JOINT PUBLIC STATEMENT

Forthcoming cessation of all LIBOR settings

LIBOR, one of the most used benchmarks globally, will soon cease to be published.

The European legislative framework regulating financial benchmarks (Regulation (EU) 2016/1011[1]) has been recently amended[2] granting the European Commission powers to accompany the transition away from LIBOR in the European Union.

Nevertheless, significant reliance on any of the LIBOR settings at the time of their discontinuation or loss of representativeness may have an impact on the functioning of the European financial system.

In order to ensure a smooth transition away from LIBOR, market participants are encouraged to actively reduce their exposure to LIBOR and not wait for the exercise by the European Commission of its new powers to designate a replacement for LIBOR pursuant to Article 23b of Regulation (EU) 2016/1011.

Therefore, the European Commission, the European Central Bank in its banking supervisory capacity (ECB Banking Supervision), the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) strongly encourage market participants to use the time remaining until the cessation or loss of representativeness of USD LIBOR, GBP LIBOR,

[1] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, OJ L 171, 29.6.2016, p. 1.

[2] Regulation (EU) 2021/168 of the European Parliament and of the Council of 10 February 2021 amending Regulation (EU) 2016/1011 as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation, and amending Regulation (EU) No 648/2012, OJ L 49, 12.2.2021, p. 6.

JPY LIBOR, CHF LIBOR and EUR LIBOR to substantially reduce their exposure to these interest rates.

In order to achieve this result, the following actions are strongly encouraged:

- stop using the 35 LIBOR settings, including USD LIBOR, as a reference rate in new contracts as soon as practicable and in any event by 31 December 2021;
- limit the use of any LIBOR setting published under a changed methodology (also known as "synthetic" LIBOR) only to contracts that are particularly difficult to amend ahead of LIBOR's cessation (commonly referred to as "tough legacy"); and
- include robust fallback clauses nominating alternative rates in all contracts referencing LIBOR[3].

The European Commission, ESMA, ECB Banking Supervision and EBA will continue to closely monitor the situation and LIBOR exposures.

Background

The amended Regulation (EU) 2016/1011 has been applicable since 13 February 2021. It grants the European Commission the power to designate a rate which would replace all references to a benchmark that will no longer be published, like LIBOR, in all contracts governed by the law of a Member State of the European Union or in contracts entered into by European supervised entities governed by the law of a third country where that law does not provide for the orderly wind-down of a benchmark.

On 5 March 2021, the UK Financial Conduct Authority (FCA) announced[4] that all of the 35 LIBOR benchmarks settings will cease to be provided by any administrator or will no longer be representative:

- immediately after 31 December 2021, in the case of all GBP, EUR, CHF and JPY settings, and the 1-week and 2-month USD settings; and
- immediately after 30 June 2023, in the case of the remaining USD settings.

[3] The inclusion of robust fallback provisions in contracts referencing a benchmark is also an applicable regulatory requirement, as per Article 28(2) of Regulation (EU) 2016/1011.
[4] https://www.fca.org.uk/news/press-releases/announcements-end-libor.