

## Press release

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### **FSB issues statement on reforms to interest rate benchmarks**

The Financial Stability Board (FSB) has today published [a statement](#) on reforms to interbank offered rates (IBORs) and the development of overnight risk-free, or nearly risk-free, rates (RFRs) and term rates. The statement is intended to provide market participants and other stakeholders with the FSB's views ahead of a forthcoming consultation by the International Swaps and Derivatives Association (ISDA) which contemplates fall backs for certain derivative contracts based on overnight RFRs.

Interest rate benchmarks play a key role in global financial markets. The FSB started its work on reforms to IBORs following enforcement action taken by FSB member authorities in response to the manipulation of these benchmarks. 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.

To ensure financial stability, benchmarks which are used extensively must be especially robust. The FSB welcomes 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.

These overnight RFRs are robust because they are anchored in active, liquid underlying markets. This contrasts with the scarcity of underlying transactions in the term interbank and wholesale unsecured funding markets from which some IBORs are constructed, a characteristic which could make them susceptible to manipulation. The FSB continues to encourage the development and adoption of these overnight RFRs where appropriate, for example in business where term properties are not needed, or where exposure to bank credit risk is not necessary or desirable. This will enhance financial stability.

In the markets which face the disappearance of IBORs, notably markets currently reliant on LIBOR, there needs to be a transition to new reference rates. In these markets, it will be important to have a full discussion and establish further clarity among affected end users on how this transition should take place. In some other markets, authorities and market participants continue to work on further reform or strengthening of IBORs, in tandem with their efforts to identify and facilitate the wider use of RFRs.

An overnight RFR may not, however, be the optimal rate in all the cases where term IBORs are currently used. The FSB recognises that in some cases there may be a role for term rates, including RFR-derived term rates, or term rates derived from other liquid markets.

## **Notes to editors**

The FSB published its most recent [progress report](#) on implementation of reforms to interest rate benchmarks in October 2017. It will publish a further progress report in November.

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](http://www.fsb.org).