

LIBOR discontinuance

Regulatory milestones – United Kingdom and United States

LIBOR currency subject to milestone	Q1 2021	Q2 2021	Q3 2021	Q4 2021
UK	<p>GBP*</p> <p>By end-Q1 2021:</p> <ul style="list-style-type: none"> UK regulated firms to cease initiation of new GBP LIBOR-linked <u>loans</u>, <u>bonds</u>, <u>securitisations</u> and <u>linear derivatives</u>** that expire after the end of 2021 UK regulated firms to complete identification of all legacy GBP LIBOR contracts expiring after end 2021 that can be actively converted <p>Throughout Q1 2021:</p> <ul style="list-style-type: none"> UK regulated firms to accelerate active conversion where viable to reduce legacy volume <ul style="list-style-type: none"> For <u>Loans</u> - at renewal, proactive negotiation, or using pre-agreed terms For <u>Bonds/securitisations</u> - consent solicitation mechanisms, For <u>Derivatives</u> – compression / renegotiation UK regulated firms to enable and promote use of SONIA compounded in arrears throughout wholesale sterling markets 	<p>By end-Q2 2021:</p> <ul style="list-style-type: none"> UK regulated firms to cease initiation of new GBP LIBOR <u>non-linear derivatives</u>, <u>exchange traded futures</u> and <u>options</u> that expire after the end of 2021** <p>Throughout Q2/Q3 2021:</p> <ul style="list-style-type: none"> UK regulated firms to cease initiation of cross-currency derivatives with a LIBOR-linked sterling leg, expiring after 2021** UK regulated firms to complete active conversion where possible <ul style="list-style-type: none"> Where active conversion is not viable, ensure robust fallbacks are adopted. 	<p>Throughout Q2/Q3</p> <ul style="list-style-type: none"> UK regulated firms to cease initiation of cross-currency derivatives with a LIBOR-linked sterling leg, expiring after 2021** UK regulated firms to complete active conversion where possible <ul style="list-style-type: none"> Where active conversion is not viable, ensure robust fallbacks are adopted 	<p>By end-Q4 2021</p> <ul style="list-style-type: none"> GBP (all tenors) ceases end of 2021 UK regulated firms to be fully prepared for the end of GBP LIBOR
US	<p>USD</p> <p>By end-Q1 2021:</p> <ul style="list-style-type: none"> US dealers to change market convention for quoting USD <u>derivative</u> contracts from LIBOR to SOFR <p>Throughout 2021: US Market Participants/Financial Institutions, (in particular US banks who have been specifically encouraged by Fed, FDIC and OCC.) to cease entering into new contracts that use USD LIBOR as soon as practicable and in any event by December 31, 2021</p> <p>NB: target for cessation of new use of USD LIBOR in <u>FRNs</u> (not including securitizations and CLOs) was Q4 2020</p>	<p>By end-Q2 2021:</p> <ul style="list-style-type: none"> US Financial institutions to cease new use of USD LIBOR in <u>derivatives</u>[^], <u>securitizations</u> and <u>loans</u> (syndicated and bilateral) US Market Participants to cease new use of USD LIBOR in <u>derivatives</u> (unless for risk or default management of legacy LIBOR positions) <p>Throughout 2021:</p> <ul style="list-style-type: none"> US Financial institutions to cease entering into new contracts that use USD LIBOR as soon as practicable and in any event by December 31, 2021 	<p>By end of Q3 2021:</p> <ul style="list-style-type: none"> US Financial institutions to cease new use of USD LIBOR in <u>CLOs</u> and <u>mortgages</u> <p>Throughout 2021</p> <ul style="list-style-type: none"> US Financial institutions to cease entering into new contracts that use USD LIBOR as soon as practicable and in any event by December 31, 2021 	<p>End-Q4 2021</p> <ul style="list-style-type: none"> USD LIBOR (one week and two month tenors) ceases at the end of 2021 <ul style="list-style-type: none"> (NB: remaining USD LIBOR tenors cease at the end of June 2023)

*Note overall expectation from the FCA/PRA that a UK regulated firm will transition all LIBOR currencies

**Except for risk management of existing positions. More detail available [here](#).

Linear derivatives: Linear products are instruments that see their value directly related to the market price of the underlying variable. E.g. CFD, futures contract, forward exchange contract. (exchange traded or OTC).

