

**ICMA RESPONSE TO FCA CONSULTATION PAPER CP22/11 ON
WINDING DOWN 'SYNTHETIC' STERLING LIBOR AND US DOLLAR LIBOR¹**

Key points

US dollar LIBOR

1. It is important that synthetic US dollar LIBOR is published from end-June 2023 in order to reduce the risk of a disorderly wind-down in the international bond market when panel-bank US dollar LIBOR ceases to be published. The FCA should also grant permission for synthetic US dollar LIBOR to be used for all outstanding legacy US dollar LIBOR bonds, as it has done for synthetic sterling LIBOR.
2. Synthetic US dollar LIBOR is required in the bond market because there are considered to be insurmountable barriers to transitioning all legacy US dollar LIBOR bonds (including securitisations) before end June 2023. This is primarily because there are a very high number of legacy US dollar LIBOR bonds governed by English and other non-US laws with traditional (Type 1) fallbacks that are considered to be inappropriate. This number is significantly higher than the number of legacy sterling LIBOR bonds outstanding at the time that synthetic sterling LIBOR was introduced. It will be very challenging to transition all those legacy US dollar LIBOR bonds away from LIBOR before end-June 2023. The challenge is particularly acute because US dollar LIBOR bonds are held by a wide range of different types of investors, including retail investors, located around the world, some of whom may have limited (or even no) awareness of LIBOR transition. There may also be other difficulties with transitioning legacy US dollar LIBOR bonds (including securitisations).
3. Synthetic US dollar LIBOR could ensure international alignment between the UK market and the US market for as long as it is published, giving more time for active transition of legacy US dollar LIBOR bonds governed by English law with traditional (Type 1) fallbacks, where feasible, and more time for bonds to mature, where it is not. In particular, synthetic US dollar LIBOR would avoid US dollar LIBOR bonds governed by English law with traditional (Type 1) fallbacks falling back to a fixed rate after 30 June 2023 when most US dollar LIBOR bonds governed by a US law remain on a floating rate pursuant to US federal legislation. The synthetic US dollar LIBOR rate should be the same as, or as close as possible to, the rate expected under US federal legislation (ie term SOFR plus a spread). As with synthetic sterling LIBOR, synthetic US dollar LIBOR should help to minimise the risk of market disruption and litigation that could otherwise arise when panel-bank US dollar LIBOR ceases on 30 June 2023.

Synthetic sterling LIBOR

4. The current publication of synthetic sterling and yen LIBOR is helpful for bond market participants that are unable to transition legacy sterling and yen LIBOR bonds actively.

¹ <https://www.fca.org.uk/publication/consultation/cp22-11.pdf>

5. The FCA needs to be clear beyond doubt that there are no significant remaining risks of market disruption and litigation before it takes the decision to withdraw synthetic sterling LIBOR in a particular setting.
6. It would be very difficult for the FCA to be clear beyond doubt this year in the case of the 3-month setting, and much better to be prudent by conducting another review next year. The risks in the bond market are likely to be lower in the case of the 1- and 6-month settings, as there are fewer legacy bonds referencing those settings.

Responses to all 10 questions

7. ICMA welcomes the opportunity to respond to the FCA's consultation on winding down synthetic sterling LIBOR and US dollar LIBOR. This ICMA response has been prepared from the perspective of the international bond markets, with a particular focus on bonds governed by English law. ICMA has over 600 members in 65 jurisdictions globally including across Europe and Asia Pacific.
8. Certain points in our response are common across several of the questions. We have therefore set them out here in order to avoid duplication.
9. Central to the assessments of when to wind-down synthetic sterling LIBOR and whether to introduce synthetic US dollar LIBOR is an analysis of the number, volume and maturity profile of the contracts and instruments that reference the relevant settings, the likelihood of successful active transition and the nature of the relevant contractual fallbacks.

Legacy LIBOR bond data

10. ICMA's response has been informed by legacy bond data available to us from Bloomberg. With Bloomberg's permission, we have shared this in confidence with the FCA and the Bank of England and with the Bond Market Sub-Group of the Working Group on Sterling Risk-Free Reference Rates, but we do not have permission from Bloomberg to share it more widely or publish it.
11. In terms of the number, volume and maturity profile of legacy bonds referencing synthetic sterling LIBOR, ICMA's understanding, based on the data available to us, is that the largest exposure is in the 3-month setting and that there are only a small number of bonds referencing the 1-month and 6-month settings with a maturity beyond end-March 2023. For US dollar LIBOR, we understand that there are a very significant number of English law-governed bonds referencing US dollar LIBOR with a maturity beyond the end of June 2023. This number is significantly higher than the number of sterling LIBOR bonds when synthetic sterling LIBOR was introduced. We discuss this in our response to Q7 below.

