IOSCO STATEMENT

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

THE BOARD OF THE INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

Statement on Benchmarks Transition
2 June 2021

The Board of the International Organization of Securities Commissions (IOSCO) reiterates the importance of ensuring a smooth and timely transition away from LIBOR.

Sound functioning of systemically important benchmarks is vital to the global economy and financial markets. The timelines for the end of all LIBOR panels are now clear. Continued reliance of global financial markets on LIBOR benchmarks, particularly the most widely used USD LIBOR settings, poses risks to financial stability, market integrity and investor protection, which are IOSCO's three core objectives. It also creates various consumer protection, litigation and reputational risks.

Therefore, the transition away from LIBOR remains a significant regulatory priority. This transition will require market participants to take steps to stop issuance of new products linked to LIBOR and efforts to transition away from LIBOR in legacy contracts that span multiple markets and jurisdictions. For this purpose, the use of LIBOR rates in new contracts should be ceased as soon as practicable and no later than the timelines set out by home authorities and/or national working groups in the relevant currencies.

IOSCO supports the guidance issued by US Banking Supervisors in November 2020 and March 2021.[1] These noted that, while the mid-2023 end dates would allow most USD LIBOR-linked legacy contracts to roll off, "…*entering into new contracts that use USD LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks*…" and encouraged firms to "*cease entering into new contracts that use USD LIBOR as a reference rate*[2] *as soon*

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1 See: https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20201130a1.pdf (November 2020) and https://www.federalreserve.gov/supervisionreg/srletters/SR2107.htm (March 2021)

2 The Guidance recognizes that there may be limited circumstances when it would be appropriate for a bank to enter into new USD LIBOR contracts after 31 December 31, 2021, e.g., for the purposes of transactions that reduce or hedge the bank's or any client of the bank's USD LIBOR exposure on contracts entered into before January 1, 2022.

as practicable and in any event by December 31, 2021", subject only to some limited exceptional use to support an orderly transition.

In light of the significant use of USD LIBOR globally, including in more than one hundred emerging markets and across a wide range of products and financing purposes, IOSCO is cognizant of the importance of reinforcing the transition message and timeline on a global scale. Therefore, IOSCO encourages all global market participants to discontinue new use of USD LIBOR-linked contracts, as soon as practicable and no later than end-2021, to avoid the safety and soundness risks associated with the continued use.

In line with its communication and outreach program launched in 2019,[3] IOSCO will continue its efforts to inform relevant stakeholders regarding transition from LIBOR to alternative rates that comply with the IOSCO Principles on Financial Benchmarks.[4]

The FSB has also published today a set of documents that outlines recommendations for financial and non-financial sector firms, as well as the authorities, to consider while adopting new benchmarks. We welcome this additional guidance that will further support stakeholders transitioning away from LIBOR.

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3 The objective of the IOSCO communication and outreach program is to address the potential impact associated with the discontinuation of LIBOR by informing stakeholders about significant transition steps to alternative rates as part of the broader benchmarks reform effort.

4 Principles for Financial Benchmarks (iosco.org). The IOSCO Principles for Financial Benchmarks are endorsed by the G20 and accepted as the global standards which create an overarching framework of Principles for Benchmarks used in financial markets.