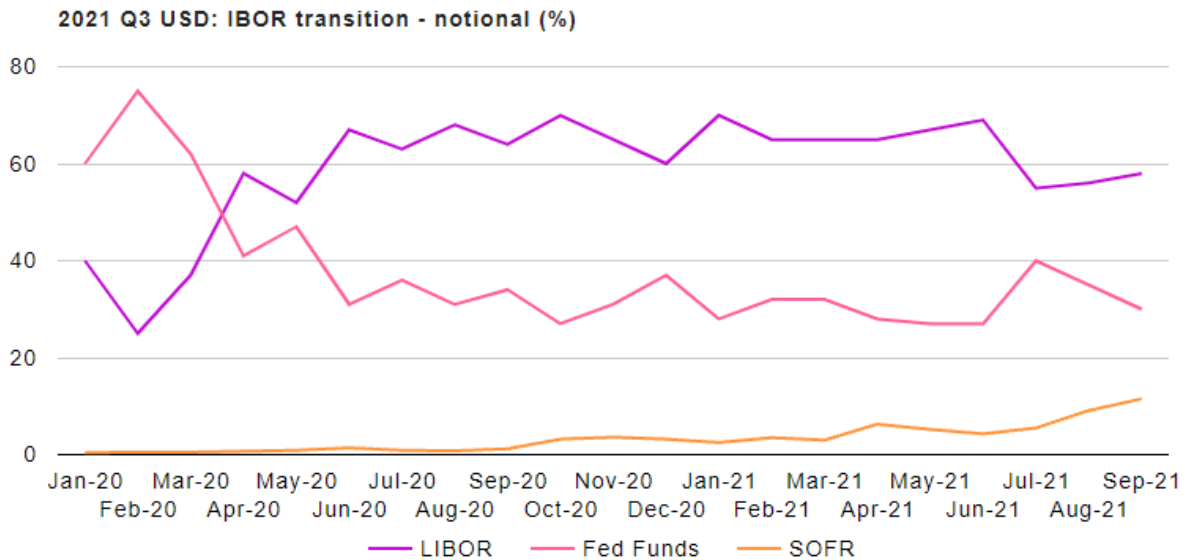
USD Swaps

Background: SOFR will replace Fed Funds and USD-LIBOR, although the ARRC has recently approved a Term-SOFR whose adoption will be interesting to watch... There was an initial uptick in SOFR at the end of October 2020 driven by the CCPs switching from Fed Funds to SOFR discounting on 16 October 2020. Unlike the other LIBORs it is expected USD-LIBOR will continue to be published until 30 June, 2023, albeit “SOFR first” applied to interdealer swaps from 26 July 2021.

SOFR has suddenly picked up with the [SOFR first](#) initiative driving SOFR up to 17% of USD swaps executed in September, up some sixfold from 3% in June. Interestingly we also saw the first handful of BSBY trades in September, one to watch.



... and approximately 12% of notional.

