FINANCIAL STABILITY BOARD

Press release

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FSB publishes progress report on reforming major interest rate benchmarks

The Financial Stability Board (FSB) today published its latest progress report on implementation of its recommendations to reform major interest rate benchmarks. The report sets out the progress made on the development of overnight nearly risk-free rates (RFRs), and markets based on these rates, and on further reforms to interbank offered rates (IBORs). The FSB has recently intensified its monitoring and coordination efforts given the importance of effective implementation of the reforms.

Interest rate benchmarks play a key role in global financial markets. The FSB started its work on reforms to IBORs in response both to cases of attempted manipulation and to the decline in liquidity in key interbank unsecured funding markets. In 2014, the FSB set out recommendations to reform major interest rate benchmarks, such as key IBORs, and has been monitoring progress on implementation since then.

The progress report considers three key areas:

- **IBORs**: Although LIBOR has been strengthened, authorities have warned that publication of LIBOR may cease once official sector support for the benchmark is withdrawn at end-2021. Work has continued among the other major IBORs (EURIBOR and TIBOR) to strengthen existing methodologies to make them more grounded in actual transactions, as well as to strengthen regulatory frameworks and supervision. In other jurisdictions, actions are also underway to implement further regulatory reforms.
- **Alternative reference rates:** In the markets which face the disappearance of IBORs, notably markets currently reliant on LIBOR, there needs to be an orderly transition to new reference rates that are sufficiently robust for such extensive use. Since the 2017 progress report, a great deal of progress has been made to identify RFRs and other alternative reference rates in currency areas currently reliant on LIBOR benchmarks, as well as to plan for and in some markets begin to execute transition to those RFRs.
- **Enhancing contractual robustness:** Significant work continues on the part of FSB member authorities, national working groups, the International Swaps and Derivatives Association and other trade associations on the important task of strengthening contractual robustness to the risk of discontinuation of major interest-rate benchmarks. This issue goes beyond derivatives markets and applies to many types of cash products including syndicated loans, bonds and mortgages.

The FSB will publish a further progress report in late 2019.

Notes to editors

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's Official Sector Steering Group coordinates and monitors implementation of the FSB's 2014 recommendations on reforming major interest rate benchmarks and identification and, where appropriate, transition to RFRs, including improving contractual robustness to the risk of discontinuation of widely-used interest rate benchmarks, and engages with national working groups and global trade associations on the issue.

In July 2018 the FSB issued a statement welcoming the progress that has been made by public authorities and private sector working groups on the identification and development of overnight RFRs that are sufficiently robust for such extensive use.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its 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.