



ICE LIBOR[®] Consultation on Potential Cessation

December 2020



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Executive summary

In July 2017, the UK Financial Conduct Authority (the FCA) announced its intention that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR[®] after December 31, 2021. Since then, the FCA and other official sector bodies have strongly advised end-users of the need to transition from LIBOR by December 31, 2021.

ICE Benchmark Administration Limited (IBA), the authorised and regulated administrator of LIBOR, has engaged with end-users, panel banks, the FCA and other official sector bodies regarding the potential for continuing certain widely-used LIBOR settings after December 31, 2021.

Based on feedback and information received from the panel banks, and following discussions with the FCA and other official sector bodies, IBA made announcements on [November 18, 2020](#), and [November 30, 2020](#), that it would consult on its intention to cease publication of:

- the following LIBOR settings, to take effect after the publication of LIBOR on Friday December 31, 2021:
 - EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months);
 - CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
 - JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
 - GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months);
 - USD LIBOR - 1 Week and 2 Months; and
- the following LIBOR settings, to take effect after the publication of LIBOR on Friday June 30, 2023:
 - USD LIBOR - Overnight and 1, 3, 6 and 12 Months,

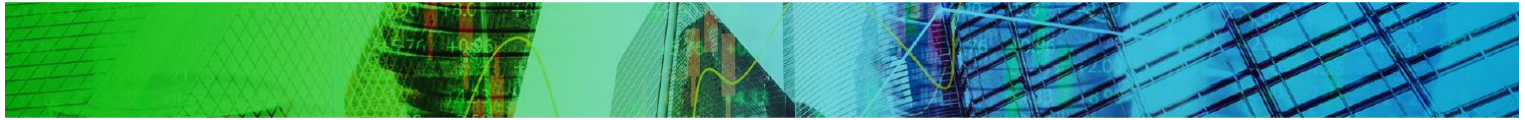
subject to any rights of the FCA to compel IBA to continue publication.

The FCA and other official sector entities have made statements relating to LIBOR following IBA's announcements¹.

The timing of this consultation is aligned to IBA's view that market participants would like at least one year's notice of the potential cessation of any LIBOR settings. This consultation is required under the [LIBOR Changes and Cessation Procedure](#), which states that IBA's Consultation Policy, published by IBA in accordance with the Benchmarks Regulation (BMR), would apply when the cessation of some or all LIBOR settings was under consideration.

This consultation is not, and must not be taken to be, an announcement that IBA will cease or continue the provision of any LIBOR settings after December 31, 2021 or June 30, 2023.

¹ <https://www.fca.org.uk/news/statements/fca-consults-on-new-benchmark-powers>,
<https://www.fca.org.uk/news/statements/fca-response-iba-proposed-consultation-intention-cessate-us-dollar-libor>,
<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20201130b.htm>,
<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20201130a.htm>



IBA notes that any publication of the Overnight and 1, 3, 6 and 12 Months USD LIBOR settings based on panel bank submissions beyond December 31, 2021 will need to comply with applicable regulations, including as to representativeness. Based on current information from panel banks, IBA anticipates there being a representative panel for the continuation of these USD LIBOR settings through to June 30, 2023.

After the feedback period has closed, IBA intends to share the results of the consultation with the FCA and to publish a feedback statement summarizing responses from the consultation shortly thereafter. IBA will also publish the comments received unless confidentiality has been requested by the originator of the comments.

Respondents are requested to provide feedback to IBA at IBA@theice.com by **5pm London time on Monday January 25, 2021**.



About ICE LIBOR®

Introduction

ICE LIBOR® (also known as LIBOR®) is a widely-used benchmark for short-term interest rates. Used globally, LIBOR is often referenced in derivative, bond and loan documentation, and in a range of consumer lending instruments such as mortgages and student loans.

Methodology

The current LIBOR methodology is designed to produce an average rate that is representative of the rates at which large, leading, internationally active banks with access to the wholesale, unsecured funding market could fund themselves in such market in particular currencies for certain tenors.

