FSB FINANCIAL STABILITY BOARD

Press release

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FSB publishes progress report on implementation of IBOR reforms

The Financial Stability Board (FSB) today published a progress report on implementation of the FSB's 2014 recommendations to reform major interest rate benchmarks such as key interbank offered rates (IBORs). The 2014 recommendations included measures to strengthen benchmarks and other potential reference rates based on interbank markets, as well as developing alternative nearly risk-free benchmark rates (RFRs). The recommendations were made following examples of attempted market manipulation and false reporting of global reference rates, together with the post-crisis decline in liquidity in interbank unsecured funding markets.

The progress report concludes that IBOR administrators have continued to take important steps to implement the FSB's recommendations, including steps to adjust methodologies used to calculate benchmark rates. However, in the case of some IBORs, such as LIBOR and EURIBOR, underlying reference transactions in some currency-tenor combinations are scarce and submissions therefore necessarily remain based on a mixture of factors including transactions and judgement by submitters. Regulators have taken a number of steps to address these issues, including developing powers to require mandatory contributions to benchmarks, but it remains challenging to ensure the integrity and robustness of benchmarks and it is uncertain whether submitting banks will continue to make submissions over the medium to long-term.

Regulators in some FSB jurisdictions have made good progress in supporting workstreams focused on identifying new or existing RFRs that could be used instead of IBORs in a range of contracts, in particular derivatives. However, limited progress has been made to date on migration from major IBORs to RFRs even where they are already available. The 2014 FSB report did not set a deadline for promoting transition to RFRs where appropriate; however, questions surrounding the long-run viability of some IBORs, such as LIBOR, underline the importance of those transitions. For those jurisdictions that intend to more proactively promote the use of RFRs it is important that momentum is maintained to fulfil the FSB's RFR recommendations.

The official sector has also actively engaged with the International Swaps and Derivatives Association (ISDA) to tackle the risks associated with permanent discontinuation of widely used IBORs. ISDA has established a series of working groups and is drafting fall-back arrangements for new derivatives contracts and a future protocol to amend existing contracts. The official sector places great importance on all industry stakeholders, on both the buy and sell side, entering into such protocols. It is also important that work on contract robustness is extended to other non-derivative markets where contracts reference IBORs such as mortgages, loans, floating rate notes and futures contracts.

The FSB will publish another progress report in 2018.

Notes to editors

The FSB published its recommendations on *Reforming Major Interest Rate Benchmarks* in July 2014 and published progress reports in 2016 and 2015. The FSB's recommendations, were developed under the guidance of the Official Sector Steering Group, and drawing on reviews of benchmark administrators by the International Organization of Securities Commissions and the work of a Market Participants Group.

In the coming weeks the International Organization of Securities Commissions will release a statement setting out matters for users of financial benchmarks to consider when selecting benchmarks and for contingency planning should benchmarks be discontinued.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote 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 65 other jurisdictions through its six Regional Consultative Groups.

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.