The Working Group on Sterling Risk-Free Reference Rates

March 2021

Statement welcoming announcements by the Financial Conduct Authority, ICE Benchmark Administration and ISDA on the end of LIBOR

The Working Group on Sterling Risk-Free Reference Rates (the "**Working Group**") welcomes the announcements made today by the Financial Conduct Authority (the "**FCA**") and ICE Benchmark Administration ("**IBA**") of definitive end dates for panel bank LIBOR. This confirmation provides certainty over the timelines for transition. Following the associated announcement by ISDA confirming the fixing of 'spread adjustments', there is now increased certainty for those contracts which rely on ISDA's fallbacks. For sterling markets, the Working Group's priorities & roadmap provide a timetable designed to support all market participants to be fully prepared for the end of GBP LIBOR ahead of the end of 2021.

Progress made in sterling markets provides the necessary basis for businesses to move away from GBP LIBOR with confidence. New issuance in floating rate bonds and securitisations has been linked almost exclusively to SONIA since the end of 2019. In swap markets, SONIA volumes have regularly exceeded those on GBP LIBOR since mid-2020. And in loan markets, alternatives to GBP LIBOR have been widely available since the end of September 2020.

It is now vital that all businesses take action to ensure they are ready to meet the next major industry milestone - to cease use of GBP LIBOR in new loans, bonds, securitisations and linear derivatives[1] that expire after the end of 2021, by 31 March 2021. Further milestones are in place for most remaining products by the end of June 2021. Timely completion of these steps is crucial in order to halt any further increase in the stock of legacy contracts, leave sufficient time to address the risks posed by existing exposures and ensure robust SONIA-linked alternatives are available to all market participants.

In relation to legacy contracts, the Working Group encourages all businesses to complete identification of existing exposures by 31 March 2021 and to progress active conversion where viable through to completion by 30 September 2021. Widespread coverage of ISDA's fallbacks has already provided a safety net for the large majority of sterling interest rate derivatives and the fallbacks protocol remains open to further adoption. ISDA's announcement today creates a clear economic link between LIBOR and SONIA-based contracts, providing a firm basis for discussions of active conversion.

A strong foundation for transition towards more robust reference rates in sterling markets is in place. But time to complete this process is now limited and firms will need to execute their transition plans rapidly. The Working Group will continue to provide support to the market to enable businesses to deliver a smooth and timely transition away from LIBOR.

Tushar Morzaria, Chair of the Working Group on Sterling Risk-Free Reference Rates, said:

"Today's announcements provide confirmation that all businesses must remove their reliance on GBP LIBOR by the end of the year. Industry milestones have been in place for some time to support this transition and the large majority of new GBP LIBOR business should cease by the end of Q1 2021. Firms should continue to execute their transition plans and ensure they are ready for the end of GBP LIBOR by the end of 2021".

[1] Except for risk management of existing positions. See the Working Group's 'Path to ending new use of GBP LIBOR-linked derivatives' paper for further details.