

MONECO FINANCIAL TRAINING

REFORM OF INTEREST BENCHMARKS: TRANSITION TO A WORLD WITHOUT IBORS

April 4-5, 2019

Lecturer: Mark Taylor

Registration Deadline: March 21, 2019



Upcoming Seminar

REFORM OF INTEREST RATE BENCHMARKS: TRANSITION TO A WORLD WITHOUT IBORs

DATES: April 4–5, 2019 • PRICE: € 1,400 • LOCATION: Prague, NH Hotel Prague

NEW

This 2-day course offers an insight into the journey from IBOR rates to their new replacement benchmarks, from the perspective of banks, companies and investors.

Attend this 2-day training course and learn about:

- **What has gone wrong with IBOR rates and why a replacement is needed?**
- **The chosen the replacements – the new ‘risk-free rates (RFRs)’**
- **The differences between IBOR rates and the new RFRs**
- **The transition process from IBOR to RFRs for banks, companies and investors**
- **How RFR-linked bonds work and the market for them?**
- **The change in the world of corporate lending towards RFR-linked floating rate loans**
- **The new RFR-linked derivative products and their pricing**
- **The process of migrating legacy IBOR deals on to RFR terms**

The future of interest rate benchmarks is uncertain except for one thing: IBOR rates will be coming to an end in the next two years; and banks, companies and investors need to be ready. Rocked by a rate-rigging scandal and latterly by the absence of an underlying market, regulators have called time on IBOR rates and are pushing the world towards more robust alternatives.

This course examines the role IBOR rates have played in finance, growing from almost nothing 40 years ago to one of the most important numbers in world markets; a number that underpins 100s of trillions of USD of cash and derivative contracts.

On day one we look at the role of IBOR rates and what requirements their replacements need to satisfy, before examining the details of the regulatory-approved replacements – ‘the risk-free rates (RFRs)’. We then consider the transition process that must be undertaken by banks, companies and investors to meet the regulators deadlines to be ready for the end of IBOR. Day one finishes with a look at the new RFR-linked bonds – how the bonds work and how they have been received by the market.

Day two starts by looking at the role of IBOR in corporate lending, and how the transition to RFR-linked loans might work. We consider the tricky subject of a forward-looking RFR rate and how one might be determined. We then progress to the world of derivatives and the details, and pricing, of the new RFR-linked futures and swaps markets.

We finish the course by considering the process of migrating legacy IBOR deals to RFR-linked terms – the contractual considerations and how we agree a fair transition price.

Who should attend?

- Corporate bankers – relationship managers and treasury managers
- Bank money market, bond and derivative traders and salespeople
- Investors – institutional investors, fund managers, private traders
- Company treasury managers and staff, accountants, risk managers

Course methodology

The course consists of classroom-based training which combines formal teaching of concepts and technical content, with individual and group exercises to reinforce learning points.

THURSDAY, APRIL 4

09⁰⁰–09¹⁰

Welcome and Introduction

09¹⁰–12³⁰

IBOR and its replacement ‘Risk-Free Rates’ (RFRs)

- IBOR
 - What was the original purpose of IBOR?
 - How is it set?
 - What went wrong?
 - Rigging scandal
 - Transaction drought
- The necessity for replacement
 - Would a synthetic IBOR work?
 - How might it be calculated?
 - What problems should a replacement rate fix?
 - The regulatory pressure for replacement
 - UK FCA position on LIBOR
 - European Benchmarks Regulation (BMR)
 - US Alternative Reference Rates Committee (ARRC)
 - What regulatory tests does a new reference rate need to pass?
 - Can IBOR be replaced exactly?
 - Compromises necessary for replacement rate to be widely used
 - What happens to the much-used IBOR-OIS measure?
- The regulatory-favoured RFRs
 - What are the chosen RFRs in each major currency?
 - SOFR (USD), ESTER (EUR), SONIA (GBP), SARON (CHF), TONAR (JPY)
 - Description of each RFR
 - Differences and similarities across currencies

12³⁰–13³⁰

Lunch

13³⁰–17⁰⁰

The transition from IBOR to RFR

- Banks
 - What role does IBOR play within a bank?
 - Baseline funding rate
 - Input to funds transfer rate (FTP)
 - Key pricing benchmark for corporate lending
 - Key variable in interest rate derivative products
 - The transition from IBOR
 - Identifying what the future under RFRs will look like for all bank departments
 - The important transition decisions and operational requirements
 - Communicating the effects of the transition to clients
 - What will drive liquidity in the RFR bank-funding market?
- Borrowers
 - What is the impact of RFRs on floating-rate borrowers?
 - What will drive the movement from IBOR-linked to RFR-linked borrowing?
 - Managing the transition for a corporate borrower
 - Market understanding and system changes
- Investors
 - What are the requirements of floating-rate investors?
 - How will investors become comfortable with the transition away from IBOR?
 - Market development, liquidity and transparency, system requirements

- How are regulators driving the transition from IBOR to RFRs?

