Announcements on the end of LIBOR

The FCA has announced the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available. This is an important step towards the end of LIBOR, and the Bank of England and FCA urge market participants to continue to take the necessary action to ensure they are ready.

The FCA has confirmed [1] that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings

Based on undertakings received from the panel banks, the FCA does not expect that any LIBOR settings will become unrepresentative before the relevant dates set out above. Representative LIBOR rates will not, however, be available beyond the dates set out above. Publication of most of the LIBOR settings will cease immediately after these dates. As ISDA has confirmed [2] separately, the 'spread adjustments' to be used in its IBOR fallbacks will be fixed today as a result of the FCA's announcement, providing clarity on the future terms of the many derivative contracts which now incorporate these fallbacks.

The Bank of England and the FCA have made it clear over a number of years that the lack of an active underlying market makes LIBOR unsustainable, and unsuitable for the widespread reliance that had been placed upon it. Accordingly, both have worked closely with market participants and regulatory authorities around the world to ensure that robust alternatives to LIBOR are available and that existing contracts can be transitioned onto these alternatives to safeguard financial stability and market integrity.

Market-led working groups and official sector bodies, including the Financial Stability Board, have set out clear timelines to help market participants plan a smooth transition in advance of LIBOR ceasing. Today's announcements confirm the importance of those preparations for all users of LIBOR. Regulated firms should expect further engagement from their supervisors at both the Prudential Regulation Authority and the FCA to ensure these timelines are met.

Authorities have also recognised that there are some existing LIBOR contracts which are particularly difficult to amend ahead of the LIBOR panels ceasing, often known as the 'tough legacy'. The FCA is taking steps to help reduce disruption in these cases. The FCA will consult in Q2 on using proposed new powers that the government is legislating to grant to it under the Benchmarks Regulation (BMR) to require continued publication on a 'synthetic' basis for some sterling LIBOR settings and, for 1 additional year, some Japanese yen LIBOR settings. It will also continue to consider the case for using these powers for some US dollar LIBOR settings. Any 'synthetic' LIBOR will no longer be representative for the purposes of the BMR and is not for use in new contracts. It is intended for use in tough legacy contracts only. The FCA will also consult in Q2 on which legacy contracts will be permitted to use any 'synthetic' LIBOR rate.

The FCA has also published today statements of policy in relation to some of these proposed new BMR powers. These statements of policy confirm its policy approach, explain its plans set out above and its intention to propose using, as a methodology for any 'synthetic rate', a forward-looking term rate version of the relevant risk-free rate plus a fixed spread aligned with the spreads in ISDA's IBOR fallbacks.

FCA CEO Nikhil Rathi said:

'Today's announcements provide certainty on when the LIBOR panels will end. Publication of most of the LIBOR benchmarks will cease at the same time as the panels end. Market participants must now complete their transition plans.'

Bank of England Governor Andrew Bailey said:

'Today's announcements mark the final chapter in the process that began in 2017, to remove reliance on unsustainable LIBOR rates and build a more robust foundation for the financial system. With limited time remaining, my message to firms is clear – act now and complete your transition by the end of 2021.'

Notes to editors:

1. See the FCA's announcement regarding the future cessation and loss of representativeness of the LIBOR benchmark settings [1].
2. ICE Benchmark Administration published a feedback statement on its consultation to cease the publication of LIBOR settings. See their press statement [3] for more information.
3. See the FCA's policy documents [4] published today. Market participants should continue to monitor this page for the latest updates regarding consultations on proposed new powers under the BMR.
4. In the UK, the Working Group on Sterling Risk Free Reference Rates has set out its roadmap and priorities [5] to assist businesses in planning a smooth transition by the end of 2021. The Financial Stability Board has also published a Global Transition Roadmap for LIBOR [6], which is intended to supplement existing timelines/milestones from industry working groups and regulators.

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- [1] https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf
- [2] https://www.isda.org/2021/03/05/isda-statement-on-uk-fca-libor-announcement
- [3] https://ir.theice.com/press/news-details/2021/ICE-Benchmark-Administration-Publishes-Feedback-Statement-for-the-Consultation-on-Its-Intention-to-Cease-the-Publication-of-LIBOR-Settings/default.aspx
- [4] https://www.fca.org.uk/markets/transition-libor/benchmarks-regulation-new-powers-policy-decision-making
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