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S&P Credit FAQ: How To Say Goodbye To LIBOR Without Creating Market Chaos

Just like the nail-biting countdowns of yore (Y2K anyone?) there is a new date to be skittish about: Dec. 31, 2021. After that date, the London Inter Bank Offered Rate (LIBOR)–one of the more popular reference rates to calculate interest payments on a host of financial instruments–will likely disappear. The clock is ticking, and with roughly $400 trillion of financial contracts using LIBOR (cumulative of all major currencies) currently outstanding, the stakes associated with this transition are high.

Working groups across regions have formed, and although many countries have already determined the planned replacement for their local interbank offering rate (IBOR), a slew of issues remain.

We believe institutions we rate will need to prepare their transition for the end of LIBOR over the next year and a half. In the Q&A below, S&P Global Ratings explains the dynamics of replacing LIBOR, including the operational and credit issues that may arise during the transition.

Continue reading.

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