FSB FINANCIAL STABILITY BOARD

Press release

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FSB urges action to complete the transition away from LIBOR by end-2021

The Financial Stability Board (FSB) today published a progress report to the G20 on LIBOR transition and remaining issues.

With timelines for cessation of LIBOR panels now confirmed, there should be no remaining doubts as to the urgency of the need to transition away from LIBOR by the end of 2021. The FSB encourages authorities to set globally consistent expectations and milestones that firms will rapidly cease the new use of LIBOR, regardless of where those trades are booked or in which currency they are denominated. Market participants are urged to cease new use of LIBOR in all currencies as soon as practicable, respecting national working group timelines and supervisory guidance where applicable, and in any case no later than the end of 2021.

Given the extent of risks associated with a failure to prepare adequately for LIBOR transition, the onus is now on firms to act. With limited time available until end-2021, the FSB strongly urges market participants to act now to complete the steps set out in its Global Transition Roadmap. Financial and non-financial institutions need to accelerate adoption of robust benchmark rates in new contracts, as well as active conversion of legacy LIBOR-referencing contracts to directly reference risk-free rates and/or insert robust fallback language.

Supervisory authorities should step up their efforts for active and adequate communication to increase awareness of the scope and urgency of relevant IBOR transitions for all clients. The FSB, through its Regional Consultative Groups, will undertake work to support transition in emerging market and developing economies, where engagement with financial institutions on transition planning is in general lagging.

Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority and lead of the FSB team on supervisory issues related to LIBOR transition, said, "*As end-2021 is fast approaching, it is crucial for authorities to monitor progress against expected milestones and maintain close supervisory dialogue with regulated financial institutions to ensure a smooth and robust transition*."

Andrew Bailey, Governor of the Bank of England and Co-Chair of the FSB's Official Sector Steering Group said, *"We are now in the final chapter in the global process to transition markets from LIBOR rates. Basing reference rates on insufficiently active markets creates a fundamental weakness, and transition from LIBOR needs to focus on addressing this. Using robust overnight risk-free rates that are based on large flows of actual transactions will help to create a more resilient and transparent financial system."*

John C. Williams, President of the Federal Reserve Bank of New York and Co-Chair of the FSB's Official Sector Steering Group said, "*In these final months until no new LIBOR, remember: we never want to repeat this transition again. So for the sake of global financial stability, choose robust, enduring reference rates. For US dollar LIBOR, that means building the transition on an unshakable SOFR foundation.*"

Notes to editors

The FSB set out in 2014 a series of recommendations for strengthening key interbank offered rates (IBORs) in the unsecured lending markets, and for promoting the development and adoption of alternative nearly risk-free reference rates, where appropriate. The FSB and member authorities, through the FSB Official Sector Steering Group (OSSG) co-chaired by Andrew Bailey (Governor, Bank of England) and John C. Williams (President and CEO, Federal Reserve Bank of New York), are working to implement and monitor these recommendations.

In June 2021, the FSB issued a set of documents that outlined recommendations for financial and non-financial firms, as well as authorities, to consider to ensure an orderly transition way from LIBOR by end-2021.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.