



OUR EXPERTISE | YOUR ADVANTAGE

NOVEMBER 2020

IBOR TRANSITION

ARE YOU READY?

PREPARE FOR THE END OF (L)IBOR IN DEC 2021 NOW

DEFAULT SOLUTIONS SHOULD NOT BE RELIED UPON

Why should you take action now?

- Failure to renegotiate IBOR referenced contracts prior to the Dec 2021 will risk the **imposition of sub-optimal remedies**
- **Loss of negotiating leverage** and ability to achieve best terms, once fall back protocols enacted
- **Bank resourcing immediately prior to the Dec 2021 will be severely constrained**, limiting their capacity to bi-laterally negotiate
- **Your resource will be constrained** when simultaneously negotiating with multiple stake holders

The end of LIBOR will impact you

- Risk of material **adverse value transfer**
- All external and internal IBOR referenced contracts will require **amendment / renegotiation**
- **Don't assume** solutions for loans and derivatives are the same or advisable
- Internal **systems and processes** will need to be updated and staff trained
- All hedge designation memos and relationships will require amendment and **approval by auditors**
- Interest payment amounts will only be known 2-5 days prior to payment dates, creating future **cashflow uncertainty**
- **No single location** will exist to reference the applicable interest rate, which will also require a loan specific calculation

What is happening?

- Post December 2021, **IBORs will be replaced** by daily compounded risk free rates.
- LIBOR submissions will no longer be required from December 2021 **effectively ending its use as a Benchmark Rate.**
- By the end of **Q1 2021, banks will no longer be providing Libor linked facilities** that expire beyond Dec-21.
- **IBORs (Inter-Bank Offered Rates) are widely used benchmarks** for loans, derivatives, intercompany loans & external contracts

HOW PMC CAN HELP

DON'T WAIT – IT CAN COST YOU

DON'T WAIT

It is essential to understand the implications and begin transition preparations **now**
Regulators are encouraging agreements to be in place prior to Dec '21

1

CREATE TRANSITION PLAN

PMC can draft board paper to identify IBOR risk / threat and recommend a transition strategy

4

PROTECT ECONOMIC VALUE IMPACT

PMC can provide independent & impartial advice and pricing recommendations

2

IDENTIFY IBOR CONTRACTS

PMC can help you identify & review all IBOR referenced loans and contracts, including intercompany implications

5

UNDERSTAND HEDGE ACCOUNTING IMPLICATIONS

PMC can help you determine necessary documentation for auditors

3

IDENTIFY SYSTEM CHANGES

PMC can help you identify the Internal system and process changes required to administer the transition

6

FORECAST AND CALCULATE INTEREST COST

PMC can and provide technology tools to forecast and calculate interest cost

PMC IS YOUR PARTNER

HELPING EVERY STEP OF THE WAY

PMC will keep you informed as guidance from regulators and central banks develops

Talk to us

Our specialists help you address the challenges of IBOR transition

Join a roundtable

Join one of our special roundtable discussions to discuss approaches

Explore PMC Analytics

Our technology solution can calculate and forecast interest payments

Readiness assessment

Our treasury experts help assess readiness and endorse plans / identify issues



GLOBAL PRESENCE

SINGULAR SITUATIONS REQUIRE EXCEPTIONAL EXPERTS

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