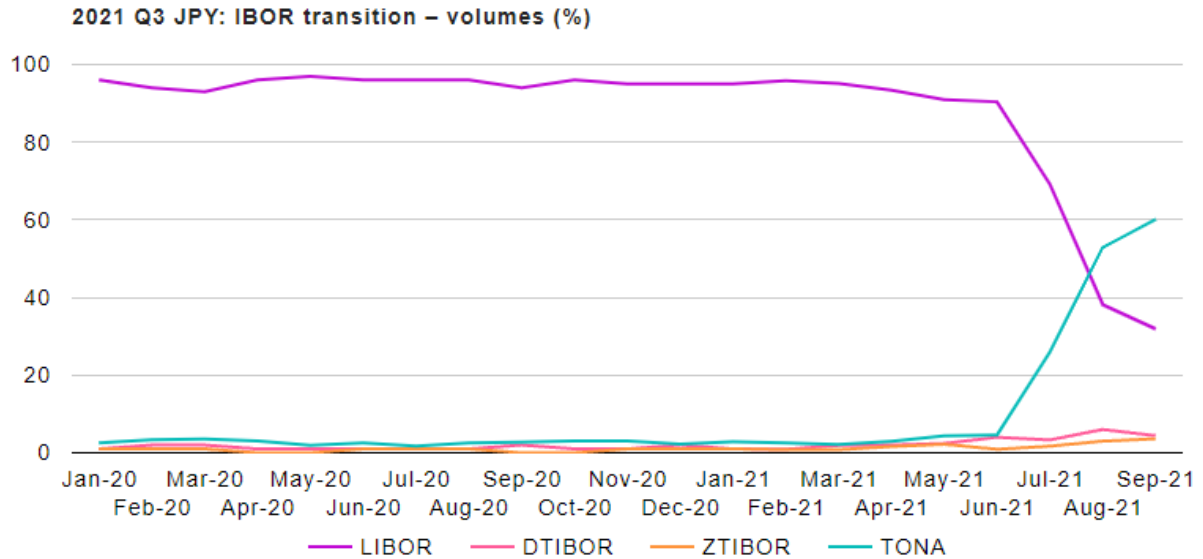


Adoption of SOFR on non-linear products like Swaptions have been less successful, due in part to the absence of a USD ICE SWAP RATE for SOFR. The USD SOFR ICE Swap Rate and USD SOFR Spread-Adjusted ICE SWAP Rate are currently in Beta. Full publication of these rates will certainly help the industry further adopt SOFR in place of LIBOR.

JPY Swaps

Background: Japan is taking a multiple rate approach. DTIBOR is expected to continue alongside TONA. ZTIBOR is planned to be discontinued 2 years after LIBOR cessation. JPY-LIBOR will cease publication on 31 December, 2021.

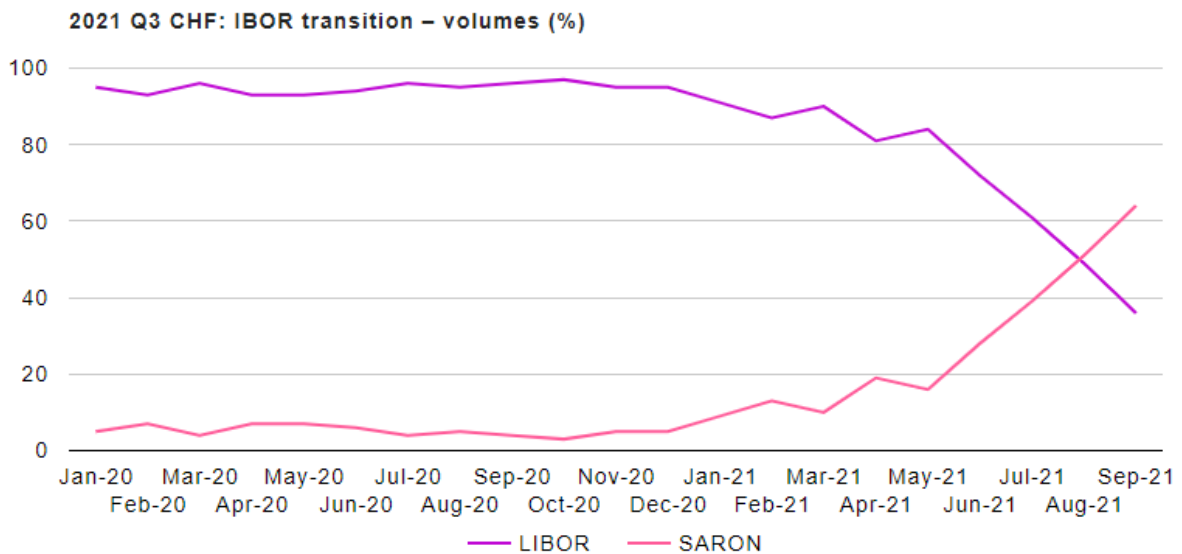
TONA has had a dramatic uptick to 60% of JPY swaps executed in September, up some twelvefold from 4.5% in June.



CHF Swaps

Background: CHF-LIBOR will cease publication on 31 December, 2021.

