

BMO GLOBAL ASSET MANAGEMENT

Background

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

However, 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 more accurate alternative reference rates known as “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 IBORs

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

BMO Global Asset Management (BMO GAM) is well advanced in its transition from British Pound Sterling LIBOR to its RFR, Sterling Overnight Index Average (SONIA), as well as its preparation to transition from USD LIBOR to its RFR, Secured Overnight Financing Rate (SOFR).

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

BMO GAM remains engaged with industry working groups, which address transition issues, and actively follows regulatory developments.

As the need arises, BMO GAM will post updates on the BMO Financial Group IBOR Transition [website](#).

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