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FCA Consultation on the Winding Down of Synthetic Sterling LIBOR and the Future of US Dollar LIBOR

By **Michael Sholem**
Partner | Financial Regulation

Earlier today the Financial Conduct Authority ("FCA") announced a consultation seeking comments on the winding down of one-, three- and six-month synthetic sterling LIBOR settings and on the future of the remaining US dollar ("USD") LIBOR settings.

Background

On December 31, 2021, publication of 24 LIBOR settings ended. For one-, three- and six-month sterling and Japanese yen LIBOR settings, the FCA required the administrator of LIBOR to continue publication on a synthetic (and unrepresentative) basis from the end of 2021. Under revised regulatory rules in the UK, publication of a synthetic rate can only be compelled to be published by the FCA for up to one year at a time for a maximum period of ten years. This was to give the holders of certain legacy contracts more time to complete transition.

Meanwhile, the FCA also permitted five US dollar LIBOR settings to continue to be calculated based on panel bank submissions until the end of June 2023.

Consultation

The FCA is seeking views on the following:

- progress by market participants towards completing transition away from one-, three- and six-month sterling LIBOR settings;

- ceasing the requirement to continue publication of the one- and six-month synthetic sterling LIBOR settings at the end of March 2023 and when it will be possible for the three-month synthetic sterling LIBOR setting to cease;

- the size and nature of remaining exposure to USD LIBOR where transition is not already provided for either by contract or legislation;

- the plans of market participants to transition remaining USD LIBOR exposures before the end of June 2023; and

- challenges or issues that might result from the publication of any USD LIBOR settings on a synthetic basis.

The deadline to submit comments in response to the consultation is August 24, 2022.