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LIBOR transition: The time is now

JULY 2020

Following our LIBOR updates published in March and May, the Guernsey Financial Services Commission (GFSC) has released a statement encouraging Guernsey firms to assess the impact on their business as LIBOR is phased out.

The GFSC's statement serves as another reminder that Guernsey firms should continue to plan for LIBOR's disappearance at the end of 2021 and that the time to start transitioning to alternative rates is now. Challenging issues are still being ironed out in the UK by the industry-led working group, the regulator and the Bank of England (for example 'tough legacy' contracts which will be resolved by legislation).

In the meantime, we expect that many Guernsey institutions will adopt a 'wait and see' approach until their UK-based parents have settled on a solution for LIBOR replacement and a plan to manage transition. While this is not unreasonable, there is work that can be done now to avoid a last-minute rush. Lenders and borrowers should be reviewing their transaction documents. Service providers should likewise be carrying out this exercise for their clients.

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