FSB statement on the impact of COVID-19 on global benchmark reform

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The Financial Stability Board (FSB) has discussed the impact of COVID-19 on global benchmark transition. The FSB's Official Sector Steering Group (OSSG) is monitoring the developments closely and recognises that some aspects of firms' transition plans are likely to be temporarily disrupted or delayed, while others can continue. The FSB maintains its view that financial and non-financial sector firms across all jurisdictions should continue their efforts in making wider use of risk-free rates in order to reduce reliance on IBORs where appropriate and in particular to remove remaining dependencies on LIBOR by the end of 2021.

LIBOR transition remains an essential task that will strengthen the global financial system. COVID-19 has highlighted that the underlying markets LIBOR seeks to measure are no longer sufficiently active. Moreover, these markets are not the main markets that banks rely upon for funding. The increase in the most widely used LIBOR rates in March put upward pressure on the financing cost of those paying LIBOR-based rates. For those borrowers, this offset in large part the reductions in interest rates in those jurisdictions where central banks have lowered policy rates.

Relevant national working groups are co-ordinating changes to intermediate milestones in their benchmark transition programmes, where appropriate, to ensure global coordination. Financial and other firms should continue to ensure that their transition programmes enable them to transition to LIBOR alternatives before end-2021.

LIBOR transition is a G20 priority, and the G20 in its February 2020 communique asked the FSB to identify remaining challenges to benchmark transition by July 2020 and to explore ways to address them. The FSB will publish a report on these issues later this month. FSB members, in collaboration with other standard-setting bodies and international institutions, will continue to monitor developments.

Notes to editors

The FSB set out in 2014 a series of recommendations for strengthening key interbank offered rates (IBORs) in the unsecured lending markets, and for promoting the development and adoption of alternative nearly risk-free reference rates, where appropriate. The FSB and member authorities, through the FSB Official Sector Steering Group (OSSG) chaired by Andrew Bailey (Governor, Bank of England) and John Williams (President and CEO, Federal Reserve Bank of New York), are working to implement and monitor these recommendations. The FSB published its most recent annual progress report in December 2019 on implementation of the recommendations.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

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