



# FCA announcement on the end of LIBOR

## An important step towards cessation

Today the FCA has [announced](#) that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings

You can find more details in the FCA [formal announcement](#).

## Spread Adjustments

The International Swaps and Derivatives Association (ISDA) has [confirmed](#) that this announcement constitutes an index cessation event for all LIBOR settings. As a result the spread adjustments (also referred to as the 5-Year Historic Median or 5YHM) published by Bloomberg are now fixed for all sterling, euro, Swiss franc, US dollar and Japanese yen LIBOR settings. A full list of these spread adjustments is available [here](#).

## Synthetic LIBOR and Tough Legacy

The FCA will consult on requiring the continued publication of a small number of LIBOR settings, including 1, 3 and 6-month sterling LIBOR, on a non-representative, 'synthetic' basis. This is being done because authorities recognise that there are some existing LIBOR contracts which are particularly difficult to amend, often known as 'tough legacy'. **Permitted use of synthetic LIBOR is expected to be limited.**

The FCA has emphasised that any synthetic LIBOR setting will not be representative and is not to be used in new contracts. It is intended for use in tough legacy contracts only. A further FCA consultation will take place in Q2 to determine which legacy contracts will be permitted to use synthetic LIBOR.

The FCA has also [published](#) a statement of policy in regards to the proposed new powers to be granted by the UK Government which will be needed to effect these changes.

## What does this mean?

Today's announcements provide greater certainty on the cessation of LIBOR and reinforce the need to finalise planning as soon as practicable. Please be aware that cessation may trigger fallbacks in LIBOR contracts. All clients should ensure they understand the fallback terms in their current contracts.

As a reminder, there are some important official sector [interim milestones](#) approaching. One example would be the end Q1 2021 cessation of new sterling LIBOR-linked lending products and linear derivatives (e.g. swaps) that mature after the end of 2021.

We will continue to work with our affected clients on options for transition. If you have any questions please get in touch with your usual contact.

For additional information from Lloyds Bank on the transition from LIBOR, please see our website.

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