

MEMO# 33578

June 8, 2021

LIBOR Update: Your Feedback on ICI's Draft Response to Financial Conduct Authority Consultation on Synthetic LIBOR Requested by June 11

[33578]

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TO: ICI Global Regulated Funds Committee - Asia
LIBOR Transition Working Group RE: LIBOR Update: Your Feedback on ICI's Draft Response to Financial Conduct Authority Consultation on Synthetic LIBOR Requested by June 11

As recently discussed, the UK Financial Conduct Authority (FCA) issued a consultation soliciting feedback on which contracts and financial instruments it should permit to use synthetic LIBOR rates after those rates can no longer be used under their current calculation methodology. The consultation discusses whether to permit or prohibit some uses of synthetic LIBOR in legacy contracts or instruments that were entered into before LIBOR discontinuation as well as in new contracts or instruments that may be created after LIBOR discontinuation.[\[1\]](#)

ICI has drafted the attached response to the FCA's consultation. Our draft urges the FCA to promote international consistency when determining whether to permit (or prohibit) any use of synthetic LIBOR in legacy contracts and new transactions. Specifically, in our draft response:

- We recommend that the FCA make its determination on which legacy contracts should be permitted to use synthetic LIBOR using criteria that are objective, narrowly-tailored, and provided with ample notice to the market.
- We recommend that avoiding material differences, overlaps, or gaps in coverage between the FCA's approach to resolving tough legacy contracts and that of other global regulators would accelerate the progress of market participants' operational readiness and reduce the opportunity for regulatory arbitrage or adverse market impacts.
- We similarly urge the FCA to ensure that there is global consistency regarding not only what types of new uses of LIBOR will be permitted but also which market participants are permitted to engage in those activities, and for how long.

Feedback on ICI's draft response would be appreciated by end of day, Friday, June 11, 2021. Please contact Bridget Farrell at bridget.farrell@ici.org with any questions or feedback.

Bridget Farrell
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endnotes

[1] See ICI Memorandum No. 33553, *available at* <https://www.ici.org/memo33553>. See also Benchmarks Regulation: how we propose to use our powers over use of critical benchmarks, Consultation Paper CP 21/15 (May 2021), *available at* <https://www.fca.org.uk/publication/consultation/cp21-15.pdf>.

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