

Planning for IBOR transition - 5 key activities

To prepare for the end of IBOR, many organisations – not just banks – could achieve a smoother transition to 'risk-free rates' (RFRs) by undertaking the following five key activities.

1 Set up an RFR task force

Develop an organisation-wide, cross-functional RFR task force that handles business and jurisdictional differences and ensures alignment and coordination across critical issues.

2 Assess the initial impact

Take an organisation-wide look at models and systems to analyse the areas currently impacted by IBORs. Consider how best to minimise potential risk and treasury management, accounting, operational and legal implications. Pinpoint products and contracts likely to be in scope.

3 Identify exposures and develop a transition strategy

Catalogue your inventory of the financial instruments, assets and liabilities that use or rely on a benchmark – either directly or by proxy. For contracts, start analysing the legal language to help determine your strategy for making contractual changes and mitigating transition-related risks.

4 Create the right governance and awareness

Develop internal governance processes to enable effective oversight of any changes to policies, systems, processes and controls. Educate your employees on the implications of the transition.

5 Keep all your stakeholders in the loop

Think about how you will communicate with your stakeholders to ensure that they are kept informed in an appropriate and timely manner of your progress in transitioning to RFRs – to manage customer expectations and potential conduct risks.