

UPDATE: **DELAY IN CESSATION OF LIBOR**

Administrator and Regulator of LIBOR Confirm New LIBOR Cessation Dates

On March 5, 2021, the administrator of LIBOR (the ICE Benchmark Administration) and the regulator of LIBOR (the Financial Conduct Authority of the United Kingdom) confirmed the anticipated eighteen-month delay in the cessation of the most commonly used US Dollar LIBOR tenors.

When will LIBOR Cease to be Published?

In 2017 it was determined that all LIBOR tenors will cease to be published on December 31, 2021. With the announcement last Friday, the overnight, one-month, three-month, six-month, and twelve-month USD LIBOR tenors will continue to be published until June 30, 2023. The less-utilized one-week and two-month USD LIBOR tenors, together with LIBOR rates based on several other currencies, will cease to be published on December 31, 2021.

Why is the Cessation of Certain Rates Being Delayed?

The proposed delay is to allow time for approximately \$200 trillion in USD LIBOR-based contracts to expire or be converted to an alternative index rate. The Alternative Reference Rate Committee, the industry-leading authority on the conversion from LIBOR to alternative index rates for USD-based transactions, continues to recommend that no new LIBOR-based transactions are originated after the end of 2021.

Why is LIBOR Being Phased Out?

In July of 2017 the ICE Benchmark Administration announced that it would no longer publish LIBOR after December 31, 2021 because *“the absence of active underlying markets raises a serious question about the sustainability of LIBOR benchmarks that are based upon these markets.”* This announcement followed years of LIBOR-rigging scandals at various banks that submit rates for the determination of LIBOR. In recent years, the Secured Overnight Financing Rate (SOFR) has become the industry-preferred index rate to replace USD LIBOR.

Please do not hesitate to contact us with any questions or concerns you may have.

Best regards,



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