Active transition of legacy LIBOR bonds

12. In relation to the likelihood of successful active transition, the FCA previously acknowledged the challenges associated with active transition in the bond market². ICMA previously noted³ that, in some cases, the challenges of active transition are unlikely to be overcome by providing bond

² See paragraph 3.7 of FCA [CP21/19: Proposed decision under Article 23D BMR for 6 sterling and yen LIBOR settings](#).

³ See ICMA [response](#) to FCA CP 21/29. See also a summary of the challenges of active transition in the bond market at paragraphs 2a – 5 on pages 9 – 11 of ICMA's [response](#) to [FCA CP 21/15 Benchmarks Regulation: How We Propose To Use Our Powers Over Use Of Critical Benchmarks](#).

issuers with more time to transition, for example where there is an orphan securitisation with insufficient funds or resources to transition actively.

13. The FCA's assessment in CP22/11 that consent solicitations to amend sterling and US dollar LIBOR bonds have a good prospect of success relies upon issuers launching consent solicitation exercises and bondholders taking steps to ensure that requests to consent are prioritised and routed to appropriate decision-makers. Whilst it is within an issuer's control to launch a consent solicitation exercise, it is not always possible to ensure sufficient investor engagement to meet quorum and consent thresholds. This is particularly the case where bonds are widely held, including by retail investors or investors located in jurisdictions in which there is low awareness of the importance of LIBOR transition.
14. As the FCA acknowledged in [CP21/29](#)⁴, success in amending some contracts in an asset class does not necessarily indicate that all contracts in that asset class can similarly be amended. This has been borne out in the bond market. Whilst a number of legacy LIBOR bonds have successfully transitioned away from LIBOR by way of consent solicitation, there are also several examples of failed consent solicitations for both sterling and US dollar LIBOR bonds.
15. Given the challenges of active transition in the bond market, it cannot be guaranteed that all legacy sterling and US dollar LIBOR bonds can be actively transitioned by any particular future point in time. This means that the FCA will need to assess the likely outcome of cessation of synthetic sterling LIBOR and panel-bank US dollar LIBOR for legacy bonds and analyse the risks arising from that outcome.

Traditional ("Type 1") LIBOR bond fallbacks

16. Upon permanent cessation of synthetic sterling LIBOR or panel-bank US dollar LIBOR (without synthetic US dollar LIBOR being introduced), contractual fallbacks in bonds under English law would be triggered. The majority of legacy sterling LIBOR bonds that reference synthetic sterling LIBOR under English law are believed to contain Type 1 fallbacks⁵. It is also likely that a significant number of legacy US dollar LIBOR bonds governed by English law contain Type 1 fallbacks. It is well known that the likely outcome of triggering Type 1 fallbacks upon cessation of LIBOR is for the rate to be fixed for the remainder of the term of the bonds. This is considered to be inappropriate because the issuer and investors' original intention was that the bonds should reference a floating rate. In addition, paying agents have noted that there will be significant practical challenges in operating Type 1 fallbacks. For example, the first step of polling reference banks will not result in any outcome (because reference banks will be unwilling to provide quotes) and the provisions typically do not specify when agents are able to move from polling reference banks to the next step of fixing at the most recently used rate.
17. Following the introduction of the Adjustable Interest Rate (LIBOR) Act of 2021 into federal US law, legacy US dollar LIBOR bonds governed by a law of the US and in-scope of that legislation will transition automatically to a SOFR-based rate and credit adjustment spread. This is different to the anticipated outcome of Type 1 fallbacks described above.

⁴ See paragraphs 3.33 – 3.35.

⁵ Type 1 fallbacks are traditional bond fallbacks triggered when the reference rate does not appear on the relevant screen page or the relevant screen page is unavailable. They are expected to result in floating rate notes becoming fixed rate notes in the event of LIBOR cessation. For a brief description of Type 1, Type 2 and Type 3 fallbacks, see paragraph 4 starting on page 4 of ICMA's [response](#) to FCA [CP 21/15](#). These broad categories do not describe every case and the precise language used in fallbacks can vary from bond to bond.

