HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Tushar Morzaria
Chair of the Working Group on Sterling Risk-Free Reference Rates
By email

7 May 2021

Dear Tushar,

Thank you for your letter on behalf of the Working Group on Sterling Risk Free Reference Rates[1]. Ensuring an orderly wind-down of the LIBOR benchmark is a key priority for the Treasury and UK authorities, and the Government has, through the Financial Services Act 2021, taken steps to ensure an appropriate framework is in place to support this.

As you mentioned in your letter, the Treasury recently consulted on the case for additional provisions to supplement the measures in the Financial Services Act 2021 by reducing the scope for uncertainty or litigation that may arise from the exercise of the powers the Act grants the FCA to oversee the orderly wind-down of a critical benchmark.

You may have seen that the Government has today announced, in response to the consultation[2], that the Government intends to bring forward further legislation, when the Parliamentary time allows, to address issues identified in the consultation.

It remains the view of the Treasury that, wherever possible, parties should seek to transition contracts away from LIBOR ahead of the end of the 2021 and the Government, the FCA and the Bank of England will continue to work closely to encourage market-led transition from LIBOR and to monitor progress.
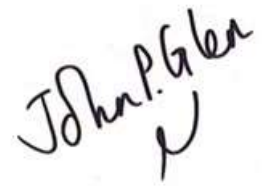
I would encourage members of the Working Group to continue engaging with Treasury officials, and would like to thank your group for your continued engagement on this important issue.

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[1] https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/rfr-letter-to-hmt-safe-harbour-provisions.pdf?la=en&hash=15CDFDEBEFAAF9C802E5228C1990AFC540147964
[2] https://www.gov.uk/government/consultations/supporting-the-wind-down-of-critical-benchmarks

I intend to publish a copy of this letter alongside the outcome of the consultation.

Warm regards,

JOHN GLEN