

FCA Announcement on the end of LIBOR

Dear Client,

On Friday March 5th, the FCA made an [official statement](#) on the end of LIBOR, ratifying the proposal initially set forth in the IBA consultation introduced on Nov 30th, 2020. Taken directly from the FCA's website:

The FCA has confirmed 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*

What this means for the IBOR Transition:

- **Dates confirmed** – all technology & operational readiness activities must be completed as soon as practicable, and by December 31, 2021 at the latest. Markets will dictate volume in alternative reference rates (ARRs; SOFR, etc.) over the course of 2021
- **New contracts** – As expected, LIBOR benchmarks are **NOT to be used** in any new origination after Dec 31, 2021 (all tenors & currencies)
- **Legacy contracts** – Re-planning activities can now be finalized; activities for contract remediation on USD LIBOR positions can extend into 2022 – 2023, however market liquidity in ARR's & client demand for those benchmark rates will dictate the pace of the transition
- **Fallback Rates** – Spread adjustments which will be used in IBOR fallback language [have been fixed as of March 5, 2021](#) as a result of the announcement. This may help liquidity in various ARR's, as it creates a defined correlation to LIBOR.
- **Synthetic LIBOR** – The IBA and FCA will consult on the publication of a 'synthetic LIBOR' for some currencies and tenors which expire in Dec 2021. This will be to reduce the risks associated with tough legacy contracts. Any synthetic LIBOR will be considered "[non-representative](#)" and is not to be used for new originations

References:

[FCA Statement](#)

[IBA Statement](#)

[ISDA Announcement](#)

[Bloomberg Notice on spread adjustments](#)

[BMO Notice to Clients for Certain Lending Agreements \(March 5, 2021\)](#)