18. The outcomes described above give rise to the risk of a disorderly wind-down. The FCA needs to balance these risks against the desire to wind-down synthetic sterling LIBOR and US dollar LIBOR. Some market participants have noted that the publication of synthetic sterling and yen LIBOR is providing a substantial public benefit at the price of relatively limited operational costs and systemic risk implications.

Updated (“Type 2”) LIBOR bond fallbacks with no unrepresentativeness trigger

19. As discussed by the Federal Reserve⁶, the introduction of a synthetic US dollar LIBOR with a permission to use it for all legacy LIBOR bonds is likely to prevent many Type 2 fallbacks from being triggered until synthetic US dollar LIBOR ceases to be published.
20. Given Type 2 fallbacks are expected to result in the bond transitioning to a RFR and credit adjustment spread, the need to transition bonds with Type 2 fallbacks both before and during any period for which synthetic US dollar LIBOR is available will be less acute. The FCA and other relevant authorities may wish to consider this in its communications regarding the need to transition legacy LIBOR instruments actively and, from the perspective of the bond market, focus on the need for active transition of bonds with Type 1 fallbacks.
21. Whilst it is difficult to identify precisely how many bonds contain different types of fallbacks, it is anticipated that bonds with Type 2 fallbacks will represent a minority of all outstanding legacy US dollar LIBOR bonds (including securitisations). This is because Type 2 fallbacks were used in certain types of new bond issues for a relatively short period before Type 3 fallbacks or ARRC-recommended fallbacks started to be used. In addition, the large majority of legacy, English law governed US dollar LIBOR securitisations are likely to include Type 1 fallbacks. This includes securitisations issued with AFME’s model benchmark rate modification language allowing for a streamlined process for modifying the benchmark. Hardwired Type 2/3 fallbacks were considered less appropriate for many sections of the securitisation market for ratings and other reasons.

Updated (“Type 3”) and ARRC-recommended LIBOR bond fallbacks with unrepresentativeness trigger

22. Like Type 2 fallbacks, Type 3 fallbacks and ARRC-recommended fallbacks for LIBOR bonds are expected to result in the bond transitioning to a RFR and credit adjustment spread. However these fallbacks contain a trigger based on an announcement that the reference rate is or will no longer be representative. Therefore, depending on the precise drafting, some of these fallbacks may have already been triggered or would be expected to be triggered upon an announcement that US dollar LIBOR is unrepresentative on or following 30 June 2023⁷. The FCA and other relevant authorities may wish to consider this in its communications regarding the need to transition legacy LIBOR instruments actively in the period between now and 30 June 2023 and, from the perspective of the bond market, focus on the need for active transition of bonds with Type 1 fallbacks.

US dollar LIBOR swap rates

23. Certain legacy bonds, in particular capital instruments, contain references to US dollar LIBOR-based benchmarks, such as the US dollar LIBOR ICE Swap Rate, rather than LIBOR itself. The issues

⁶ See Federal Reserve [Consultation on Regulation Implementing the Adjustable Interest Rate \(LIBOR\) Act](#), pages 18 – 22.

⁷ The ARRC [confirmed](#) that IBA and FCA announcements made on 5 March 2021 constituted a “Benchmark Transition Event” under ARRC-recommended fallbacks on 8 March 2021.

for these legacy debt instruments are understood to be similar to the issues for bonds that reference US dollar LIBOR itself in that the contractual fallback may be inappropriate or inoperable and active transition or amendment of the fallback is not straightforward.

24. The ARRC has noted that legacy bonds referencing the USD LIBOR ICE Swap Rate are not covered by US federal LIBOR legislation and has published [recommendations](#) for market participants to take proactive steps to address the end of the USD LIBOR ICE Swap Rate. These recommendations envisage active transition of legacy contracts or amendments to fallbacks. If that is not possible, then the ARRC recommends that calculation agents consider the ARRC fallback formula in determining a successor rate for the USD LIBOR ICE Swap Rate.
25. Whilst the ARRC recommendations are very useful, there may be some legacy bonds where the parties are unable to transition actively or amend the fallbacks and where the fallback does not envisage that a calculation agent will have discretion to determine an alternative rate. Those bonds may contain inappropriate fallbacks that result in an outcome that was not envisaged at the time the bond was issued (e.g. a fixed rate resettable bond remaining as a fixed rate bond).
26. It has been difficult for us to obtain data on the number and volume of legacy bonds referencing the US dollar LIBOR ICE Swap Rate. It would also be challenging to determine the number of such bonds that contain inappropriate fallbacks. However it would be worth exploring the extent of this issue and what steps could be taken to address it, in particular because most fixed rate resettable bonds are capital instruments (including AT1 instruments, which are intended to be permanent instruments). If this is a significant issue, then there could be a case for a synthetic version of the US dollar LIBOR ICE Swap Rate as well as US dollar LIBOR, although this would require the USD LIBOR ICE Swap Rate to be designated as a “critical benchmark”.

