

# LIBOR Fallbacks in Focus: A Lesson in Unintended Consequences

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Market participants are undertaking significant work to prepare for a transition away from LIBOR. The recent launch and reform of preferred alternative reference rates to USD LIBOR and GBP LIBOR, respectively, are important steps in this transition journey. However, LIBOR-based products are still being created, sold and entered into on a daily basis. A large book of financial instruments is likely to endure past 2021, when the Financial Conduct Authority (the “FCA”) intends no longer to persuade or compel banks to submit to LIBOR.

The question then is what happens to these LIBOR-based products when LIBOR is no longer available? What contractual fallbacks are in place today and what would happen if publication of current LIBOR were to cease, triggering those fallbacks?

This publication focuses on the legal framework and other issues related to fallback language.<sup>1</sup> To give a more tangible sense of what may be at stake and the efforts required to transition, we provide in-depth analyses in three important product areas: derivatives, credit facility transactions, and unsecured securities issued in the capital markets.

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