LIBOR is currently calculated for five currencies (EUR, CHF, JPY, GBP and USD) and for seven tenors in respect of each currency (Overnight/Spot next, 1 Week, 1 Month, 2 Months, 3 Months, 6 Months and 12 Months). This currently results in the publication of 35 individual rates (one for each currency and tenor combination) on each applicable London business day.

LIBOR is currently based on submissions from between 11 and 16 Contributor Banks (“panel banks”) for each LIBOR currency, determined pursuant to the [LIBOR Output Statement](#) through the use of a standardised, transaction data-driven Waterfall Methodology, as summarised below:

Level 1 (Transaction-Based)

Where a panel bank has sufficient eligible transactions, a volume weighted average price (VWAP) of eligible transactions in unsecured deposits, primary issuances of commercial paper and certificates of deposit, with a higher weighting for transactions booked closer to 11:00 am London time. Eligibility criteria for transactions are specified by IBA.

Level 2 (Transaction-Derived)

Where a panel bank has insufficient eligible transactions to make a Level 1 submission, it will seek to make a submission based on transaction-derived data, including time-weighted historical eligible transactions adjusted for market movements and linear interpolation. Eligibility criteria for transaction-derived data are specified by IBA.

Level 3 (Expert Judgement)

Where a panel bank has insufficient eligible transactions or transaction-derived data to make a Level 1 or Level 2 submission, it will submit the rate at which it could fund itself at 11:00 am London time with reference to the unsecured, wholesale funding market. Each panel bank agrees its defined Level 3 submission methodology with IBA, basing its rate on transactional data, related market instruments, broker quotes and market observations.

The Waterfall Methodology is designed to ensure submissions are based in eligible wholesale, unsecured funding transactions to the extent available, whilst ensuring, through the use of appropriately framed expert judgement, that panel banks can always make a submission even if liquidity and transaction data are very sparse on a particular day or in particular tenors.

The published LIBOR rate in respect of each currency and tenor combination is the arithmetic mean of each panel bank’s submissions in respect of that currency and tenor (after trimming upper and lower values), rounded to five decimal places. Each panel bank’s submission carries an equal weight in the calculation, subject to the trimming.



Regulation of IBA and LIBOR

IBA is authorised and regulated by the Financial Conduct Authority (FCA) for the regulated activity of administering a benchmark, and is authorised as a benchmark administrator under the Benchmarks Regulation (BMR)².

The European Commission designated LIBOR as a Critical benchmark under the BMR. In order to ensure the integrity and robustness of Critical benchmarks, the BMR imposes specific requirements for Critical benchmarks, including in relation to any proposals to cease to provide a Critical benchmark.

Further Information

Further information about IBA and ICE LIBOR can be found [here](#)

² At the end of the transition period in relation to the withdrawal of the UK from the EU, which is expected to end at 11:00 pm on December 31, 2020, IBA will cease to be authorised as a benchmark administrator under the EU Benchmarks Regulation and will thereafter be authorised as a benchmark administrator under the UK on-shored version of the EU Benchmarks Regulation, as such UK on-shored version may be amended from time to time (the UK Benchmarks Regulation). References in this document to the BMR refer to the EU Benchmarks Regulation in relation to any time up to the end of the transition period and to the UK Benchmarks Regulation in relation to any time thereafter, unless the context requires otherwise.



Background

Origins of LIBOR

LIBOR was developed in the 1970s to facilitate loan transactions. Its development was further driven by the growth in new financial instruments which also required standardised interest rate benchmarks.

Such a standardised rate was developed in the 1980s and was administered by the British Bankers' Association (BBA) and published as BBA LIBOR from January 1986 until January 2014. LIBOR changed over the years, both in terms of currencies published and the banks making up each currency panel. In addition, LIBOR changed in 1998 from an average of the rates at which each submitter believed a prime bank would be offered deposits in the market to an average of the rates at which each panel bank itself could borrow funds.

