

## LIBOR transition - UK FCA statement on Benchmarks Regulation review



The European Commission (EC) will later in July 2020 propose targeted amendments to the EU Benchmarks Regulation on critical benchmark transition (IBORs including LIBOR) as well as with regard to the ability of EU firms to use non-EU benchmarks.

Looking ahead to the end of the Brexit transition period on 31 December 2020 and in view of the fact that Libor is administered and supervised in the UK, the **UK FCA has issued a statement today welcoming an announcement by the UK government that it intends to introduce legislative amendments that align with the changes the EU will take forward.**

The UK government statement can be found [here](#).

The FCA statement can be found [here](#).

The statement (as is the case with the planned EU legislation) is clear that the **introduction of powers that would allow competent authorities to enable continued temporary publication of Libor / IBORs would only be intended for use in tough to transition “tough legacy” contracts and should not detract from the overall momentum of transitioning towards the new rates.**

The new powers contemplated under the EU Benchmarks Regulation and which would be mirrored in the UK are very much considered to be **tools to manage an orderly transition away from a critical rate, rather than restoring its representativeness.**

The FCA statement also highlights that whilst stakeholder feedback will be sought on the precise calculation methodology for the temporary rate – something which would also be done within the EU for Euro Libor – the **resulting methodology is likely to prove sub-optimal for a wide range of contracts, where industry agreed fallbacks could deliver better outcomes.**

The statement also clarifies that **contracts that can be transitioned through bilateral or multilateral agreements such as the ISDA protocols or consent solicitation are not considered tough legacy contracts.** Tough legacy contracts would be viewed as only those where there is little possibility for them to be amended to shift onto a risk-free-rate that is compounded in arrears.

For any other **contracts where it is not considered to be unrealistic or unachievable to transition to the new risk-free rates, regulatory expectations remain in place for market participants to transition by the end of 2021.**

This approach will also be taken by the EC in the legislative proposal that is planned for publication in the second half of July 2020.

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