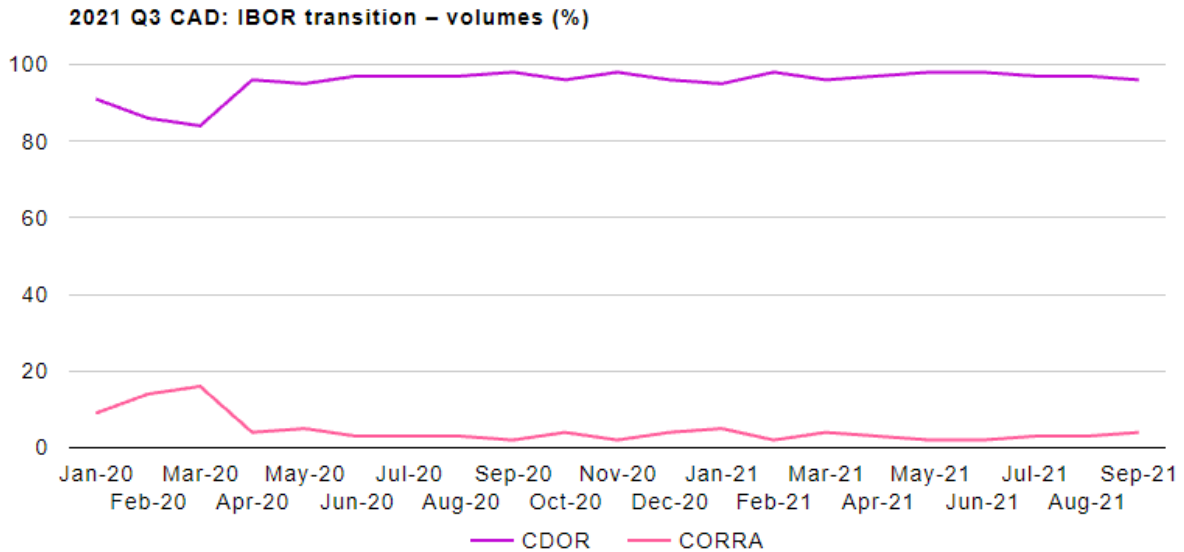
SARON has had a significant uptick to almost two thirds of CHF swaps executed in September, more than doubling from less than 30% in June.



CAD Swaps

Background: Canada is taking a multiple rate approach. Reformed/enhanced CORRA will continue alongside CDOR.

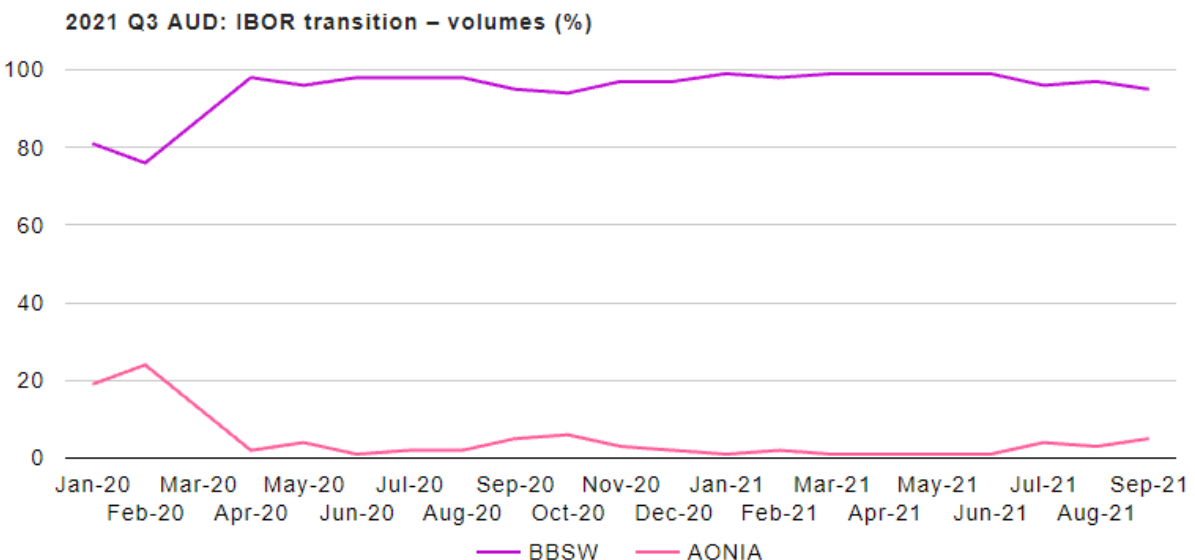
There has been little change with CORRA continuing to make up less than 5% of CAD swaps executed.



