

BMO GLOBAL ASSET MANAGEMENT

IBOR COMMUNICATION TO RETAIL

Background

Interbank Offered Rates (IBORs) have been an important component of global finance for over 40 years. They are used as reference interest rates for hundreds of trillions of dollars in bonds, loans, derivatives and deposits as well as a benchmark to measure the performance of investments.

During the global financial crisis, limitations to the accuracy of IBORs led regulators around the world to launch a benchmarks reform initiative. This initiative included strengthening the process by which IBORs are set and the development of alternative “Risk-Free Rates” (RFRs).

Following on from the global reform initiative, the United Kingdom’s Financial Conduct Authority (FCA) announced in July 2017 that it will no longer supervise the London Interbank Offered Rate (LIBOR) after December 2021. The Euro Overnight Index Average (EONIA), an important Euro rate, will also stop being published at the end of 2021.

Other key reference rates, such as Euro Interbank Offered Rate (EURIBOR) and Canadian Dollar Offered Rate (CDOR), will continue to operate after the end of 2021, at least for a few years. In many instances, we are likely to see legacy IBORs operating alongside the new RFRs.

How BMO Global Asset Management is addressing the end of LIBOR

The LIBOR cessation involves a transition from a well-established regime of reference rates to alternative nearly risk-free rates that vary by market. Unlike regulatory changes with defined rules, this transition is focused on replacement options for the LIBOR legacy rates.

At BMO Global Asset Management (BMO GAM), we are well advanced in our preparation to transition from USD LIBOR to its RFR, Secured Overnight Financing Rate (SOFR), as well as in executing the shift from British Pound Sterling LIBOR to its RFR, Sterling Overnight Index Average (SONIA). We are engaged with industry working groups, which work on transition issues, and actively follow regulatory developments.

In collaboration with colleagues across BMO Financial Group, BMO GAM is operating an active change program with an emphasis on continuing to support BMO GAM clients, minimizing risk and, where possible, maximizing opportunities to transition to other investments of similar profile.

As new developments arise, we will post updates on our website.

If you have any questions regarding the transition, please do get in touch with your BMO GAM relationship manager.