The end of LIBOR

In July 2023, the global financial industry marked a significant milestone as the long-anticipated transition away from LIBOR, the London Interbank Offered Rate, successfully concluded. LIBOR, once a widely used benchmark interest rate for various financial products, has been replaced with alternative risk-free rates worldwide. This transition has been a comprehensive and collaborative effort involving market participants, regulatory authorities and industry bodies.

The main replacements for LIBOR include the Secured Overnight Financing Rate (SOFR) for US Dollar, the Sterling Overnight Index Average (SONIA) for Sterling Pound, the Euro Short-Term Rate (€STR) for the European Euro, the Tokyo Overnight Average Rate (TONA) for Japanese Yen, and the Swiss Reference Rates (SARON) for the Swiss Franc. These rates, which are based on actual transactions, provide a reliable foundation for pricing and valuing financial instruments.

As part of the LIBOR transition process, regulatory authorities have also considered the need for continuity in certain contracts that are reliant on LIBOR. In order to mitigate market disruptions and provide a temporary solution, a synthetic LIBOR is still being published for 3-month GBP LIBOR, and 1-month, 3-month and 6-month USD LIBOR, which are expected to cease on 31st March 2024 (GBP LIBOR) and 31st September 2024 (USD LIBOR).