Questions related to synthetic sterling LIBOR

Q1: Do you agree that the 1-month sterling LIBOR setting can be ceased in an orderly fashion at end-March 2023?

27. The FCA needs to be clear beyond doubt that there are no significant remaining risks of market disruption and litigation before it takes the decision to withdraw synthetic sterling LIBOR in a particular setting.
28. From the perspective of the bond market, we understand, based on the data available to us, that only a small number of bonds referencing the 1-month setting have a maturity beyond end-March 2023. This means that the risks of cessation may be relatively low for the bond market as a whole. However, it cannot be guaranteed that it will have been possible to transition all legacy bonds referencing the 1-month setting by any particular date in the future (including end-March 2023), so there would still be some risks related to the practical challenges associated with operating contractual fallbacks in legacy sterling LIBOR bonds and the possibility of litigation, even if any claims are later held to be vexatious or unfounded.
29. We are not commenting on whether there is a need for the continued publication of the 1-month sterling LIBOR setting for other legacy LIBOR instruments outside the bond market.

Q2: Do you agree that the 6-month sterling LIBOR setting can be ceased in an orderly fashion at end-March 2023?

30. Our response to Q1 relating to the 1-month sterling LIBOR setting also applies to the 6-month sterling LIBOR setting.

31. There are understood to be more bonds referencing 6-month synthetic sterling LIBOR with a maturity beyond end-March 2023 than 1-month synthetic sterling LIBOR. However, the number referencing 6-month synthetic sterling LIBOR is still understood to be relatively small.

Q3: a. Are there any reasons why you – or, if you are a trade body or professional services firm, your members or clients – will not be able to transition your 1- and/or 6-month sterling LIBOR exposures in the manner and timeframe we have assumed to be possible?

b. Where the answer is Yes, what asset class(es) and/or types of contract(s) do these exposures relate to, and which LIBOR setting do they reference?

c. Please explain why these exposures cannot be transitioned in the manner and timeframe we've assumed to be possible, and what alternative timescale you think is needed.

32. For the reasons described above, it is not possible to guarantee that all legacy bonds (including securitisations) referencing 1-month or 6-month sterling LIBOR can be transitioned by any given future date.

33. The chances of successful consent solicitations can be improved by clear messaging from the FCA, the Working Group on Sterling Risk-Free Reference Rates and trade associations regarding end-dates for synthetic sterling LIBOR settings and the importance of engaging with active transition. ICMA has been raising awareness among its members of the importance of active transition of legacy LIBOR bonds for some time and will continue to do so.

Q4: In your view, when would be the earliest date at which the 3-month sterling LIBOR setting could cease in an orderly fashion?

34. As noted above, the FCA needs to be clear beyond doubt that there are no significant remaining risks of market disruption and litigation before it takes the decision to withdraw synthetic sterling LIBOR in a particular setting. It would be very difficult for the FCA to be clear beyond doubt this year in the case of the 3-month setting, and much better to be prudent by conducting another review next year.

35. For the reasons described above, it is not possible to guarantee that all legacy bonds referencing 3-month sterling LIBOR can be transitioned by any given future date. There are understood to be significantly more bonds referencing 3-month synthetic sterling LIBOR compared with 1-month and 6-month synthetic sterling LIBOR. Therefore, from the perspective of the bond market, 3-month synthetic sterling LIBOR should continue to be published beyond end-March 2023 in order to avoid the risks of a disorderly wind-down described above crystallising.

36. The FCA should keep under review the number and volume of legacy sterling LIBOR contracts (including bonds) referencing synthetic sterling LIBOR, their maturity profile and likely contractual fallbacks, as well as the levels of active transition, with a view to assessing again in 2023 the right time for publication of 3-month synthetic sterling LIBOR to cease.

37. Whenever 3-month synthetic sterling LIBOR ceases to be published, a sufficient notice period and an effective communication strategy will be needed. The notice period for 3-month synthetic sterling LIBOR may need to be longer than the notice period for the 1-month and 6-month settings (e.g. at least one year) in light of the larger number of legacy contracts that reference it.

