

Press release

9 July 2020

FSB and Basel Committee set out supervisory recommendations for benchmark transition

- Continued reliance of financial markets on LIBOR poses clear risks to global financial stability.
- Transition away from LIBOR by end-2021 requires significant commitment and sustained effort from both financial and non-financial institutions.
- Report includes three sets of recommendations to support LIBOR transition.

The Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS) today published a report on *Supervisory issues associated with benchmark transition*. Continued reliance of financial markets on LIBOR poses clear risks to global financial stability. Transition away from LIBOR by end-2021 requires significant commitment and sustained effort from both financial and non-financial institutions across many jurisdictions. The report includes insights on remaining challenges to transition based on surveys undertaken by the FSB, the BCBS and the International Association of Insurance Supervisors (IAIS). It sets out recommendations for authorities to support financial institutions' and their clients' progress in transitioning away from LIBOR.

Most FSB jurisdictions have a strategy in place to address LIBOR transition, as opposed to only half of the surveyed non-FSB jurisdictions. Authorities in LIBOR jurisdictions are relatively more advanced in taking initiatives to facilitate and monitor benchmark transition. Financial institutions in these jurisdictions have shown better progress, although significant challenges remain. In light of the expected cessation of LIBOR after end-2021, authorities should strengthen their efforts in facilitating financial and non-financial institutions to transition away from LIBOR.

The report includes three sets of recommendations to support LIBOR transition that should generally be applicable to all jurisdictions with LIBOR exposures.

- **Identification of transition risks and challenges** – authorities and standard-setting bodies to issue public statements to promote awareness and engage with trade associations, and authorities to undertake regular surveys of LIBOR exposure and to request updates from financial institutions.
- **Facilitation of LIBOR transition** – authorities to establish a formal transition strategy supported by adequate resources and industry dialogue. Supervisory authorities

should consider increasing the intensity of supervisory actions when the preparatory work of individual banks is unsatisfactory.

- **Coordination** – authorities to promote industry-wide coordination, maintain dialogue on the adoption of fallback language, consider identifying legislative solutions, where necessary, and exchange information on best practices and challenges. The FSB and the standard-setting bodies will coordinate at the international level to identify key common metrics for monitoring transition progress.

LIBOR transition is a G20 priority and the report responds to the G20 request to identify remaining challenges to benchmark transition and to explore ways to address them. The report will be delivered to G20 Finance Ministers and Central Bank Governors ahead of their virtual meeting on 18 July.

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 published its most recent [annual progress report](#) in December 2019 on implementation of the recommendations. The BCBS published a [newsletter](#) in February 2020 outlining regulatory and supervisory implications related to benchmark rate reforms.

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