

ISDA Statement on UK FCA LIBOR Announcement

NEW YORK, March 5, 2021 – The International Swaps and Derivatives Association, Inc. (ISDA) has published the following statement in response to today’s [announcement by the UK Financial Conduct Authority \(FCA\)](#) on the future cessation and loss of representativeness of the LIBOR benchmarks.

“Today’s announcement constitutes an index cessation event under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol for all 35 LIBOR settings. As a result, the fallback spread adjustment published by Bloomberg is fixed as of the date of the announcement for all euro, sterling, Swiss franc, US dollar and yen LIBOR settings.

“The FCA specifically announced that certain LIBOR settings (all seven euro and Swiss franc LIBOR tenors, overnight, one-week, two-month and 12-month sterling LIBOR, spot next, one-week, two-month and 12-month yen LIBOR, and one-week and two-month US dollar LIBOR) will permanently cease immediately after December 31, 2021. Publication of the overnight and 12-month US dollar LIBOR settings will permanently cease immediately after June 30, 2023.

“The FCA further announced that it will consult on requiring ICE Benchmark Administration (IBA), the administrator of LIBOR, to continue publishing one-month, three-month and six-month sterling LIBOR on a non-representative, synthetic basis for a further period after the end of 2021, and one-month, three-month and six-month yen LIBOR on a non-representative, synthetic basis for an additional year after end-2021, under proposed new powers included in the Financial Services Bill.

“The FCA will also consider whether to require IBA to continue publishing one-month, three-month and six-month US dollar LIBOR on a non-representative, synthetic basis for a further period after the end of June 2023.

“The fallbacks (ie, to the adjusted risk-free rate plus spread) will automatically occur for outstanding derivatives contracts that incorporate the IBOR Fallbacks Supplement or are subject to adherence of the ISDA 2020 IBOR Fallbacks Protocol on the following dates:

- After December 31, 2021: For outstanding derivatives referenced to all euro, sterling, Swiss franc and yen LIBOR settings.
- After June 30, 2023: For outstanding derivatives referenced to all US dollar LIBOR settings. Under the fallbacks methodology, the rate for the one-week and two-month US dollar LIBOR settings will be computed by each calculation agent using linear interpolation between end-2021 and June 30, 2023, before falling back to the adjusted risk-free rate plus spread after June 30, 2023.

“The ISDA 2020 IBOR Fallbacks Protocol, which incorporates the fallbacks into legacy non-cleared derivatives trades with other counterparties that choose to adhere to the protocol, remains open for adherence on the [ISDA website](#).”

This statement is for information purposes only. It does not constitute legal advice and should not be considered an explanation of all relevant issues. You should consult your legal advisors and any other advisor you deem appropriate in considering the issues discussed herein.

For additional information on benchmark reform, including the operation of new derivatives fallbacks, visit ISDA’s [benchmark reform and transition from LIBOR](#) page on the ISDA website.

Read ISDA Guidance on the FCA announcement on the LIBOR benchmarks [here](#).

Read the Bloomberg technical notice on the fixing of the spread adjustment [here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 925 member institutions from 75 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association’s website: www.isda.org. Follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

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