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LIBOR Transition: Upcoming Deadlines

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IN BRIEF:

1 As is well known, LIBOR will cease to be published on 31 December 2021 (for all currencies and tenors other than the most commonly used USD settings) and 30 June 2023 (for those remaining USD settings)

2 Financial institutions must also work towards earlier LIBOR transition deadlines set for them by their regulators and supervisors and the risk-free reference rate working groups for the LIBOR jurisdictions.

3 This client alert sets forth a timeline of upcoming deadlines for LIBOR transition.



DEADLINES⁶ (By jurisdiction and date)

Please hover over each for further information



IN MORE DETAIL:

The dates 31 December 2021 and 30 June 2023 loom large in the marathon race to consign the tainted LIBOR benchmark rates to history. Following the 5 March 2021 **announcement** by the Financial Conduct Authority (FCA) on LIBOR cessation, the former has been set as the final fixing date for all but the most commonly used USD LIBOR tenors, and the latter has been set as the final fixing date for those remaining USD LIBOR settings.¹

Financial institutions must also work towards earlier LIBOR transition deadlines set for them by their regulators and supervisors and the risk-free reference rate working groups.² For example, whilst Sterling LIBOR quotes are expected to be published until the end of 2021, the Working Group on Sterling Risk-Free Reference Rates (WGSRFR) has recommended that new originations of Sterling LIBOR products cease by the end of March 2021. Similarly, whilst USD LIBOR quotes are expected to be published until the end of June 2023, US banking regulators have strongly indicated that new originations of USD LIBOR syndicated loans should cease no later than the end of 2021.

The multitude of guidance, recommendations, timetables, roadmaps and supervisory statements broadly splits requirements between new issuance and remediation of legacy transactions.

In October 2020, the Financial Stability Board (FSB) adopted a **Global Transition Roadmap for LIBOR** setting out five principal goals for financial firms and their clients:

As soon as possible: identify all LIBOR exposures and dependencies and formulate a LIBOR transition plan which enables transition to be completed before the end of 2021

- **By end 2020:** be in a position to offer non-LIBOR linked loan products
- **By 25 January 2021:** "strongly encouraged" to adhere to the ISDA 2020 IBOR Fallbacks Protocol
- **By mid-2021:** formalize plans to, and begin to, address remediation of legacy contracts, implemented necessary systems changes for use of near risk-free rates and use alternative reference rates in new contracts "wherever possible"
- **By end-2021:** be prepared for LIBOR to cease³

Many of these steps are echoed in guidance from national working groups on risk-free rates⁴ and local regulators and supervisors.

As a result of the FCA announcement on LIBOR cessation, 5 March 2021 is the spread adjustment fixing date under the Bloomberg IBOR fallback rate adjustments rule book for all LIBOR currencies and tenors. Bloomberg has published these spread adjustments.⁵

The clear message from the authorities is that 2021 is the key year for addressing LIBOR transition and meeting these deadlines will require much work. Whilst regulators and supervisors may hold sway over those institutions which they supervise and regulate, a major unknown will be the level of engagement from non-financial customers. They have no obligation to march to the drum of financial regulators.

Please refer to Baker McKenzie's **LIBOR Transition hub page** for additional information on LIBOR transition.



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¹ The FCA announcement left open the possibility that LIBOR for some currencies might be produced synthetically for limited periods after the cessation dates in order to allow legacy transactions to wind down. The FCA announcement stated that the FCA would consult on continued publication of (1) synthetic 1-month, 3-month and 6-month Sterling LIBOR for some period after end-2021 and (2) synthetic 1-month, 3-month and 6-month Japanese Yen LIBOR settings for one additional year after end-2021. The FCA would continue to consider the case for requiring the continued publication of synthetic 1-month, 3-month and 6-month USD LIBOR settings for some period after 30 June 2023. ² The FCA and the Bank of England have emphasized their expectation that LIBOR transition plans of financial institutions should be executed in line with industry-recommended timelines across sterling and other LIBOR currencies. See, e.g., [FCA announcement 17 September 2020](#), [FCA "Dear CEO" letter 16 January 2020](#) and [Bank of England Financial Stability Report August 2020](#). ³ The FSB roadmap preceded the coordinated statements on 30 November 2020 of the [FCA](#), [ICE Benchmark Administration Limited](#) and the [Federal Reserve](#), the [Office of the Comptroller of the Currency](#) and the [Federal Deposit Insurance Corporation](#) regarding the expected continued publication of all USD LIBOR settings (other than the one week and two month USD LIBOR settings) for a period after end 2021 until 30 June 2023. ⁴ There is no risk-free rate working group for Euro LIBOR. EURIBOR is used more frequently than Euro LIBOR. Much of the guidance from the Euro Risk Free Rate Working Group addresses the transition from EONIA and EURIBOR to ESTR. However, some of the FINMA guidance referred to below applies to Euros as well as Swiss Francs. ⁵ See [here](#). ⁶ See generally [Priorities and roadmap for transition by end-2021 \(WGSRFR\)](#), [ARRC Recommended Best Practices for Completing the Transition from LIBOR](#), [FINMA Guidance 10/2020 LIBOR transition roadmap](#) and [Roadmap to Prepare for the Discontinuation of LIBOR \(as at the end of November 2020\)](#) (Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks). ⁷ The FCA has clarified that this means all new Sterling loans including those forming part of multicurrency facilities or where Sterling is an optional currency only. ⁸ The FINMA roadmap included a 31 January 2021 deadline for ceasing new issuance of Swiss Franc and Euro products based on LIBOR and being generally ready to offer products based on alternative reference rates. ⁹ See [8 March 2021 "Dear CEO" letter from Bank of Japan and Financial Services Agency](#). ¹⁰ The Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency made the following statement in their 30 November 2020 [Statement on LIBOR Transition](#): "Given consumer protection, litigation, and reputation risks, the agencies believe entering into new contracts that use USD LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and will examine bank practices accordingly. Therefore, the agencies encourage banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021" (footnote omitted). The Federal Reserve reiterated the end December 2021 guidance for new LIBOR originations in [SR 21-7: Assessing Supervised Institutions' Plans to Transition Away from the Use of the LIBOR](#) (issued 9 March 2021). ¹¹ LIBOR for certain Sterling and Yen tenors may be published synthetically after this date, subject to FCA consultation. See footnote 1. ¹² LIBOR for certain USD tenors may be published synthetically after this date, subject to FCA consultation. See footnote 1. ¹³ The rate for one-week and two-month USD LIBOR settings will be computed by the calculation agent using linear interpolation from end of 2021, before fallback to the all-in adjusted risk-free rate plus spread after 1 July 2023. *In all cases, the guidance applies where the relevant product expires after the anticipated relevant LIBOR cessation date. **Exception for risk management of existing positions.