Statement welcoming the announcement by ISDA on its IBOR Fallbacks Protocol and IBOR Fallbacks Supplement

The Working Group on Sterling Risk-Free Reference Rates (the "Working Group"), the Financial Conduct Authority (the “FCA”) and the Bank of England (the “Bank”) welcome the announcement today by the International Swaps and Derivatives Association (“ISDA”) that its IBOR Fallbacks Protocol (the “Protocol”) and IBOR Fallbacks Supplement (the “Supplement”) will be launched on 23 October 2020, with an effective date of 25 January 2021.

The Working Group strongly encourages early adherence to the Protocol by both financial and non-financial firms. The Market participants that intend to adhere to the Protocol are encouraged to do so during the escrow period, if possible, to support broader adoption. Details of how to adhere to the Protocol can be found on ISDA’s website.

Firms cannot rely on LIBOR being published after the end of 2021. In its statement also welcoming today's announcement, the Financial Stability Board encourages adherence to the Protocol as a tangible step that can be taken to avoid disruptions to derivatives contracts if LIBOR is discontinued or becomes non-representative. As outlined in the Working Group milestones and roadmap, ensuring widespread adoption of appropriate fallback language in derivatives contracts is a key priority for transition away from LIBOR and in addressing risks arising from the stock of legacy LIBOR contracts.

As end-2021 approaches, the Working Group, the FCA and the Bank call for market participants to accelerate efforts to transition from LIBOR in the time available.

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1 Subject to individual firms’ usual governance procedures and negotiations with counterparties as necessary. Where the Protocol is not used, other appropriate arrangements will need to be considered to mitigate risks.

2 ISDA has introduced a process whereby regulated entities and other key market participants can adhere to the Protocol in escrow during the two weeks prior to the launch of the formal adherence period.