

MEMO# 31652

March 14, 2019

FCA Publishes "Dear CEO LIBOR Letter" for CEOs of Major Banks and Insurers

[31652]

March 14, 2019 TO: ICI Members

Chief Risk Officer Committee

Internal Audit Committee

International Internal Audit Advisory Committee

International Operations Advisory Committee

Operations Committee SUBJECTS: International/Global

Risk Oversight RE: FCA Publishes "Dear CEO LIBOR Letter" for CEOs of Major Banks and Insurers

As you may recall, the U.K.'s Financial Stability Board has been working, since at least 2014, to pursue the use "of more robust interest rate benchmarks by laying the groundwork for a successful market-led transition" away from the London Inter-bank Offered Rate (LIBOR). While LIBOR will be supported and sustained until the end of 2021, the U.K.'s Financial Conduct Authority (FCA) is encouraging firms impacted by LIBOR's discontinuation to treat the discontinuation "as something that will happen" and something that firms "must be prepared for." Towards this end, last September the FCA sent a "Dear CEO" letter to CEOs of "major banks and insurers" relating to the discontinuation of LIBOR.[\[1\]](#)

The FCA's letter appears intended to ensure that the recipient firms understand that a transition from LIBOR will be "complex" and "take time" and "insufficient preparations for transition to alternative rates could have a negative impact on the safety and soundness of firms and cause harm to their clients and to the markets in which they operate."

To assist firms in their preparations for a transition away from LIBOR, the firms receiving the letters were asked to provide to the FCA by 14 December 2018:

- i. A board approved summary of the firm's assessment of key risks relating to LIBOR's discontinuation and details of the actions the firm plans to take to mitigate those risks; and
- ii. The names of the Senior Manager(s) within the firm who will oversee the firm's response to the FCA's letter and the implementation of the firm's transition plans.

In addition to seeking the above information, the FCA's letter also discusses market-led working groups that are focused on identifying potential preferred alternative risk-free

rates.

While the FCA's letter was targeted to major banks and insurance companies, asset management firms, too, are likely to be impacted by the discontinuations of LIBOR. Accordingly, you may want to be thinking about the issues raised in the FCA's "Dear CEO letter."

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endnotes

[1] The FCA letters are available through this link: <https://www.fca.org.uk/news/statements/dear-ceo-libor-letter>. The FCA does not identify the firms that received these letters.

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