FSB FINANCIAL STABILITY BOARD

2 June 2021

Global Transition Roadmap for LIBOR

Context

The Financial Stability Board (FSB) has identified that continued reliance of global financial markets on LIBOR poses clear risks to global financial stability. On 5 March 2021, ICE Benchmark Administration (IBA)[1] and the UK Financial Conduct Authority (FCA)[2] formally confirmed the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available. The majority of LIBOR panels will cease at the end of this year, with a number of key US dollar (USD) settings continuing until end-June 2023, to support rundown of legacy contracts only. As such, preparations should be underway to reduce reliance on these rates well ahead of these dates. Given the widespread international use of LIBOR in the five LIBOR currencies (USD, GBP, EUR, JPY and CHF), transition away from LIBOR requires significant commitment and sustained effort from both financial and non-financial institutions across many LIBOR and non-LIBOR jurisdictions.

This Global Transition Roadmap (GTR) has been updated in light of announcements made confirming LIBOR cessation dates and associated proposals by authorities and national working groups in light of these. It is intended to inform those with exposure to LIBOR benchmarks of some of the steps they should be taking now and over the remaining period to LIBOR cessation dates to successfully mitigate these risks. These are considered prudent steps to take to ensure an orderly transition by end-2021 and are intended to supplement existing timelines/milestones from industry working groups and regulators.

This does not constitute regulatory advice or affect any transition expectations set by individual regulators, which may require firms to move faster in some instances. It is important that all regulated financial institutions have an open and constructive LIBOR transition dialogue with their regulators, both home state and host state, throughout the transition period. As benchmark transitions vary across currency regions and legislation and other actions to promote transition are taking different paths in different jurisdictions, financial institutions, non-financial firms and others with exposure to LIBOR benchmarks should also monitor developments with regard to other IBORs relevant to their business.

Note that the GTR set out below draws upon more detailed transition timelines[3] that have been developed by some of the national working groups (see Annex Table).

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1 ICE Benchmark Administration Publishes Feedback Statement for the Consultation on Its Intention to Cease the Publication of LIBOR® Settings, (2021)

2 FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks, (2021)

3 In the US, the ARRC has recommended more detailed USD LIBOR transition timelines. In the UK, there are recommended timelines for supporting the transition to SONIA. In Japan, likewise, there are recommended timelines . The European Central Bank published good practices guidelines to assist banks in their preparation without a set timeline framework.

Global Transition Roadmap for LIBOR

Firms should already have at a minimum (and if not, should promptly):	• Identified and assessed all existing LIBOR exposures, including an understanding of: – Which LIBOR settings they have a continuing reliance on after end-2021, by currency and tenor. – What fallback arrangements those contracts currently have in place. • Identified other dependencies on LIBOR outside of its use in financial contracts – for example, use in financial modelling, discounting and performance metrics, accounting practices, infrastructure, or non-financial contracts (e.g. in late-payment clauses). • Agreed a project plan, including specific timelines and resources to address or remove any LIBOR reliance identified, to transition in advance of the end of 2021 including clear governance arrangements. • Understood industry or regulator recommended best practices in relevant jurisdictions, including timelines for intermediate steps in transition ahead of end-2021, and built these into their plans. • Assessed what changes may be needed to supporting systems and processes in order to enable use of alternative reference rates in new and existing contracts, including through fallbacks. This may include, for example, treasury management systems and accounting processes. – Those who currently provide clients with this infrastructure should have developed alternative solutions/offerings to ensure continuity of provision. • Those who currently provide clients with products that reference LIBOR should have begun to implement a plan for communicating with end-users of LIBOR referencing products maturing beyond end-2021 to ensure they are aware of the transition and the steps being taken to support moving those products to alternative rates. • Adhered to the ISDA protocol, subject to individual firms' usual governance procedures and negotiations with counterparties as necessary. Adherence to the protocol is strongly encouraged and where the protocol is not used, other appropriate arrangements will need to be considered to mitigate risks. • Providers of cleared and exchange-traded products linked to LIBOR should also have ensured that these incorporate equivalent fallback provisions as appropriate. • Lenders should be in a position to offer non-LIBOR linked loan products to their customers. This could be done either in terms of giving borrowers a choice in terms of the reference rate underlying their loans, or (where national timelines allow) through working with borrowers to include language for conversion ahead of cessation dates for any new, or refinanced, LIBOR referencing loans, for example if systems are not currently ready.
By mid-2021, firms should:	• On the basis of a full assessment of their stock of legacy contracts, have determined which can be amended in advance of end-2021 and establish formalised plans to do so in cases where counterparties agree.

