

The Working Group on Sterling Risk-Free Reference Rates

Further statement from the RFRWG on the impact of Coronavirus on the timeline for firms' LIBOR transition plans

Further to the joint [statement](#) made on 25 March it remains the central assumption that firms cannot rely on LIBOR being published after the end of 2021. The FCA and the Bank of England have worked with members of the Working Group on Sterling Risk-Free Reference Rates (RFRWG) and its sub-groups and task forces to consider how all firms' LIBOR transition plans may be impacted by Coronavirus.

We recognise the challenges presented by the current operating environment. We are therefore pleased to have seen continued progress on LIBOR transition through this difficult period. This includes the first syndicated loan that will link to SONIA and SOFR, the first bilateral loan referencing SONIA in the social housing sector, and another successful consent solicitation to convert a legacy LIBOR referencing bond.

Within sterling cash markets, transition to SONIA in the bond market has been largely completed. In loan markets, lenders will continue work to make SONIA-based products available before the end of Q3 2020, and some borrowers will be ready to take advantage of these alternative products before then. Nevertheless, the RFRWG, the FCA and the Bank of England recognise that it will not be feasible to complete transition away from LIBOR across all new sterling LIBOR linked loans by the original end-Q3 2020 target. There will likely be continued use of LIBOR-referencing loan products into Q4 2020 in particular, to maintain the smooth flow of credit to the real economy. Taking this into consideration the RFRWG recommends that:

- By the end of Q3 2020 lenders should be in a position to offer non-LIBOR linked products to their customers;
- After the end of Q3 2020 lenders, working with their borrowers, should include clear contractual arrangements in all new and re-financed LIBOR-referencing loan products to facilitate conversion ahead of end-2021, through pre-agreed conversion terms or an agreed process for renegotiation, to SONIA or other alternatives; and
- All new issuance of sterling LIBOR-referencing loan products that expire after the end of 2021 should cease by the end of Q1 2021.

The RFRWG agreed that progress can also continue to be made in other areas, and the FCA, the Bank of England and the Chair of the RFRWG will support the delivery of the RFRWG workplan in key areas that will continue the momentum on LIBOR transition. This includes:

- Publishing the RFRWG's analysis on, and considerations for, dealing with 'tough legacy' contracts;
- Building on the strong consensus on how to calculate a fair credit spread adjustment in legacy cash products to assist transition from LIBOR in cash markets; and
- When plans and working arrangements disrupted by the Coronavirus begin to stabilise, the RFRWG and its members will intensify communication with customers needing to move away from LIBOR as part of transition.

The Chair of the RFRWG, the FCA and the Bank of England will continue to work with members of the RFRWG and international counterparts to assess the evolving impact of Coronavirus on firms' LIBOR transition efforts, and provide further updates in due course.