

Libor Reforms

Interbank Offered Rates (“IBORs”), including the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (“EURIBOR”) and the Swap Offer Rate (“SOR”), are widely accepted interest rate benchmarks. IBORs have been commonly adopted in financial markets to calculate interest rates or other payments in a broad range of financial products, such as loans, bonds and derivatives, and are frequently used as the basis for valuations by market participants.

The G20 instructed the Financial Stability Board (“FSB”) in 2013 to undertake a review of the major interest rate benchmarks and plans for reforms in order to ensure that the interest rate benchmarks are robust and used appropriately. In 2014, the FSB published a report recommending for strengthening IBORs, where possible and identifying alternative near-risk-free rates (“RFRs”) for use as alternative reference rates, and where suitable, to encourage market participants to transition to new, appropriate RFR contracts.

According to the UK Financial Conduct Authority, LIBOR will likely be discontinued after end-2021, as there is a very high chance that LIBOR panel banks will stop making submissions for LIBOR determination after that date.

Considering that you are and may be using products that use LIBOR to calculate payments, we would want to make you aware of the potential impact these changes and the use of RFRs may have on such products in future.

For specific questions about your existing LIBOR contracts and how these should be handled, please contact your banker, and seek advice from your lawyers or financial advisors as appropriate.

For questions regarding the above please contact us at:

Email: treasury@indianbank.sg