IBA became the administrator for LIBOR in February 2014.

Introduction of the Waterfall Methodology

Following extensive consultation, and in-line with official sector recommendations, IBA introduced a standardised, transaction data-driven [Waterfall Methodology](#) for LIBOR submissions, the implementation of which was completed by the panel banks by March 2019 after an extended period of testing.

FCA announcements regarding LIBOR panels and transition

In July 2017, the FCA [announced](#) that the 20 panel banks had agreed to continue to submit to LIBOR until end-2021. The FCA also announced its intention that it would no longer be necessary for the FCA to “persuade, or compel, banks to submit to LIBOR” after end-2021.

The FCA and other official sector bodies have made several announcements since then regarding the need to transition from LIBOR to alternative rates, and market participants have been strongly advised of the need to ensure they are prepared for this transition by December 31, 2021.

UK legislation to extend FCA powers regarding LIBOR

The UK Government announced in June 2020 its intention to legislate to ensure that the FCA has the appropriate regulatory powers to manage and direct any wind-down period prior to eventual LIBOR cessation in a way that protects consumers and/or ensures market integrity. The Financial Services Bill including these proposed powers, which are expected to be made through amendments to the UK Benchmark Regulation, was introduced to Parliament on October 21, 2020.

The proposed new regulatory powers would enable the FCA to direct changes to LIBOR, including a change to its methodology, in circumstances where the FCA has found that:

- The benchmark is not representative of the market it seeks to measure, or its representativeness is at risk;
- The benchmark's representativeness cannot reasonably be restored, or there are not good reasons to do so; and
- Action is desirable to protect consumers and/or to ensure market integrity, and such action is appropriate given the desirability of cessation of the benchmark taking place in an orderly fashion.

Existing law is also proposed to be strengthened to prohibit the use by supervised entities of LIBOR where its representativeness cannot reasonably be restored and there are not good reasons to do so, whilst giving the FCA the ability in those circumstances to permit limited continued use in legacy contracts.

It is also proposed to provide the FCA with powers to prohibit some or all new use by supervised entities in the UK of a critical benchmark (such as LIBOR currency-tenor settings) where a benchmark administrator has confirmed its intention that the benchmark will cease and the FCA has assessed how the benchmark is to be ceased.



The FCA [welcomed](#) the UK Government announcement and proposed to publish statements of policy on its approach to potential use of these powers following further engagement with stakeholders in the UK and internationally. In particular, the FCA also noted that it would “seek stakeholder views on possible methodology changes” based on the alternative risk free rates (RFRs) chosen in each of the LIBOR currency jurisdictions, and “seek views on the consensus already established in international and UK markets on a way of calculating an additional fixed credit spread that reflects the expected difference between LIBOR and risk-free interest rates”.

Andrew Bailey, Governor of the Bank of England, noted in a July 2020 [speech](#) that such a regulatory solution in directing a methodology change for LIBOR would “only be designed for legacy contracts” (i.e. not for new business) and “given the challenges ... in creating a robust dynamic credit spread, the market would need to be prepared for a fixed proxy based on historical averages”. He also emphasized the need for users to have plans in place to transition from LIBOR to alternative reference rates by December 31, 2021.

Edwin Schooling Latter, Director Markets and Policy at the FCA, noted in an August 2020 [speech](#) that the proposed new powers for the FCA to direct a methodology change for LIBOR, often referred to as creating a ‘Synthetic LIBOR’, “are not an alternative to transition”, “would not make LIBOR representative again”, and would result in users of ‘Synthetic LIBOR’ “giving up control over the economics of their contracts” (which would be determined through the methodology changes directed by the FCA).

On November 18, 2020, the FCA published a [statement](#) advising that it would consult on proposed policies regarding its proposed new powers to require continued publication of critical benchmarks (such as LIBOR currency-tenor settings) on the basis of a changed methodology in certain circumstances, and published [two documents](#) seeking feedback.

