

# High time to prepare for IBOR benchmark transition

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The [Benchmark Regulation](#) sets strict requirements for interbank offered rates, such as EURIBOR and LIBOR. These requirements need to be complied with by 31 December 2019, the end of the transition period. Since existing IBORs cannot meet the regulation requirements, they are either to be discontinued (LIBOR) or likely to be discontinued (EURIBOR). The working groups in various jurisdictions, including Europe, the UK and the US, are identifying alternative risk free rates (RFRs) to substitute the IBORs, as well as developing contractual fall backs for key IBORs. This process is complex and time consuming.

The current lack of a generally accepted solution to issues relating to the IBOR transition and the incorporation of that transition in finance documentation brings about several risks. One of the main risks is that a mismatch may occur between the floating interest rate under loan documentation and the floating interest rate in the interest rate swap entered into in connection with that loan. The chances of such a mismatch are increased by the fact that the clauses dealing with unavailability of the governing IBORs in loan documentation differ from those in interest rate swap documentation. To avert the risk of a mismatch, we advise our clients to assess their financial instruments using IBORs and to enter discussions with their finance parties to prepare for when IBORs governing the relevant financial instruments become unavailable.