



## Information on transition away from London Interbank Offered Rate (LIBOR)

This is to provide the general information with regard to transition away from LIBOR in all our existing products of loans, deposits and derivatives by the end of December 2021.

### **What is LIBOR?**

The London Inter-Bank Offered Rate - or LIBOR - is the interest rate at which banks lend to and borrow from one another in the interbank market. LIBOR is a measure of the average rate at which banks are willing to borrow wholesale unsecured funds. It is based on five currencies (US\$, Euro, GBP, Japanese yen, and the Swiss franc) and published in seven tenors (overnight/spot next, one week, and one, two, three, six, and 12 months). LIBOR is based on submissions provided by a panel of 20 banks in the UK. These submissions are intended to reflect the interest rate at which banks could borrow money on unsecured terms in wholesale markets. It is administered by Intercontinental Exchange Benchmark Administrator (ICE). It is used as a key interest rate benchmark across a number of derivatives, bonds, loans, securitisations, deposits and other products.

### **What's happening? LIBOR is being phased out:**

Since the 1980s LIBOR has been used widely as an interest rate benchmark for many products. LIBOR is based on banks' submissions of their interbank borrowing rates. However, since the financial crisis, banks no longer fund themselves in this way. The absence of an underlying active market means LIBOR is sustained by the use of "expert judgement". This cannot continue indefinitely, and 2021 is the last year panel banks have agreed to participate in providing their submissions to LIBOR. LIBOR is expected to cease after end-2021. Public authorities, in the UK and internationally, have been clear that LIBOR is expected to cease to exist after 2021. LIBOR is now expected to be replaced by new Alternative Risk-Free Rates (RFRs) across the global financial markets. Across all five major financial jurisdictions (USA, UK, EURO, Japan and Switzerland), industry led public and private national working groups (NWGs) were formed to identify the alternative risk-free/nearly risk-free reference rates in respective currency.

The Bank of England's Working Group on Sterling Risk-Free Reference Rates and the UK Finance have released publications relating to LIBOR discontinuation. These can be accessed on the following links:

<https://www.bankofengland.co.uk/-media/boe/files/markets/benchmarks/rfr/factsheet-calling-time-on-libor-why-you-need-to-act-now.pdf>.

[https://www.ukfinance.org.uk/system/files/LIBOR-Guide-for-Business-Customers-FINAL\\_1.pdf](https://www.ukfinance.org.uk/system/files/LIBOR-Guide-for-Business-Customers-FINAL_1.pdf)

The ARRC is a group of private-market participants convened to help ensure a successful transition from USD LIBOR to a more robust reference rate, its recommended alternative, the Secured Overnight Financing Rate (SOFR). For more information, the following links can be accessed.

<https://www.newyorkfed.org/arrc>.

[https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC\\_Factsheet\\_1.pdf](https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2020/ARRC_Factsheet_1.pdf)

We will contact you in due course with further information and seek your co-operation in transiting away from LIBOR. In the mean-time, please feel free to contact our credit team in case you require any further information on this matter.