On November 30, 2020, the FCA published a [statement](#) advising that it plans to consult in Q2 2021 on its proposed policy approach to the use of its proposed new powers to prohibit some or all new use by supervised entities in the UK of a critical benchmark (such as LIBOR currency-tenor settings) where a benchmark administrator has confirmed its intention that the benchmark will cease.

Announcements regarding LIBOR cessation or unrepresentativeness

The FCA has [stated](#) that, due to its agreement with panel banks to remain on the LIBOR panels until December 31, 2021, it does not expect LIBOR to cease or become non-representative before this date. The FCA has advised that markets need to be prepared for potential announcements that some or all LIBOR settings will cease, or that it will find that they are no longer going to be representative.

The FCA noted that the market needed to be ready for announcements even if the cessation or loss of representative status would not occur until the panel banks actually leave at a later date.

For both scenarios, the FCA has stated that any announcement will:

- Be made via the Regulatory News Service (RNS), at the same time as, or very shortly followed by, a posting of a fuller statement on its website;
- Be clear that it is being made in the awareness that it will engage certain contractual triggers that are activated by pre-cessation or cessation announcements made by the FCA;
- Be clear about the LIBOR currencies and tenors it relates to; and
- Include the date of cessation, or, if applicable, the date from which the relevant LIBOR settings are not going to be representative.

An announcement of proposed cessation could also be made by IBA, in accordance with the [LIBOR Changes and Cessation Procedure](#), as discussed below, subject to any rights of the FCA to compel IBA to continue publication.



After the feedback period has closed, IBA intends to share the results of the consultation with the FCA and to publish a feedback statement summarizing responses from the consultation shortly thereafter.

Fallback wording in contracts

Various working groups and industry associations have proposed fallback language that may be used in contracts referencing LIBOR, which may be triggered in the event of a statement that LIBOR is to cease or become unrepresentative.

Users should review any potential fallback wording carefully to ensure they understand if and when it may be triggered by statements (including those made by IBA and the FCA) regarding any LIBOR cessation or any unrepresentativeness determination.



Potential cessation considerations

Introduction

Since the FCA's announcement in 2017, IBA has been engaging with the FCA, other official sector organisations, LIBOR panel banks, other global banks and end-users of LIBOR regarding the future of LIBOR, the LIBOR transition process, and the potential for the continued publication of certain widely-used LIBOR settings after December 31, 2021. IBA's engagement has been in order to provide a 'safety-net' for users with outstanding LIBOR-linked contracts that are impossible or impractical to modify to adequately address the cessation or unrepresentativeness of LIBOR (so-called "tough legacy" contracts).

This engagement has included a [LIBOR-usage survey](#), which was open to all users of LIBOR and was designed to identify the most widely-used LIBOR settings for which users would like to see IBA work with global banks to potentially support publication after December 31, 2021, if such settings could be published in compliance with relevant regulations and in particular those regarding representativeness.

IBA must also take account of and comply with its LIBOR Changes and Cessation Procedure in relation to any potential cessation of a LIBOR setting.

LIBOR panel bank considerations

The LIBOR panel banks bear costs and responsibilities in submitting to LIBOR, even with the introduction of the Waterfall Methodology through which IBA sought to reduce their risk, making submissions less susceptible to manipulation and maximising the banks' ability to justify evidentially the basis for their submissions. Each of the LIBOR panel banks has considered whether it would be prepared to continue to provide submissions to IBA for a limited time after 2021.

Regulatory compliance

The EU Benchmarks Regulation provides that:

- Any LIBOR setting needs to be compliant with applicable regulations including those regarding representativeness; and
- An administrator must ensure that the input data for a benchmark is sufficient to represent accurately and reliably the market or economic reality that the benchmark is intended to measure.

Also under the EU Benchmarks Regulation, where an administrator considers that the input data does not represent the market or economic reality that a benchmark is intended to measure, that administrator must, within a reasonable time period, either change the input data, the contributors or the methodology in order to ensure that the input data does represent such market or economic reality, or else cease to provide that benchmark.