Q5: a. Do you – or, if you are a trade body or professional services firm, your members or clients – have exposures linked to 3-month sterling LIBOR where you have encountered, or expect to encounter, obstacles that prevent you from completing transition by end-March 2023?

b. Where the answer is Yes, what asset class(es) and/or types of contract(s) do these obstacles relate to?

c. Please provide details of these obstacles, how you intend to overcome them and to what timescale?

38. For the reasons described above, it is not possible to guarantee that all legacy bonds (including securitisations) referencing 3-month sterling LIBOR could be transitioned by end-March 2023.

39. There have been examples of failed consent solicitations relating to legacy sterling LIBOR bonds where insufficient numbers of bondholders have engaged or consented to the transition away from LIBOR. For those bonds, launching a further consent solicitation exercise would be costly and time consuming, and there may be no reason to expect a different outcome. Call options may not be available and alternative liability management exercises such as buy-backs may not be straightforward or effective to transition the full outstanding amount. This means there may be some bonds that simply cannot transition prior to their maturity, regardless of the time provided.

Q6: a. Do you – or, if you are a trade body or professional services firm, your members or clients – have any specific contracts, or classes/types of contracts, linked to 1-, 3- or 6-month sterling LIBOR that you consider will be unable to cope with cessation regardless of the time available – because they do not have workable fallbacks, cannot be transitioned away, and cannot cease prior to maturity without causing disruption?

b. Where the answer is Yes:

i. What type of contract(s) are they?

ii. Which LIBOR setting do they reference?

iii. How many contracts are there?

iv. What is their approximate total value?

v. When are they due to mature?

c. For each type of contract, please explain the precise reasons why you consider they cannot transition, and what the impact on the contract would be if the relevant sterling LIBOR setting ceased?

40. Please see our responses above which describe why there are likely to be some legacy LIBOR bonds (including securitisations) referencing 1-, 3- and 6-month synthetic sterling LIBOR that cannot actively transition prior to their maturity, regardless of the time provided.

Questions related to US dollar LIBOR

Q7: Do you agree it will be possible to transition remaining exposures to US dollar LIBOR in line with our assumptions?

41. No. From the perspective of the bond market, we consider there to be insurmountable barriers to transitioning all remaining US dollar LIBOR exposures before the end of June 2023.

42. There are two main reasons for this:

- a. The number of legacy US dollar LIBOR bonds governed by a non-US law is very high.
 - b. US dollar LIBOR bonds governed by non-US laws are held by different types of investors, including retail investors, located around the world, some of whom may have limited (or even no) awareness of LIBOR transition.
43. There are significantly higher numbers of US dollar LIBOR bonds governed by non-US laws compared with the number of sterling LIBOR bonds, for which synthetic sterling LIBOR is available. In June 2021, the FCA anticipated that there would be difficulties in amending some of the estimated 480 bonds referencing 1-month, 3-month or 6-month sterling LIBOR before end-2021 in the context of its decision to compel IBA to publish synthetic sterling LIBOR⁸. ICMA's understanding is that there may be around *three times as many* US dollar LIBOR FRNs governed by English law outstanding at end-June 2023 compared with the FCA's estimate for sterling LIBOR at end-2021. This does *not* include securitisations or US dollar LIBOR bonds governed by another non-US law.
 44. US dollar LIBOR bonds governed by non-US laws are understood to be held by different types of investors (including retail investors) located around the world, including Asia Pacific, the Middle East and Africa. This will present significant challenges for issuers trying to contact and engage investors in a consent solicitation process. There are understood to be varying levels of awareness of the LIBOR transition effort in those other jurisdictions, in particular among retail investors.
 45. In addition to the high numbers and wide distribution of legacy US dollar LIBOR bonds governed by a non-US law, significant risks of disorderliness will arise if the outcome for legacy US dollar LIBOR bonds governed by a non-US law is different compared to legacy US dollar LIBOR bonds governed by a law of the US.
 46. The Adjustable Interest Rate (LIBOR) Act of 2021 is expected to result in most legacy US dollar LIBOR bonds governed by a law of the US transitioning to a SOFR-based rate at end-June 2023. Without a synthetic US dollar LIBOR rate, contractual fallbacks in legacy US dollar LIBOR bonds governed by English law or another non-US law will be triggered when panel-bank LIBOR ceases at end-June 2023⁹. As described above, in many cases this could give rise to significant practical challenges and an inappropriate outcome, which would carry risks of disorderliness and potentially litigation, even if claims are later held to be vexatious or unfounded. These risks are likely to be heightened where the outcome for those bonds is different to the outcome for legacy US dollar LIBOR bonds governed by a law of the US, which will have transitioned to a SOFR-based rate under the US federal legislation.
 47. The introduction of synthetic US dollar LIBOR at end-June 2023 (with permission to use it for all legacy LIBOR bonds¹⁰) could ensure international alignment between the UK market and the US market for as long as it is published and address the risks described above in the bond market. In particular, it would avoid US dollar LIBOR bonds governed by English law with traditional (Type 1) fallbacks falling back to a fixed rate after 30 June 2023 when most US dollar LIBOR bonds governed by a US law remain on a floating rate pursuant to US federal legislation. The synthetic US dollar LIBOR rate should be the same as, or as close as possible to, the rate expected under US federal legislation (ie term SOFR plus a spread). As with synthetic sterling LIBOR, synthetic US

