

FOUR FAST FACTS

ON: IBOR BENCHMARKS

APRIL 2021

FCA announces end of LIBOR

1

On 5 March 2021 the UK Financial Conduct Authority (FCA) announced that all LIBOR tenors will “cease to be provided by any administrator or no longer be representative” after:

- 31 December 2021 for one week and two month USD settings and all sterling, euro, Swiss franc and Japanese yen settings, and
- 30 June 2023 for remaining USD settings.

BKBM/BBSY unaffected

2

As BKBM (NZ) and BBSY (AU) benchmark rates are calculated on the basis of actual trades (as opposed to calculated on the basis of submissions, like LIBOR) the cessation of LIBOR does not impact the determination of these rates.

Impact on documentation

3

Market practice has been to include benchmark rate replacement provisions in multi-currency loans in anticipation of the cessation of LIBOR.

ISDA has confirmed that the announcement constitutes an “index cessation event” for LIBOR settings, triggering replacement with a fallback rate. A fallback spread adjustment published by Bloomberg was fixed as of 5 March 2021 for all euro, sterling, Swiss franc, USD and Japanese yen LIBOR tenors.

What you need to do

4

Rate replacement language in multi-currency loans should be reviewed to determine if it has been triggered by the FCA announcement. For new multi-currency loans, consideration will need to be given to the relevant rates and tenors applicable.

BKBM and BBSY are expected to be maintained, so we don't anticipate any required action, but the current practice of referencing successor or fallback rates should continue.