The proposed legislation introduced to Parliament by the UK Government through the Financial Services Bill seeks to clarify that this requirement does not require an administrator to cease to provide a benchmark before the end of a period during which the FCA has required the administrator to continue publishing the benchmark so that it can cease to be provided in an orderly fashion. Under the proposed legislation, a benchmark which the FCA compels an administrator to continue to publish and which is designated under Article 23A of the UK Benchmarks Regulation might not need to be compliant with regulations which would otherwise apply, including those regarding representativeness, and the administrator will not need to ensure that the input data for such a benchmark is sufficient to represent accurately and reliably the market or economic reality that the benchmark is intended to measure.

LIBOR Changes and Cessation Procedure

As required under the BMR, IBA publishes a LIBOR Changes and Cessation Procedure which can be found [here](#).



IBA's approach to handling cessations of some or all LIBOR settings varies according to whether:

- IBA decides voluntarily not to seek to publish some or all LIBOR settings after a specified date; or
- IBA is unable to continue to produce the benchmark in a reliable fashion that represents the economic reality that the benchmark is intended to measure. In accordance with Article 11(1)(a) of the BMR, the provision of a benchmark is governed by the requirement that the input data be sufficient to represent accurately and reliably the market or economic reality that the benchmark is intended to measure (unless the benchmark has been designated as an Article 23A benchmark under the proposed UK legislation).

Key features of the Procedure include:

- If IBA considered that any LIBOR setting would become unrepresentative, IBA would inform the FCA immediately and share with the FCA the results of any representativeness testing in respect of such setting;
- Details of any proposed cessation of any LIBOR setting would be reviewed and agreed with the LIBOR Oversight Committee, which would have an important role in monitoring the execution of the plan; and
- Key factors to be considered in determining any cessation, which would include: the timing of the cessation and how much notice should be given; whether any transitional or mitigating measures could or should be implemented; and stakeholder engagement.

'Synthetic' LIBOR

It is important to note that, under the new powers proposed to be given to the FCA in the draft UK legislation, the FCA is able (in certain circumstances, including where IBA has notified the FCA that it intends to cease providing a LIBOR currency-tenor setting, or the FCA assesses it as unrepresentative or that its representativeness is at risk) to compel LIBOR's administrator to:

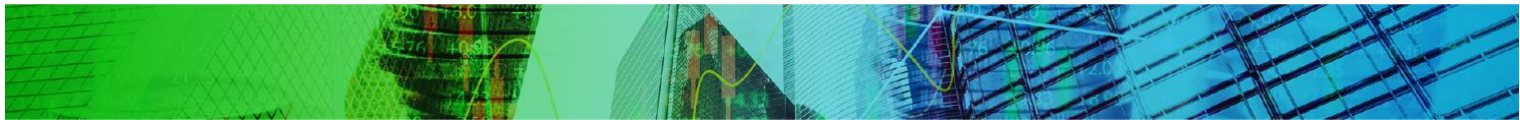
- (i) Change the methodology and/or input data in respect of such setting, resulting in that setting no longer representing the underlying economic reality or market previously represented or measured by that setting; and
- (ii) Publish that setting on this changed and unrepresentative basis (i.e. a 'Synthetic LIBOR'³) under the name LIBOR.

The EU Benchmarks Regulation already provides for the FCA to require LIBOR's administrator to continue publishing the benchmark where the administrator intends to cease doing so, in order that the benchmark can be ceased to be provided in an orderly fashion. The new proposed powers allow this to be done under a new methodology which no longer represents the underlying market or economic reality the benchmark previously represented; the FCA's power to mandate a methodology change is only available where representativeness is lost or at risk and will not be restored/maintained.

