

CORPORATE TREASURER BRIEFING - IS LIBOR REALLY ENTERING THE END GAME?

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Legal Briefings - By **Emily Barry, Nick May, Amy Geddes, Elliot Beard, Kristen Roberts and Minolee Shah**

The end of 2021 has been the date set in stone for the discontinuation of LIBOR for some time. In our [briefing](#) we look at the status of LIBOR transition across various different currencies and products and explore some of the events which will catalyse the transition in 2021.

We expect that many treasury teams will be aware by now of where LIBOR is referenced in most of their existing financial contracts. And of course any fixed rate arrangements, or arrangements referencing other floating rates such as base rate or a federal funds rate (for example most USPPs) will not need to be amended yet in any case. The legacy transactions using sterling and other non-USD LIBOR rates will however need to be amended this year as part of the active transition away from the use of LIBOR.

While the different currencies have always been on slightly different timelines for transition, this was thrown into sharp relief by the proposal in early December 2020 that, while new transactions referencing USD-LIBOR should not be entered into post-2021 except in limited cases, common tenors of US dollar LIBOR could continue to be published until June 2023. Combined with the expected continuation of an amended EURIBOR, the transition process for multicurrency products in particular may seem complex.

The overarching message from global regulators is that transition should continue for LIBOR and most other IBOR currencies on approximately the same timeline, ie the end of this year. The various different solutions that have been proposed for “tough legacy” contracts, that is those which are difficult to amend and therefore transition, could potentially conflict since they may apply extra-territorially. However, active transition, in a managed process, will largely mitigate these risks and remains the strong regulatory preference. The derivatives and debt capital markets have to date been further ahead than the loans market in making the transition to RFRs, but we now seem to be approaching the tipping point for moving to the use of risk-free rates in loans that need to be amended or new loans to be entered into in 2021.

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KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



EMILY BARRY
PROFESSIONAL
SUPPORT
CONSULTANT,
LONDON
+44 20 7466 2546
Emily.Barry@hsf.com



NICK MAY
PARTNER, LONDON

+44 20 7466 2617
Nick.May@hsf.com

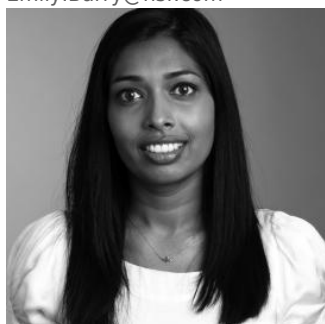


AMY GEDDES
PARTNER, GLOBAL
HEAD OF DEBT
CAPITAL MARKETS,
LONDON
+44 20 7466 2541
Amy.Geddes@hsf.com



KRISTEN ROBERTS
PARTNER, LONDON

+44 20 7466 2807
Kristen.Roberts@hsf.com



MINOLEE SHAH
PROFESSIONAL
SUPPORT
CONSULTANT,
LONDON
+44 20 7466 2074
Minolee.Shah@hsf.com

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