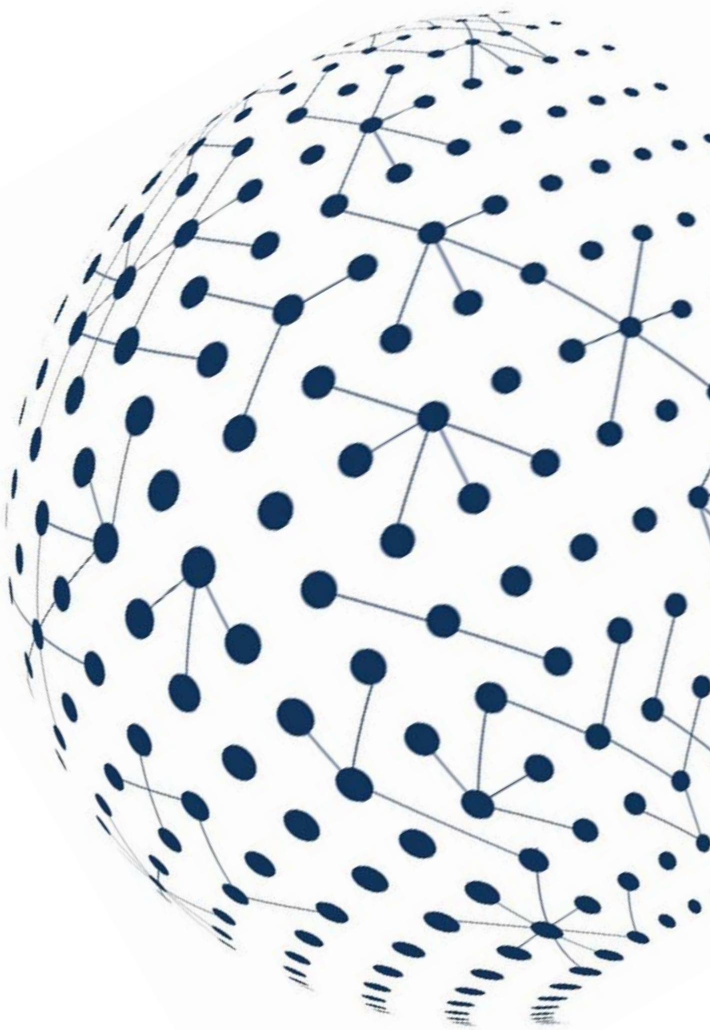
FINANCIAL STABILITY BOARD

Global Transition Roadmap for LIBOR



16 October 2020

The Financial Stability Board (FSB) coordinates at the international level the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. Its mandate is set out in the FSB Charter, which governs the policymaking and related activities of the FSB. These activities, including any decisions reached in their context, shall not be binding or give rise to any legal rights or obligations.

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Context

The Financial Stability Board (FSB) has identified that continued reliance of global financial markets on LIBOR poses clear risks to global financial stability. The LIBOR benchmarks are not guaranteed to continue to be available after the end of 2021 and therefore preparations should be underway to reduce reliance on these rates well ahead of that point. Use of LIBOR in the five LIBOR currencies (USD, GBP, EUR, JPY and CHF) is widespread internationally. As such, transition away from LIBOR by end-2021 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) 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 end-2021 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[1] that have been developed by some of the national working groups.

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[1] 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

<table>
<tr><td>Firms should already have at a minimum (and if not, should promptly):</td><td>

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.

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<tr><td>By the effective date of the ISDA Fallbacks Protocol[2]</td><td>

Adhere 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 ensure that these incorporate equivalent fallback provisions as appropriate.

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<tr><td>By the end of 2020, at a minimum:</td><td>

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 through working with borrowers to include language for conversion by end-2021 for any new, or refinanced, LIBOR referencing loans, for example if systems are not currently ready.

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[2] For more information on these fallbacks for IBOR-linked derivative contracts, see the ISDA website and the FSB's statement encouraging broad and timely adherence.

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 LIBOR to cease. – All new business should either be conducted in alternative rates or be capable of switching at limited notice. – For any 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, or be capable of being changed to run on this basis at limited notice.