Issuing bonds linked to the new RFRs

- The market place for RFR-linked floating rate bonds
 - What do investors want?
 - What is the process of issuing bonds linked to the new RFRs?
 - Issuance to date by currency and issuer type
 - Investor reaction to RFR-linked floating rate bonds
- Pricing of RFR-linked bonds
 - In theory, how should the RFR spread be priced?
 - The IBOR/RFR basis
 - What is the basis?
 - How is observed/traded?
 - How has the market priced and absorbed the bonds issued?
- Bond term sheet details
 - Fixing source
 - Rate and settlement calculations

FRIDAY, APRIL 5

09⁰⁰–12³⁰

Corporate lending linked to the new RFRs

- Why is IBOR so popular in corporate loans?
- How would an RFR-linked corporate loan work?
- The problem with the ‘forward-looking term loan’ nature of IBOR
 - How do we replace a 3-month rate with and overnight rate?

- Why does the corporate loan market need a 'term' rate, e.g. 3-month ESTER?
- How do we develop a 'forward-looking term rate' for RFRs?
- Probable corporate loan characteristics post-IBOR
 - Fixing sources for term RFRs
 - Rate and settlement calculations
 - Pricing versus IBOR-linked equivalent
- Pricing corporate loans
 - Replacing the credit and liquidity information from IBOR
 - Using RFRs to determine FTP rates

Derivatives referencing the new RFRs

- Why is IBOR used in derivatives contracts?
- Replacing IBOR in FRA, Futures and IRS trades
 - Existing market for overnight index futures
 - Fed Funds, EONIA, SONIA
 - Contract descriptions

- New RFR futures contracts
 - SOFR, ESTER, SARON
 - Contract descriptions
- What is the existing market for overnight index swaps (OIS)?
- How would a swap market based upon new RFRs work?
 - Swaps versus daily reset/compounding
 - Swaps versus term RFR rates
 - How would term RFR resets work?
 - Basis trading versus IBOR swaps
- Hedging using RFR-linked swaps
 - RFR-linked 'new issue swaps'
 - Asset swaps (fixed to RFR)
 - RFR-linked corporate loan hedging

12³⁰-13³⁰

Lunch

13³⁰-17⁰⁰

Migrating legacy IBOR deals

- The case for migrating legacy IBOR deals to the new RFRs
 - Complications in floating-rate bonds and corporate loans

- Does current documentation contain fall-back provisions to deal with the end of IBOR?
 - What are the common fall-back provisions?
- Transition to RFRs for floating-rate bonds
 - What do borrowers and investors require from the transition and how can these requirements be met?
 - How do we price the replacement bond coupon to make the transition fair to both sides?
- Transition to RFRs for corporate loans
 - What do companies and banks require from the transition and how can these requirements be met?
 - Dealing with the choice of term RFR and reset rate source
 - How do we price the replacement loan margin to make the transition fair to both sides?
- In the post-IBOR world, what have we gained (or lost)?

Lecturer: Mark Taylor

Mark spent 10 years as an FX and interest rate derivatives trader in London, HK and New York before moving into financial training, where he has spent the last 9 years. His trading experience spans vanilla and exotic products having run profitable businesses across the derivatives product spectrum.

Mark graduated from the University of Bristol with a first-class degree in Aeronautical Engineering. He had a brief stint as an aerodynamicist working on military aircraft design for BAe Systems, before moving into finance, first with Deutsche Bank and then RBS.

After leaving finance Mark bought, ran and subsequently sold a retail business; in the process developing a first-hand understanding of company valuation, accounting, as well as company financing and risk management.

Mark uses his experience in financial markets and the corporate world to run engaging training courses across both the markets and corporate finance disciplines.



Knowledge Leads the Way...

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Terms and Conditions of the MONECO Financial Training

MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

REGISTRATION FORM

**Registration Deadline:
March 21, 2019**

• Reform of Interest Rate Benchmarks: Transition to a World without IBORs

April 4 – 5, 2019

€ 1,400

COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.: VAT Identification No.:

PARTICIPANTS

1. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

2. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

3. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

Date: Signature: