

Extending the reach, reducing the cost and ticking the box of good governance

The London Interbank Offered Rate (LIBOR), is a series of benchmark interest rates and has been called the “world’s most important number.” It is a globally recognized base rate for pricing loans, debt, and derivatives. As a key part of the financial services infrastructure, more than **\$240 trillion in products reference LIBOR**.

As its underlying transactions have diminished, regulators have announced a target date to replace LIBOR and begun the process of identifying and creating alternative rates. However, these rates are structurally different from LIBOR and it is unclear how existing products referencing it will change, and what new products will emerge. There is the possibility of **significant customer and economic impact** and uncertainty over how this will develop.

While this may not be the final word, LIBOR’s ubiquity and potential sunset means **it is time for institutions to focus** on the LIBOR replacement timeline, **a potentially very significant programme of activity**. Progress has been made for the transition, however there **is still much to do**. For most the speed of change needs to accelerate ahead of 2021, before laying out actions for banks, regulators, and market infrastructure to take.



The banks most affected by the discontinuation of LIBOR have initiated transition programmes and most have made progress on mobilisation activities.

Common activities include:

- **Creation of inventories** of LIBOR-related exposures and infrastructure
- Assessment of the risks associated with the transition
- **Identification of actions** to mitigate those risks
- Programme planning and mobilisation
- Some initial work to begin executing transition plans.

PRIMED is able to:

- Capture **inventory of exposures** and **associated products** and **processes** using discovery workflow
- Capture the relationships between products, processes, assets and suppliers and capture **contextual risk**
- Align inventory into different categories to enable a more formalised and quantitative strategic **analysis of potential transition paths**
- Establish **cross discipline governance** and **decision making matrices** to ensure appropriate consultation and insight
- **Capture terms of existing LIBOR contracts** and monitor the **systematic analysis of transition implications**
- Analyse relative time, cost and risk impact of different transition approaches
- Monitor and **track through dashboards** the stages of development of customer-focused playbooks to prepare for contract re-negotiations as well as the Non-LIBOR product design and associated business and infrastructure requirements.



PRIMED

Successful Use Cases



98% Email traffic reduction in Global Investment bank



25 FTE reduction in Global Investment bank



£2.4 million compliance cost reduction in global pharmaceutical



Significant compliance transparency in Pan-European Asset Company