



Press release

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FSB urges swift action to ensure preparedness for LIBOR cessation

The Financial Stability Board (FSB) today published a [statement to support preparations for LIBOR cessation](#).

Most LIBOR panels will cease at the end of this year, with certain key USD settings continuing until end-June 2023 to support the rundown of legacy contracts, executed before January 1 2022, only.

Continued reliance of global financial markets on LIBOR poses risks to global financial stability. With only a few weeks remaining to the end of 2021, it is now critical that market participants act urgently to complete any remaining steps set out in the FSB's [Global Transition Roadmap](#). Global and national financial regulators will be closely monitoring progress.

Significant progress has been made in transitioning to Risk-Free Rates (RFRs), but market participants still need to finalise preparations to cease new use of LIBOR by end-2021. Considering the significant use of USD LIBOR globally, the FSB continues to believe it is particularly important to reinforce the message and timeline from supervisors globally to ensure there is no interruption to new business and financing. The FSB recognises the widespread use of USD and other LIBORs in emerging markets and developing economies (EMDEs) and therefore considers engagement with EMDEs to be a key part of LIBOR transition globally.

Transition should be primarily to overnight RFRs, the most robust benchmarks available, to avoid reintroducing the weaknesses of LIBOR. The FSB recognises that in some cases there may be a role for RFR-derived term rates and has set out the circumstances where the limited use of RFR-based term rates would be compatible with financial stability. It is crucial that potential alternative rates to LIBOR are especially robust and reflect credible underlying markets underpinned by a sufficient volume of transactions.

The FSB emphasises that active transition of legacy contracts remains the best way for market participants to have control and certainty over their contract terms, and provides a permanent solution and the ability to move to overnight RFRs, compounded in arrears. Synthetic LIBOR is being made available as a temporary bridging solution for legacy contracts only. It should not be directly or indirectly referenced in any new contracts.

The FSB will continue to monitor the final steps in completing LIBOR transition over the coming months.

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. In July 2021, the FSB published a progress report to the G20 on LIBOR transition and remaining issues.

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, Governor, 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.