

HERBERT SMITH FREEHILLS RESPONDS TO REGULATOR'S LATEST STATEMENT ON LIBOR DISCONTINUATION

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Firm news

Responding to news that the Working Group on Sterling Risk-Free Reference Rates (RFRWG) has issued a [new statement](#) on the impact of COVID-19 on firm's plans to transition from Libor, [Rupert Lewis](#), head of banking litigation at Herbert Smith Freehills, says:

"A key part of the jigsaw to move the loan market (which is behind the curve on LIBOR transition) to new risk free rates is to stop writing new loans linked to LIBOR.

"While pushing this interim milestone back by 6 months may provide some breathing space in the cash market for now, it will undoubtedly ramp up the pressure on firms to achieve LIBOR transition in this market by the fixed deadline of end 2021. Most importantly, this delay will have the effect of increasing the pool of loans referencing LIBOR when the benchmark ceases. In turn, this will increase the litigation risks for legacy contracts, particularly where fallbacks in new loans require renegotiation when LIBOR ends."

MEDIA CONTACT

For further information on this news article, please contact:

**MIKE PETROOK, COMMUNICATIONS
MANAGER**

LONDON

Tel: +44 20 7466 3939

Mob: +44 7850 516 778
Email: mike.petrook@hsf.com