Considerations around specific LIBOR settings

As stated above, LIBOR is currently calculated for five currencies (EUR, CHF, JPY, GBP and USD) and for seven tenors in respect of each currency (Overnight/Spot next, 1 Week, 1 Month, 2 Months, 3 Months, 6 Months and 12

³ See <https://www.fca.org.uk/news/speeches/libor-transition-critical-tasks-ahead-us-second-half-2020>.



Months). This currently results in the publication of 35 individual rates (one for each currency and tenor combination) on each applicable London business day.

The considerations regarding the potential for the cessation or continuation of LIBOR vary depending on the respective LIBOR currencies and tenors, as outlined below.

Euros (EUR)

EUR LIBOR is the least-used of the LIBOR currencies and its usage is very significantly lower than that of EURIBOR[®], the main EUR funding benchmark, which is administered by the European Money Markets Institute ([EMMI](#)).

Responses to IBA's usage survey in 2018 and other outreach have showed little support for the continuation of EUR LIBOR beyond December 31, 2021.

Furthermore, an insufficient number of EUR LIBOR panel banks have communicated to IBA that they would be willing to continue contributing to EUR LIBOR after December 31, 2021 for IBA to be sure these settings could be continued on a representative basis after that date.

Accordingly, IBA is consulting on the intended cessation of all EUR LIBOR tenors (as calculated under the Waterfall Methodology based on panel bank submissions), i.e. Overnight; 1 Week; 1 Month; 2 Months; 3 Months; 6 Months; and 12 Months, to take effect after the publication of LIBOR on Friday December 31, 2021.

Swiss Franc (CHF)

In the CHF-linked funding markets, wholesale unsecured funding activity declined noticeably following the start of the financial crisis in 2008, as banks increased their reliance on core deposits and longer-term funding. Because of this, and also as a consequence of the negative interest rate environment in Switzerland, there has been particularly low activity in the types of banking transactions that would be eligible for the determination of submissions under Level 1 or Level 2 of the Waterfall Methodology in CHF. This has meant that the panel banks have had to rely to a large extent on the exercise of expert judgement in formulating their CHF panel bank submissions.

The preferred RFR for CHF, SARON, is being published by SIX Swiss Exchange, and transition is being supported by the Swiss National Working Group on Swiss Franc Reference Rates (NWG). IBA notes that the NWG published a [summary of minutes](#) of its meeting on September 29, 2020, stating that:

- The results of a user self-assessment survey by the Swiss Financial Market Supervisory Authority (FINMA) showed that the CHF LIBOR tough legacy volume appears to be small and not an existential issue;
- The Working Group expects that CHF LIBOR will be discontinued at the end of 2021; and
- The Swiss National Bank and FINMA strongly advised users of CHF LIBOR to be completely prepared for the likely discontinuation of CHF LIBOR at the end of 2021.

Furthermore, an insufficient number of CHF LIBOR panel banks have communicated to IBA that they would be willing to continue contributing to CHF LIBOR after December 31, 2021 for IBA to be sure these settings could be continued on a representative basis after that date.

Accordingly, IBA is consulting on the intended cessation of all CHF LIBOR tenors (as calculated under the Waterfall Methodology based on panel bank submissions), i.e. Spot next; 1 Week; 1 Month; 2 Months; 3 Months; 6 Months; and 12 Months, to take effect after the publication of LIBOR on Friday December 31, 2021.



Japanese Yen (JPY)

In the JPY-linked unsecured funding markets, wholesale unsecured funding activity declined noticeably following the start of the financial crisis in 2008, as banks increased their reliance on core deposits and longer-term funding. Because of this, and also as a consequence of the negative interest rate environment in Japan, there has been particularly low activity in the types of banking transactions that would be eligible for the determination of submissions under Level 1 or Level 2 of the Waterfall Methodology in JPY. This has meant that the panel banks have had to rely to a large extent on the exercise of expert judgement in formulating their JPY panel bank submissions.

