

LIBOR Benchmark Rates Transition

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On March 5, 2021, the Financial Conduct Authority (FCA) in the United Kingdom announced the future cessation or loss of representativeness of the 35 LIBOR benchmark settings currently published by ICE Benchmark Administration (IBA), an authorized administrator, regulated and supervised by the FCA (the "Announcement").

The Announcement made by the FCA sets forth a series of definitive resolutions in connection with the LIBOR rate transition and confirms that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

1. immediately after December 31, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings.
2. immediately after June 30, 2023, in the case of US dollar settings.

The FCA does not expect that any LIBOR settings will become unrepresentative before the relevant dates set out above. However, representative LIBOR rates will not be available beyond such dates and publication of most of the LIBOR settings will cease immediately thereafter.

The FCA will consult on requiring IBA to continue to publish certain sterling, Japanese yen and US dollar LIBOR settings for a further period after their cessation, on a changed methodology, known as a 'synthetic'. Any 'synthetic' LIBOR will no longer be representative for the purposes of the Benchmarks Regulation (BMR) and is not for use in new contracts. It is intended for use in tough legacy contracts only. The FCA will also consult on which legacy contracts will be permitted to use any 'synthetic' LIBOR rate.

While market participants have anticipated the transition and have worked to introduce "fall back" rates in their long-term agreements, as a consequence of the Announcement, borrowers and lenders alike should evaluate, on a case-by-case basis, the impact of the LIBOR transition under their long-term finance or derivatives agreements that do not yet provide for fall back rates language.

For any additional information, do not hesitate to contact our expert team, who can be of assistance:

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