Non-linear derivatives: Non-linear products are instruments that see their value related to the market price of the underlying variable, but under a non-linear relationship.

The payoff of such products varies with the value of the underlying, but also with other elements (interest rates, volatility, dividends, etc.). Typically any kind of option. (exchange traded or OTC).

LIBOR currency subject to milestone	Q1 2021	Q2 2021	Q3 2021	Q4 2021
EU	EUR			<p>End-Q4 2021</p> <ul style="list-style-type: none"> EUR (all tenors) ceases end of 2021 <p>2022:</p> <ul style="list-style-type: none"> 3 January 2022 – European financial institutions can continue to use EURIBOR for new and legacy contracts 3 January 2022 – EONIA to be discontinued and replaced with €STR
Swiss	<p>See each milestone</p> <p>From 31 January 2021:</p> <p>No new “tough legacy”:</p> <ul style="list-style-type: none"> Across <u>all product types</u>, Swiss supervised institutions to cease new transactions based on <u>CHF</u> or <u>EUR</u> LIBOR that mature after end 2021 and do not contain robust fallback clauses. <ul style="list-style-type: none"> Where possible, the same objective should also be aimed at for new transactions based on GBP, JPY or USD LIBOR Swiss supervised institutions should be in a position to grant loans that are not based on <u>CHF</u>, <u>EUR</u>, <u>GBP</u>, <u>JPY</u> or <u>USD</u> LIBOR. i.e. giving borrowers the choice of alternative rate (fixed interest, SARON) <p>By end-Q1 2021:</p> <p>Plans for the reduction of “tough legacy”:</p> <ul style="list-style-type: none"> In all contracts – Swiss supervised institutions to determine which contracts and what volume are “tough legacy” i.e. mature after 2021 and do not contain robust fallback clauses. <ul style="list-style-type: none"> Swiss firms should have formulated detailed project plans with steps to be taken and progress monitoring in order to reduce this volume of “tough legacy” contracts to a minimum by end-2021.. Recommended that at least initial contact is made with tough legacy counterparties by 31 March. 	<p>By end-Q2 2021:</p> <p>System and process changes implemented:</p> <ul style="list-style-type: none"> Swiss supervised institutions to have implemented the system and process changes necessary to enable transition to ARR and the application of fallback rates. <p>Mitigation of risks for remaining “tough legacy”:</p> <ul style="list-style-type: none"> All contracts for which no solution is forthcoming, Swiss supervised institutions should ensure a risk assessment is available per contract or product and specific measures should be taken to mitigate these risks. New contracts “in general” should only use ARR in new <u>CHF</u>, <u>EUR</u>, <u>GBP</u>, <u>JPY</u> and <u>USD</u> contracts 	<p>End-Q4 2021:</p> <ul style="list-style-type: none"> Swiss supervised institutions should ensure full operational readiness <p>All new contracts based on ARR:</p> <ul style="list-style-type: none"> Swiss supervised institutions should ensure that all new transactions with variable interest in <u>CHF</u>, <u>EUR</u>, <u>GBP</u>, <u>JPY</u> and <u>USD</u> are based on ARR 	

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Regulatory milestones – Japan and Hong Kong

LIBOR currency subject to milestone		Q1 2021	Q2 2021	Q3 2021	Q4 2021
<u>Japan</u>	JPY	By end-Q1 2021: <ul style="list-style-type: none"> ▪ JFSA and the BoJ to conduct a survey on the use of LIBOR ▪ Japanese financial institutions to develop systems and operations for RFR Compounding (Fixing in Arrears – Loans & Bonds) 	By end-Q2 2021: <ul style="list-style-type: none"> ▪ Japanese financial institutions to cease the issuance of new <u>loans</u> and <u>bonds</u> referencing LIBOR ▪ Japanese financial institutions to start the publication of production rates (by mid-2021) 	By end of Q3 2021: <ul style="list-style-type: none"> ▪ Japanese financial institutions to significantly reduce the amount of loans and bonds referencing LIBOR 	End-Q4 2021 <ul style="list-style-type: none"> ▪ Market participants to cease all remaining dependencies on LIBOR
<u>HK*</u>	GBP, USD, JYP, CHF, EUR	From start-Q1 2021: <ul style="list-style-type: none"> ▪ HK regulated banks** to offer products referencing the alternative reference rates (“ARRs”) to LIBOR ▪ HK regulated banks to include adequate fallbacks in all newly issued LIBOR contracts maturing after 2021. 			<ul style="list-style-type: none"> ▪ HK regulated banks to cease issuing new LIBOR-linked products that mature after 2021 <ul style="list-style-type: none"> – NB: <i>The HKMA extended the deadline for ending new product issuance in LIBOR from end-Q2 to end Q4 2021</i>

