

Life after LIBOR

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LIBOR, the benchmark for interest rate setting since the 1980's, unfortunately became the byword for rate-rigging in recent years. The UK's Financial Conduct Authority have recently indicated that LIBOR's days are numbered.

It is expected that alternative benchmarks will replace LIBOR by the end of 2021.

Lenders and borrowers with facilities with maturity dates beyond 2021 will need to ensure that there are mechanisms in place for adopting an alternative benchmark. It is too early to say how the market will deal with this and how problematic it will be to adopt new benchmarks. No doubt the Loan Market Association (LMA) will swiftly put in place drafting to facilitate transitions to new benchmarks. Any non-LMA documentation will need to be reviewed to allow maximum flexibility.

If you are in the process of negotiating or documenting any new LIBOR facilities, be sure to factor in changes.

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