⁸ See paragraph 3.7 of FCA [CP21/19: Proposed decision under Article 23D BMR for 6 sterling and yen LIBOR settings](#).

⁹ Subject to the European Commission exercising its powers under Chapter 4A of the EU Benchmarks Regulation and any legislation that would override contractual fallbacks that may be in place in other jurisdictions.

¹⁰ As has been granted for synthetic sterling LIBOR.

dollar LIBOR should help to minimise the risk of market disruption and litigation that could otherwise arise when panel-bank US dollar LIBOR ceases on 30 June 2023.

Q8: a. Do you – or, if you are a trade body or professional services firm, your members or clients – have exposures to US dollar LIBOR where you have encountered, or expect to encounter, obstacles that prevent you from completing transition by end-June 2023?

b. Where the answer is Yes, what asset class(es) and/or types of contract(s) do these obstacles relate to?

c. Please provide details of these obstacles, how you intend to overcome them and to what timescale?

d. Where these contracts are governed by laws other than US or UK law, please provide details of any contract language or provisions that mean our assumptions are not appropriate and require adjustment.

48. For the reasons described above, it will be challenging to transition the very high number of legacy bonds (including securitisations) governed by English law and referencing US dollar LIBOR by end-June 2023. The challenges are heightened by the broad investor base for such bonds, and there may be similar challenges for bonds governed by other non-US laws. The introduction of synthetic US dollar LIBOR at end-June 2023 (with permission to use it for all legacy LIBOR bonds¹¹) will be very important to address these risks.

Q9: a. Do you – or, if you are a trade body or professional services firm, your members or clients – have any specific contracts, or classes/types of contracts, linked to US dollar LIBOR that you consider will be unable to cope with cessation regardless of the time available – because they do not have workable fallbacks, cannot be transitioned away, and cannot cease before maturity without causing disruption?

b. Where the answer is Yes:

i. What type of contract(s) are they?

ii. Which LIBOR setting do they reference?

iii. How many contracts are there?

iv. What is their approximate total value?

v. When are they due to mature?

vi. What is the relevant governing law?

c. For each type of contract, please explain the precise reasons why you consider they cannot transition, and what the impact on the contract would be if the relevant US dollar LIBOR setting ceased?

49. Please see our responses above which describe why there are likely to be some bonds referencing US dollar LIBOR that cannot actively transition prior to their maturity, regardless of the time provided.

¹¹ As has been granted for synthetic sterling LIBOR.

Q10: What impact would publication of a synthetic US dollar LIBOR rate have? Would there be any unintended adverse consequences? Please provide details of why and whether this is relevant to specific contracts.

50. For the reasons described above, the introduction of synthetic US dollar LIBOR at end-June 2023 (with permission to use it for all legacy LIBOR bonds¹²) will be important in order to minimise the risk of a disorderly wind-down of LIBOR in the bond market.
51. This risk could also arise when any synthetic US dollar LIBOR is wound down. As we have suggested for 3-month synthetic sterling LIBOR, the FCA would need to keep under review the number and volume of legacy US dollar LIBOR contracts (including bonds) referencing synthetic US dollar LIBOR, their maturity profile and likely contractual fallbacks, as well as the levels of active transition, with a view to assessing each year the right time for cessation of publication of synthetic US dollar LIBOR. A sufficient notice period (of at least one year) and an effective communications strategy will also be needed before cessation. In addition, it would be important for the FCA to take account of the risk of bifurcation between legacy US dollar LIBOR bonds under English law and under US law, given that many legacy bonds under English law will fall back to a fixed rate at permanent cessation while many bonds under federal US legislation will continue to reference a SOFR-based floating rate until maturity.

¹² As has been granted for synthetic sterling LIBOR.