* Note HKMA website does not reflect the [update from HKMA](#) extended the deadline for ending new product issuance in LIBOR to 31 December 2021 instead of the original end-June deadline.

** The HKMA timeline applies to Authorised Institutions (AIs) which are effectively banks that are either regulated in Hong Kong or branches of foreign regulated banks (it also includes the small group of deposit taking companies and restricted licence banks).

25 January 2021

ISDA 2020 IBOR Fallbacks Protocol takes effect

12 February 2021

EU legislative fix for LIBOR entered into force providing a Statutory successor to LIBOR to be decided by the Commission

5 March 2021

FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks

6 April 2021

New York legislation for LIBOR passed providing legal safe harbour for “tough legacy” USD LIBOR contracts

US: (End-Q1) Regulatory Milestone Change market convention for quoting USD derivative contracts from LIBOR to SOFR

29 April 2021

Financial Services Bill receives Royal Assent. FCA powers regarding Synthetic LIBOR in force.

11 May 2021

Queen’s Speech confirms HMT’s intention to bring forward further legislation on a UK legal safe harbour for legacy contracts

US: (End-Q2) Regulatory Milestone: Cease issuance of USD LIBOR in derivatives, securitizations and loans (syndicated and bilateral)

US: Regulatory Milestone: Financial Institutions encouraged to cease entering into new contracts *that use* USD LIBOR “as soon as practicable” and in any event by end-2021

US: (End-Q3) Regulatory Milestone Cease issuance of USD LIBOR in CLOs and mortgages

3 January 2022:

EONIA to be discontinued and replaced with €STR

2021

2022

2023

UK: (End-Q1) Regulatory Milestone: Cease initiation of new GBP LIBOR-linked loans, bonds, securitisations and linear derivatives (except for risk management of existing positions) that expire after the end of 2021

(End-Q1) Identify of all legacy GBP LIBOR contracts expiring after end 2021 that can be actively converted

CHF: (Start-Q1) Regulatory Milestone Cease issuance of new tough legacy CHF or EUR LIBOR. i.e. no new transactions based on CHF or EUR LIBOR that do not contain robust fallbacks

(End-Q1) Institutions to determine which contracts and what volume are potentially “tough legacy” and engage with potential “tough legacy” counterparties

HK: (Start-Q1) Regulatory Milestone: Include adequate fallbacks in all newly issued LIBOR contracts maturing after 2021.

UK: (11 May 2021) Regulatory Milestone: liquidity providers encouraged to quote SONIA-First for non-linear derivatives

UK: (End-Q2) Regulatory Milestone: Cease initiation of new GBP LIBOR-linked non-linear derivatives that expire after the end of 2021

CHF: (End-Q2) Regulatory Milestone: “In general”, new contracts should only use alternative rates in new CHF, EUR, GBP, JPY and USD contracts

JPY: (End-Q2) Regulatory Milestone: Cease issuance of new loans and bonds referencing LIBOR

UK: (During Q2/Q3) Regulatory Milestone: Cease initiation of cross-currency derivatives with a LIBOR-linked sterling leg, expiring after 2021

31 Dec 2021
Publication of all LIBOR settings tenors (except, 3, 6 and 12 month USD LIBOR tenors) will cease immediately after 31 December 2021

Q2 2021: FCA to consult on the publication of a “synthetic” LIBOR for:

- 1-month, 3-month and 6-month GBP LIBOR for an unspecified “further period” after 2021; and
- 1-month, 3-month and 6-month JPY LIBOR for one additional year,

30 June 2023
Publication date for the 1, 3, 6 and 12 month USD LIBOR tenors will **cease immediately after 30 June 2021**