



LIBOR Transition



Interbank Offered Rates (“IBOR”) have been used globally in financial markets as a key benchmark to price and value loans, bonds, derivatives and a range of other financial products. IBOR will no longer be used after 2021 due to changes in benchmark regulations. The revised benchmark regulations will mean that alternative reference rates will be used as benchmarks going forward. Financial regulators have been closely engaged with industry working groups to identify these alternative replacement rates and have developed them on a currency-by-currency basis.

What is LIBOR?

The London Interbank Offered Rate (“LIBOR”) is the most broadly used IBOR benchmark in the world and is representative of the rates at which banks have historically been prepared to lend among themselves and are available across a range of standardised time horizons, from overnight to 12 months ahead.

What is happening to LIBOR?

Following multiple high-profile legal cases related to the manipulation of LIBOR, the vulnerability of IBORs to fixing has been highlighted. This has led to global coordination for a more robust alternative. Consequently in 2017 the Financial Conduct Authority (“FCA”) announced its intention to stop compelling banks to submit the rates required to calculate LIBOR after the end of 2021. The FCA and other global regulators have encouraged participants in the financial markets to take steps to stop using LIBOR by this date. LIBOR therefore will cease as at the end of 2021 and firms need to transition to alternative reference rates. There are industry groups created across several jurisdictions that have identified these replacement benchmarks, and consultations are ongoing to establish new rules as the transition approaches.

Which alternate rates have been identified?

JURISDICTION	WORKING GROUP	ALTERNATIVE RATE	RATE ADMINISTRATOR
UK	Working group on Sterling Risk-Free Reference Rates	Reformed Sterling Overnight Index Average (SONIA)	Bank of England
Euro Area	Working Group on Euro Risk-Free Rates	Euro Short-Term Rate (€STR)	European Central Bank
Switzerland	The National Working Group on Swiss Franc Reference Rates	Swiss Average Rate Overnight (SARON)	SIX Swiss Exchange
Japan	Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks	Tokyo Overnight Average Rate (TONA)	Bank of Japan
USA	Alternative Reference Rates Committee	Secured Overnight Financing Rate (SOFR)	Federal Reserve Bank of New York

What are Russell Investments doing to prepare?

Russell Investments, along with other investment managers, banks, brokerage firms and vendors in the financial services industry, has launched transition programs to implement the switch to products linked to alternative reference rates before the end of 2021. In addition, clearing houses have announced their intention to switch discounting and margining interest rates to alternative reference rates during 2020, which is expected to serve as a catalyst towards wider acceptance and increased liquidity in all of the markets affected by this change. We are closely following developments in this evolving area so that we can adopt approaches that are consistent with industry best practice. We have started planning for effective management of the transition away from LIBOR and have dedicated teams responsible for this task. As part of this, we will transition client and other exposures from IBORs to alternative reference rates. This will include assessing and managing clients' IBOR exposure in a way that protects their best interests.

We recognize the importance of this industry-led transition and are aware that it is of interest to our clients. The impact of the transition will not be the same for all investment funds, portfolios and services and we are working towards understanding the specific implications for each of our clients.

Any developments will be communicated to our clients to keep them informed of any changes which may have significant impact for them. This document will be updated with all relevant changes.