	• Where LIBOR linked exposure extends beyond end-2021, make contact with the other parties to discuss how existing contracts may be affected and what steps firms may need to take to prepare for use of alternative rates. • Have implemented the necessary system and process changes to enable transition to robust alternative rates. • Aim to use robust alternative reference rates to LIBOR in new contracts wherever possible. • Take steps to execute formalised plans, where realistic, to convert legacy LIBOR-linked contracts to alternative reference rates in advance of end-2021.
By end-2021, firms should:	• **Be prepared for all GBP, EUR, CHF and JPY LIBOR settings, and the 1 Week and 2 Month USD LIBOR settings, to cease, and to cease entering into new contracts that use USD LIBOR.** – **All** new business should either be conducted in alternative rates or be capable of switching at limited notice. – For any GBP, EUR, CHF and JPY LIBOR legacy contracts for which it has not been possible to make these amendments, the implications of cessation or lack of representativeness should have been considered and discussed between the parties, and steps taken to prepare for this outcome as needed. The scope and impact of any steps taken by authorities to support tough legacy contracts, if available, should have been clearly understood and taken into account. – All business critical systems and processes should either be conducted without reliance on LIBOR settings due to cease at end-2021, or be capable of being changed to run on this basis at limited notice.
By June 2023, firms should:	• Be prepared for all remaining USD LIBOR settings to cease. – For any USD LIBOR legacy contracts for which it has not been possible to make necessary amendments, the implications of cessation or lack of representativeness should have been considered and discussed between the parties, and steps taken to prepare for this outcome as needed. – The scope and impact of any steps taken by authorities to support tough legacy contracts, if available, should have been clearly understood and taken into account. – All business critical systems and processes should be conducted without reliance on USD LIBOR

Simplified table of National Working Group Key Timelines

This table contains a simplified summary of the key dates contained in existing timelines/milestones published by industry working groups responsible for transition away from CHF[4], GBP[5], JPY[6] and USD LIBOR[7].

Theme		End Q3 2020	End Q4 2020	End Q1 2021	End Q2 2021	End Q3 2021	End Q4 2021
Incorporating Robust Fallbacks	*CHF: Cash products expected to be already done)*	USD: Floating Rate Notes, Consumer Loan Mortgages and Securitizations (By 30 June 2020); Syndicated Business Loans and Student Loans (30 September 2020)	USD: Bilateral Business Loans (By 31 October 2020)	CHF: No new "tough legacies" after January 2021 and plans for the reduction of "tough legacy" by end Q1-21	CHF: Mitigation of risks for remaining "tough legacy"		
Converting Legacy Contracts	**Progress**		GBP				
	Accelerate			GBP			
	Complete				GBP JPY: Significantly reduce (By 30 September		CHF: As soon as possible, at the latest by the end of 2021

[4] Full CHF timeline can be accessed here: https://www.finma.ch/en/~/media/finma/dokumente/dokumentencenter/myfinma/4dokumentation/finma-aufsichtsmitteilungen/20201127-finma-aufsichtsmitteilung-10-2020.pdf

[5] Full GBP timeline can be accessed here: https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/rfr-working-group-roadmap.pdf

[6] Full JPY timeline can be accessed here: https://www.boj.or.jp/en/finsys/libor/data/roadmap.pdf

[7] Full USD timeline can be accessed here: https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC-Best-Practices.pdf

Theme		End Q3 2020	End Q4 2020	End Q1 2021	End Q2 2021	End Q3 2021	End Q4 2021
Ceasing issuance of New LIBOR-referencing products that mature beyond end-2021		USD: Consumer Loan Mortgages (By 30 September 2020)	USD: Floating Rate Notes (By 31 31 December 2020)	GBP: Of linear derivatives (except for risk management of existing positions) and cash products	GBP: Of exchange traded futures and options and non-linear derivatives (except for risk management of existing positions) JPY: Bonds and Loans (30 June) CHF: In general only RFR USD: Business Loans, non CLO-Securitizations, Derivatives (By June 30)	GBP: Of cross currency derivatives with a LIBOR linked sterling leg (except for risk management of existing positions) JPY: Interest Rate Swaps (31 July for adoption of new quoting conventions based on TONA); (September 30 for cessation of new LIBOR interest rate swaps) USD: CLO Securitizations (By September 30)	
System Readiness	*CHF: Most system providers are already ready*	GBP: Loans USD: Floating Rate Notes (By June 30, 2020); Business Loans and Consumer Loan Mortgages (By 30 September 30)	GBP: Derivatives USD: Securitizations (By 31 December 2020)	JPY: Loans and Bonds (Fixing in Arrears)			
ISDA Protocol	GBP and CHF before the effective date; USD no later than 3-4 months following the publication (TBD)						