

FSB statement on smooth and timely transition away from LIBOR

The Financial Stability Board (FSB) has discussed the importance of promoting a smooth and timely transition away from LIBOR.

Clear timelines for the cessation of all LIBOR panels have now been confirmed and all new use of these benchmarks and others derived from them should cease as soon as practicable, and no later than the timelines set out by home authorities and/or national working groups in the relevant currencies.

In particular, following announcements that certain more frequently used USD LIBOR panels¹ will continue until mid-2023, the FSB fully supports the guidance issued by US Banking Supervisors in November 2020 and March 2021.² These noted that, while the mid-2023 end dates would allow most USD LIBOR-linked legacy contracts to roll off, “...*entering into new contracts that use USD LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks...*” and encouraged firms to “*cease entering into new contracts that use USD LIBOR as a reference rate*³ as soon as practicable and in any event by December 31, 2021”, subject only to some limited exceptional use to support an orderly transition.

The FSB has previously identified that continued reliance of global financial markets on LIBOR poses clear risks to global financial stability. In light of the significant use of USD LIBOR globally, the FSB believes it is particularly important to reinforce the message and timeline from US Supervisors on a global scale. Accordingly, the FSB encourages all global market participants to discontinue new use of USD LIBOR-linked contracts, as soon as practicable and no later than end-2021, in light of the safety and soundness risks associated with continued use.

Further, FSB members will be reiterating these expectations to regulated firms in their own jurisdictions as appropriate to support this objective and will continue to provide support for action taken by home authorities in all LIBOR currencies to promote a smooth transition.

¹ Overnight, 1-month, 3-month, 6-month, and 12-month USD LIBOR Panels will cease after June 30, 2023.

² Board of Governors of the Federal Reserve System, *Statement on LIBOR transition*, (2020) and Board of Governors of the Federal Reserve System, SR 21-7: *Assessing Supervised Institutions' Plans to Transition Away from the Use of the LIBOR*, (2021)

³ The Guidance recognises that there may be limited circumstances when it would be appropriate for a bank to enter into new USD LIBOR contracts after December 31, 2021, e.g. for the purposes of transactions that reduce or hedge the bank's or any client of the bank's USD LIBOR exposure on contracts entered into before January 1, 2022.