

**MEMO# 32948**

November 27, 2020

## **LIBOR Update: Updates from the CFTC**

[32948]

November 27, 2020 TO: Derivatives Markets Advisory Committee  
LIBOR Transition Working Group  
SEC Rules Committee SUBJECTS: Compliance  
Financial Stability  
Operations RE: LIBOR Update: Updates from the CFTC

On November 24, 2020, CFTC Chairman Heath Tarbert issued a statement on benchmark transition in light of the recent ISDA Fallback Protocol.<sup>[1]</sup> The protocol provides a method for counterparties to update fallback language in derivatives contracts that reference LIBOR (or certain other IBORs) that are expected to be discontinued after 2021.

Chairman Tarbert notes that adherence to the protocol by all market participants with open positions in interest rate swaps is critical to strengthening the integrity of the derivatives market and the stability of the global financial system. He recognizes that approximately 800 legal entities have already adhered to the protocol but that there are 2,400 additional entities that have not yet done so. Chairman Tarbert notes that unless both counterparties to a swap have adopted the protocol, that swap would not fallback to a non-LIBOR rate when LIBOR ceases.

Tarbert also cautions that banks and dealers will be reluctant to enter into swaps with counterparties that fail to adhere to the protocol because they will not be able to hedge the LIBOR exposure.

Bridget Farrell  
Assistant General Counsel

### **endnotes**

<sup>[1]</sup> See CFTC Chairman Heath P. Tarbert, Statement Regarding the Transition Away from IBORs (Nov. 24, 2020) *available at* <https://cftc.gov/PressRoom/SpeechesTestimony/tarbertstatement112420>. More information about the ISDA protocols is available at ICI Memorandum No. 32857 [https://www.ici.org/my\\_ici/memorandum/memo32857](https://www.ici.org/my_ici/memorandum/memo32857).

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