The discontinuation of LIBOR requires the financial industry to shift to alternatives, the so-called Alternative Reference Rates (“ARR”), with implications on products that refer to variable interest rates. Major structural differences between LIBOR and the ARR necessitate a reconsideration of product design, operational processes and IT solutions. If companies have not yet started to prepare their product portfolio and IT environment for this paradigm shift, they need to act now, as the market continues moving towards ARR-referencing instruments.

**Key points**
- The publication of LIBOR in its current form for GBP, CHF, JPY and EUR discontinued as of 01 January 2022 and is deemed unrepresentative by regulators for USD
- No new LIBOR-referencing products should be issued as of 01 January 2022
- Market participants move variable interest rate instruments towards Alternative Reference Rates
- ARR are significantly different from LIBOR
- ARR term rates have been introduced (SOFR, SONIA), but with recommended limited use

**Transition from LIBOR to ARR**

**LIBOR**
- 5 Currencies (USD, GBP, CHF, EUR, JPY)
- LIBOR includes a credit spread
- Forward-looking term rates for seven different tenors (ON, 1W, 1M, 2M, 3M, 6M, 12M)
- Methodology consistent for all currencies

**ARR**
- Different rate for each currency
- Almost risk-free rates, usually lower than LIBOR
- Backward-looking overnight rates*
- Methodologies vary across currencies

*Some term rates have been introduced (e.g. SOFR) with limited use