



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C

19 December 2022

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Reform of interest rate benchmarks

I am writing to update you on the latest developments relating to the reform of interest rate benchmarks.

On 23 November 2022, the Financial Conduct Authority (FCA) made announcements on the wind-down of LIBOR¹ and issued a consultation paper on its proposal to publish the 1-, 3- and 6-month USD LIBOR settings on a synthetic basis for a temporary period, with limited scope of application for legacy contracts under certain specified circumstances. Separately, on 16 December 2022, the Financial Stability Board (FSB) published a progress report on LIBOR transition², which highlights the substantial progress that has been achieved globally in the reform of interest rate benchmarks. The FSB encourages market participants to keep up the momentum in the last stage of the transition.

Authorized institutions (AIs) in Hong Kong have also made substantial progress in transitioning away from LIBOR to alternative reference rates (ARRs). Based on our latest survey results, the number of contracts referencing the remaining USD LIBOR settings requiring renegotiation fell by more than 90%, from a peak of 79,600 contracts (or HK\$15 trillion) at end-September 2020 to 4,100 contracts (or HK\$1 trillion) at end-September 2022. Meanwhile, the number of contracts referencing ARRs surged from 200 contracts (or HK\$0.2 trillion) at end-September 2020 to 64,000 contracts (or HK\$13 trillion) at end-September 2022. It is worth noting that exposures to credit sensitive rates are limited, with outstanding amount of less than HK\$20 billion at end-September 2022.

The remaining panel-based USD LIBOR settings will cease publication after end-June 2023 and there are still a number of outstanding contracts that require remediation. The HKMA expects AIs to complete the remediation of contracts that reference the remaining LIBOR settings in good time before end-June 2023.

¹ <https://www.fca.org.uk/news/news-stories/further-consultation-announcements-wind-down-libor>

² <https://www.fsb.org/2022/12/progress-report-on-libor-and-other-benchmarks-transition-issues-2022/>

The HKMA will continue to closely monitor the transition progress of the banking sector. Should you have any questions about this letter, please contact Mr Herbert Chan on 2878-8054 or Mr Raymond Lau on 2597-0856.

Yours faithfully,

Raymond Chan
Executive Director (Banking Supervision)