The preferred RFR for JPY, TONA, is being published by the Bank of Japan, and transition is being supported by the Cross-industry Committee on Japanese Yen Interest Rate Benchmarks (YWG). IBA also understands that work is underway to develop forward-looking term TONA settings to support transition, targeted by mid-2021.

Notwithstanding the transition progress to date and the targets set by the YWG, IBA asked JPY LIBOR panel banks to consider providing JPY LIBOR submissions for the most widely-used settings for a temporary extension period beyond December 31, 2021, in order to provide users with a slightly longer window to complete transition.

However, likely as a result of various factors, including the low level of eligible bank funding activity and progress regarding transition efforts, an insufficient number of JPY LIBOR panel banks have communicated to IBA that they would be willing to continue contributing to JPY LIBOR after December 31, 2021 for IBA to be sure these settings could be continued on a representative basis after that date.

Accordingly, IBA is consulting on the intended cessation of all JPY LIBOR tenors (as calculated under the Waterfall Methodology based on panel bank submissions), i.e. Spot next; 1 Week; 1 Month; 2 Months; 3 Months; 6 Months; and 12 Months, to take effect after the publication of LIBOR on Friday December 31, 2021.

Sterling (GBP)

Together with the FCA, the Bank of England has been working with market participants to catalyse a transition to using SONIA, published by the Bank of England, which has been recommended as the preferred RFR for use in Sterling markets. The Working Group on Sterling Risk-free Reference Rates (SWG) has been established to support transition.

The market for SONIA derivatives is well-established and the use of SONIA in cash markets is developing. Work is also underway to develop forward-looking term SONIA settings, targeted by Q1 2021.

The SWG also has a target that users cease the initiation of new GBP LIBOR linked linear derivatives and loans expiring after 2021 by end-Q1 2021, other than for risk management of existing positions. These targets are intended to support transition efforts.

Notwithstanding the transition progress to date and the targets set by the SWG, IBA asked GBP LIBOR panel banks to consider providing GBP LIBOR submissions for the most widely-used settings for a temporary extension period beyond December 31, 2021, in order to provide users with a slightly longer window to complete transition.

However likely as a result of various factors, including progress regarding transition efforts and the proposed legislation to give the FCA enhanced powers to manage and direct a wind-down of GBP LIBOR and to allow use in legacy instruments, an insufficient number of GBP LIBOR panel banks have communicated to IBA that they would be willing to continue contributing to GBP LIBOR after December 31, 2021 for IBA to be sure these settings could be continued on a representative basis after that date.



Accordingly, IBA is consulting on the intended cessation of all GBP LIBOR tenors (as calculated under the Waterfall Methodology based on panel bank submissions), i.e. Overnight; 1 Week; 1 Month; 2 Months; 3 Months; 6 Months; and 12 Months, to take effect after the publication of LIBOR on Friday December 31, 2021.

US Dollars (USD)

USD LIBOR is the most-widely used LIBOR currency globally.

Transition from USD LIBOR to SOFR, the preferred RFR for USD, which is published by the Federal Reserve Bank of New York, is being supported by the Alternative Reference Rates Committee (ARRC). The ARRC has published recommended fallback language for contracts referencing USD LIBOR and work is also underway to develop forward-looking term SOFR settings to support transition.

Notwithstanding the transition progress to date and the targets set by the ARRC, IBA asked USD LIBOR panel banks to consider providing USD LIBOR submissions for the most widely-used settings for an extension period beyond December 31, 2021, in order to provide users with a longer window to complete transition.

Following discussions involving the panel banks, FCA, and other official sector entities, and likely as a result of various factors, including the relative usage levels of the various tenors, an insufficient number of USD LIBOR panel banks have communicated to IBA that they would be willing to continue contributing to USD LIBOR:

- for the 1 Week and 2 Month tenors after December 31, 2021 for IBA to be sure these settings could be continued on a representative basis after that date; and
- for the Overnight, 1, 3, 6 and 12 Months tenors after June 30, 2023 for IBA to be sure these settings could be continued on a representative basis after that date.

