FINANCIAL STABILITY BOARD

# Press release

Press enquiries:
+41 61 280 8138
press@fsb.org

Ref: 51/2020
20 November 2020

## FSB sets out progress on interest rate benchmark reform

The Financial Stability Board (FSB) today published a progress report on implementation of reforms to major interest rate benchmarks. The report covers reforms to a number of benchmarks, including the key London Inter-bank Offered Rate (LIBOR) benchmark.

Transition away from LIBOR by end-2021 remains an essential task and a priority for the FSB and the G20. While progress was made during 2020 to move away from the use of this benchmark, work needs to accelerate further in early 2021.

During 2020, the disruption to global financial markets associated with the COVID-19 pandemic has further highlighted the fundamental weaknesses in LIBOR and reinforced the critical importance of the FSB's efforts to reform the production and use of global interest rate benchmarks. While some aspects of firms' transition plans have been temporarily disrupted or delayed, others have been able to continue, including the release by ISDA of new fallback language for derivative contracts and the publication of market conventions for loans and other products based on risk-free rates in a number of jurisdictions.

Given the extent of risks associated with a failure to prepare adequately for the transition, the onus of action is on firms. Global and national financial regulators will be monitoring progress closely. In October the FSB published a global transition roadmap for LIBOR. The roadmap sets out a timetable of actions for financial and non-financial sector firms to take in order to ensure a smooth LIBOR transition by end-2021.

With only one year left, all market participants – both financial and non-financial firms across the globe – must now ensure they follow the necessary steps to avoid disruption to the performance of their contracts. For transition to occur on time, market participants will need to cease use of LIBOR as a benchmark in all new activity across global markets as soon as possible and this needs to be a key priority for the months ahead.

There have been a number of proposals by authorities and national working groups including in the US, UK and EU to help manage an orderly wind-down of LIBOR and, in particular, provide a legislative solution for tough legacy contracts. However, market participants should continue to progress their transition efforts and plans proactively, particularly through active conversion and the insertion of robust and workable fallbacks where feasible.

Consistent with the above and emphasising the importance of action on this timetable, the administrator of LIBOR, ICE Benchmark Administration (IBA), on 18 November announced that it will consult on its intention that the euro, sterling, Swiss franc and yen LIBOR panels would cease at end-2021. Announcements in relation to US dollar LIBOR are expected to follow. In its role as regulator of IBA, the UK Financial Conduct Authority (FCA) has also set out its potential approach for use of new powers under proposed UK legislation to ensure an orderly wind down of LIBOR and published consultations on its proposed policies for using them.

FSB Official Sector Steering Group (OSSG) Co-Chairs Andrew Bailey and John C. Williams made the following statement: *"The message that all market participants should take from this Report and this week's announcements from the IBA and FCA is that we need to be prepared for the end of LIBOR. Everyone needs to be ready.*

*We thank all of our colleagues across the OSSG jurisdictions for their support in producing this Report, and their commitment to redouble efforts on this issue next year as we approach the culmination of many years of hard work to strengthen the global financial system."*

## Notes to editors

In 2014 the FSB made recommendations to reform interbank offered rates (IBORs) in response both to cases of attempted manipulation and to the decline in liquidity in key interbank unsecured funding markets. The FSB and member authorities, through the FSB Official Sector Steering Group (OSSG) 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.

The FSB OSSG will continue its work to monitor and support benchmark transition, and in particular LIBOR transition, efforts throughout 2021. This work will be complemented by the results of an FSB survey on supervisory issues related to benchmark transition, including a data collection to monitor LIBOR exposures, which will feed into a further report on LIBOR transition progress in July 2021.

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, Vice Chairman, 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.