Amundi
ASSET MANAGEMENT

Briefing note related to LIBOR Cessation / Transition to Risk Free Rates

Since the FCA announced in 2017 that it would no longer require the banks of the panel to contribute to the determination of LIBORs rates from 31 December 2021, the schedule for the disappearance of LIBORs has become clearer.

In detail, the FCA announced on 5 March 2021 that the following maturities of the LIBOR will cease to be published or will no longer be representative immediately after:

- 31 December 2021 for all maturities of GBP, EUR, CHF and JPY LIBORs
- 31 December 2021 for the maturities 1 week and 2 months of the USD LIBOR
- 30 June 2023 for the remaining maturities of the USD LIBOR

At these dates, the stock of contracts based on these indices must have completely transitioned to alternative solutions (Alternative Risk-Free Rates (ARFR), fixed rates, etc.) or include robust fallback clauses.

However, the national working groups and authorities have set intermediate milestones which require market participants to stop using LIBORs well before the end of their publication and to pro-actively transition the stock as soon as possible and without waiting for LIBORs cessation.

Amundi's transition plan is consistent with these works and takes into account the relevant milestones. Amundi has put in place a dedicated taskforce, in order to effectively manage the transition from the current benchmarks to the respective replacement reference rates. In addition, Amundi has adhered to the ISDA 2020 IBOR Fallbacks Protocol as per the OTC derivatives' transition. Finally, a regular follow-up of market evolution, results of relevant consultations and regulatory instructions is performed in the context of the before-mentioned task force.

Global overview of main anticipated Alternative Risk Rates

LIBOR	Anticipated Replacement Benchmark	Administrator
USD	**SOFR**	**Federal Reserve Bank of New York**
GBP	**SONIA**	**Bank of England**
JPY	**TONA**	**Bank of Japan**
CHF	**SARON**	**Six Swiss Exchange**
EUR	**ESTR**	**European Central Bank**

The rates above have been designated as the target Risk Free Rates (RFR). They are thus the basis for determining an alternative rate at the LIBOR USD / GBP / JPY / CHF and EUR respectively.

The disappearance of the LIBORs and their replacement with new reference rates will have different impacts, including among other:

- Operational (Systems update)
- Legal (for legacy contracts: implementation of fallback clauses that allow a smooth transition, or direct renegotiation of the contract to reference the replacement rate before the LIBORs disappearance and prospectus update in the case of portfolios using LIBOR-linked benchmarks)
- Financial (hedging; adjustment margin (*spread)* between the old and the new index for the stock transition)
- Accounting
- Tax

It is highly recommended that clients exposed to the benchmarks affected by the transitions (LIBOR, EONIA, etc.) are actively prepared to:

- Integrate new benchmarks into their systems, including preparing for their use
- Manage new conventions
- Evaluate and manage the fragmentation between asset classes and currencies (application of different replacement rates)

It is up to each firm to carry out its own impact studies, in order to assess how the possible disappearance of current indices and the transition to new ones can affect the financing and functioning of its business.

Useful links:

- https://www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf
- https://www.isda.org/2021/03/05/isda-statement-on-uk-fca-libor-announcement/
- https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks-LIBOR-Cessation_Announcement_20210305.pdf