Accordingly, IBA is consulting on the intended cessation of USD LIBOR:

- for the 1 Week and 2 Month tenors (as calculated under the Waterfall Methodology based on panel bank submissions), to take effect after the publication of LIBOR on Friday December 31, 2021; and
- for the Overnight, 1, 3, 6 and 12 Months tenors (as calculated under the Waterfall Methodology based on panel bank submissions), to take effect after the publication of LIBOR on Friday June 30, 2023.

Any publication of the Overnight and 1, 3, 6 and 12 Months USD LIBOR settings based on panel bank submissions beyond December 31, 2021 will need to comply with applicable regulations, including as to representativeness. Based on current information from panel banks, IBA anticipates there being a representative panel for the continuation of these USD LIBOR settings through to June 30, 2023.

IBA and official sector statements

IBA made an announcement on [November 18, 2020](#) that it would consult on its intention to cease publication of all EUR, CHF, JPY and GBP LIBOR tenors, to take effect after the publication of LIBOR on Friday, December 31, 2021.

IBA subsequently announced on [November 30, 2020](#) that it would consult on its intention to cease publication of the USD LIBOR 1 Week and 2 Months tenors, to take effect after the publication of LIBOR on Friday, December 31, 2021, and the USD LIBOR Overnight and 1, 3, 6 and 12 Months tenors, to take effect after the publication of LIBOR on Friday June 30, 2023.



The FCA, the Board of Governors of the Federal Reserve System and other official sector entities have made statements relating to LIBOR following IBA's announcements⁴.

⁴ <https://www.fca.org.uk/news/statements/fca-consults-on-new-benchmark-powers>,
<https://www.fca.org.uk/news/statements/fca-response-iba-proposed-consultation-intention-cease-us-dollar-libor>,
<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20201130b.htm>,
<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20201130a.htm>



Consultation

IBA requests feedback from stakeholders on its intention to cease publication:

- after the publication of LIBOR on Friday December 31, 2021, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):
 - EUR LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months);
 - CHF LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
 - JPY LIBOR - all tenors (Spot next, 1 Week, 1, 2, 3, 6 and 12 Months);
 - GBP LIBOR - all tenors (Overnight, 1 Week, 1, 2, 3, 6 and 12 Months); and
 - USD LIBOR - 1 Week and 2 Months; and
- after the publication of LIBOR on Friday June 30, 2023, of the following LIBOR settings (as calculated under the current Waterfall Methodology based on panel bank submissions):
 - USD LIBOR - Overnight and 1, 3, 6 and 12 Months,

subject to any rights of the FCA to compel IBA to continue publication.

Please provide feedback to IBA at IBA@theice.com by **5pm London time on Monday January 25, 2021**.

This consultation is not, and must not be taken to be, an announcement that IBA will cease or continue the provision of any LIBOR settings after December 31, 2021, or June 30, 2023. See also the statements from ISDA⁵ that followed notices of IBA's intention to consult stating that they did not constitute an index cessation event under the ISDA IBOR Fallbacks Supplement and ISDA 2020 IBOR Fallbacks Protocol.

IBA notes that any publication of the Overnight and 1, 3, 6 and 12 Months USD LIBOR settings based on panel bank submissions beyond December 31, 2021 will need to comply with applicable regulations, including as to representativeness. Based on current information from panel banks, IBA anticipates there being a representative panel for the continuation of these USD LIBOR settings through to June 30, 2023.

After the feedback period has closed, IBA intends to share the results of the consultation with the FCA and to publish a feedback statement summarizing responses from the consultation shortly thereafter. IBA will also publish the comments received unless confidentiality has been requested by the originator of the comments.

⁵ <https://www.isda.org/a/OONTE/ISDA-Statement-on-IBA-and-FCA-Announcements-on-LIBOR-Consultation.pdf>, <https://www.isda.org/a/VWYTE/ISDA-Statement-on-Announcements-on-US-Dollar-LIBOR-Consultation.pdf>



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