

## Preparing for the transition away from USD, GBP, CHF, and EUR LIBOR

In its statement published on June 2,<sup>1</sup> the Financial Stability Board emphasized that continued reliance of global financial markets on London Interbank Offered Rate (LIBOR) poses clear risks to global financial stability and encouraged all global market participants to discontinue all new use of LIBOR, in particular USD LIBOR, and others derived from them as soon as practicable and no later than the timelines set out by home authorities and/or national working groups in the relevant currencies.<sup>2</sup>

On the basis of the above statement, with respect to USD, GBP, CHF and EUR LIBOR-linked contracts, the Financial Services Agency (FSA) requests each financial institution to take actions in accordance with the timelines and the guidance set out by home authorities and/or national working groups in the relevant currencies.<sup>3</sup>

In particular, with respect to new use of USD LIBOR-linked contracts, the FSA requests each financial institution to take actions in accordance with the guidance issued by US Banking Supervisors that encourages firms to cease entering into new contracts as soon as practicable and no later than the end of 2021, except for some limited exceptional use, such as transactions to reduce or hedge the resulting USD LIBOR exposure on contracts entered into before January 1, 2022.<sup>4</sup>

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<sup>1</sup> Financial Stability Board, "[FSB statement on smooth and timely transition away from LIBOR](#)," June 2, 2021.

<sup>2</sup> In the case of JPY LIBOR, the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks published "[Roadmap to Prepare for the Discontinuation of Japanese Yen LIBOR](#)" in August 2020, and the Bank of Japan and the FSA published "[Response to the announcement on the end date of LIBOR panel publication and the announcement on the intention to consult on the publication of synthetic yen LIBOR](#)" in March 8, 2021.

<sup>3</sup> Until now, the UK Working Group on Sterling Risk-Free Reference Rates published "[Priorities and roadmap for transition by end-2021](#)" regarding GBP LIBOR-linked contracts in May 2021; the Swiss Financial Market Supervisory Authority (FINMA) published "[FINMA Guidance 10/2020](#)" regarding CHF LIBOR-linked contracts in December 4, 2020; and the European Central Bank published [Key milestones](#) regarding EUR LIBOR-linked contracts.

<sup>4</sup> Board of Governors of the Federal Reserve System, "[Statement on LIBOR transition](#)," November 30, 2020 and Board of Governors of the Federal Reserve System, "SR 21-7: [Assessing Supervised Institutions' Plans to Transition Away from the Use of the LIBOR](#)," March 9, 2021.