



Benchmark Factsheet

London Interbank Offered Rate (LIBOR)

This document must be read in conjunction with the respective *Product Summary*

What is the London Interbank Offered Rate (LIBOR)?

The London Interbank Offered Rate (LIBOR) is an indication of the average rates at which banks could obtain wholesale, unsecured funding. It is currently calculated and published daily across five currencies (GBP, USD, EUR, JPY and CHF) and a range of tenors (overnight, one week, 1, 2, 3, 6, and 12 months). LIBOR is a key global interest rate which is used across derivatives, loans, deposits, bonds and other products including the banks' own funding requirements.

On 5 March 2021 the UK Financial Conduct Authority (FCA) 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](#).

Why is LIBOR being phased out?

Since the global financial crisis, banks no longer substantially fund themselves through the wholesale unsecured funding market. The decline in the underlying market means that LIBOR is now primarily sustained by the use of expert judgement.

How is LIBOR set and governed?

Since March 2019 LIBOR has been based on submissions from contributor banks that are determined through the use of a standardised, transaction data-driven waterfall methodology. The methodology requires contributing banks to base their submissions on eligible wholesale, unsecured funding transactions to the extent available, transaction-derived data, and then expert judgement.

There is a panel of between 11 and 16 contributing banks for each currency. The published rates are the arithmetic means of the submissions for each currency and tenor after trimming the upper and lower values, rounded to five decimal places. Each contributor bank's submission carries an equal weight in the calculation, subject to the trimming.

LIBOR is administered by ICE Benchmark Administration (IBA). For more details on governance see the [BA website](#).

Points to consider

- LIBOR is observed at the start of an interest period and paid in arrears at the end of the period.
- So for 3-month LIBOR the interest is known for 3 months in advance of the payment date.
- LIBOR is a term rate, so includes an expectation of future interest rate movements in that period.
- LIBOR, being an interbank term rate, includes a bank credit risk premium and a term risk premium, which near risk-free rates (RFRs), such as SONIA, do not.

Alternatives to LIBOR

The Bank of England-initiated Working Group on Sterling Risk-Free Reference Rates has recommended SONIA (Sterling Overnight Index Average) as the alternative benchmark for GBP LIBOR. SONIA is not a like-for-like replacement for LIBOR and cannot be directly substituted into existing contracts. Bank of England Bank Rate is another alternative reference rate.

There are similar working groups in place for each of the other LIBOR currencies to facilitate transition in those jurisdictions.

Turning to EURIBOR, we expect most products to continue as they do today as there are currently no plans to discontinue this rate. However, cash fallbacks might need to be strengthened in light of regulatory guidance and some products may transfer to other Euro rates.

Further Information

- <https://www.bankofengland.co.uk/markets/transition-to-sterling-risk-free-rates-from-libor>
- <https://www.theice.com/iba/libor>

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