AUD Swaps

Background: Australia is taking a multiple rate approach. The reformed BBSW is expected to continue alongside AONIA.

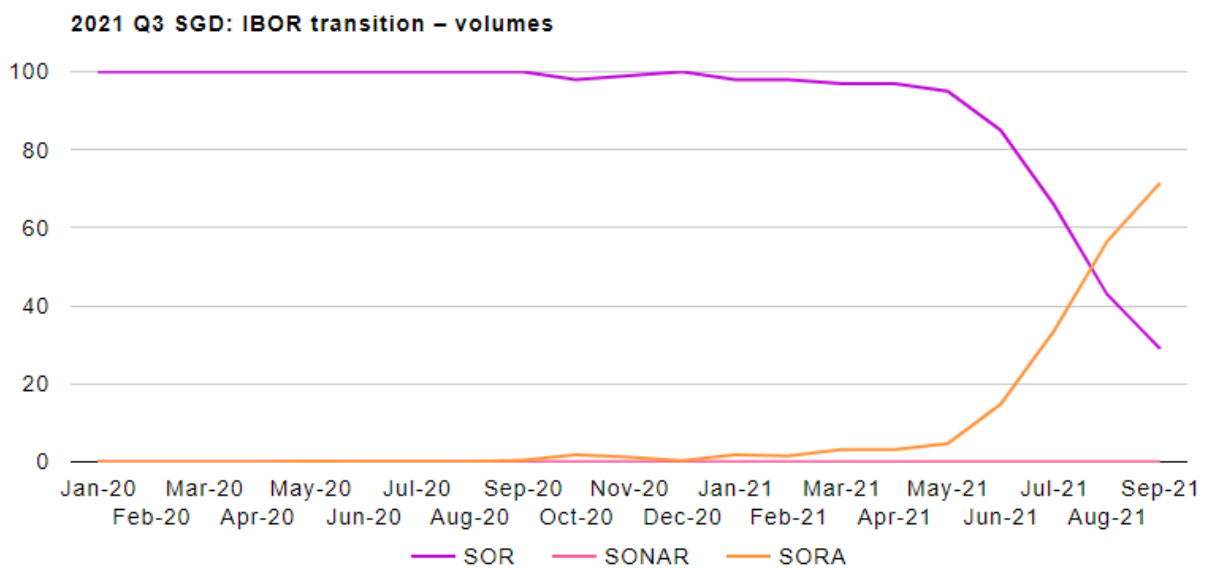
Activity in AONIA has been very subdued over the last 12 months but has suddenly increased to 5% of AUD swaps executed in September, up from 1% in June.



SGD Swaps

Background: Singapore initially took a multiple rate approach. However, the reform of SIBOR to base it more on transaction data failed and will cease in 2024. SOR is expected to be replaced by SORA.

Activity in SORA has been very subdued over the last 12 months but has suddenly increased to over 70% of SGD swaps executed in September, up from 15% in June and less than 5% in May.



Conclusion

The FCA and most other regulators are clear, LIBOR and many other IBORs will become extinct in the global swaps market. Progress on adoption of new RFRs has certainly been made, particularly in SONIA where over 75% of new trades are SONIA. Probably more interesting though is the sudden and sharp progress in CHF (SARON) and SGD (SORA) compared to the more tranquil growth in other RFRs. There is clearly still a way to go to see the new RFRs completely replace the IBORs in global swaps trading.

SONIA continues to lead the pack with almost 80% of new GBP swaps executed...

But the big story in Q3 2021 is the sudden and dramatic progress of:

- SORA now over 70% of SGD swaps
- SARON now almost two thirds of CHF swaps
- TONA now 60% of JPY swaps
- SOFR up to 17% of USD swaps.



There has even been some limited progress in:

- EuroSTR creeping up to 4.5% of EUR swaps
- AONIA suddenly increased to 5% of AUD swaps
- CORRA still less than 5% of CAD swaps.

What's next?

More significant milestone dates approach as certain IBORs cease to exist, and clearing houses are mandatorily converting IBOR positions into a relevant RFRs. Watch this space...