



ASIC
Australian Securities &
Investments Commission

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and Investments Commission**

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Dear Reader,

The Australian Securities and Investment Commission (ASIC) has written to the CEOs of major Australian financial institutions regarding their preparations for the transition from LIBOR (London Interbank Offered Rate) to alternative benchmark rates. This is strongly supported by the Australian Prudential Regulation Authority (APRA) and the Reserve Bank of Australia (RBA).

The purpose of this letter is to gain an understanding of financial institutions' preparedness for the LIBOR transition. ASIC is seeking assurance that the senior management of financial institutions understand the impact and risks of this transition and is taking appropriate action to manage these risks.

To date, ASIC and the RBA have highlighted publicly that Australian financial institutions need to prepare for the LIBOR transition. APRA has commenced engagement directly with some supervised entities, discussing and assessing this preparedness and transition plans away from LIBOR.

Australian entities have varying degrees of exposure to LIBOR through their derivatives, loans and investment holdings. Contracts referencing LIBOR will require reliable fall-back arrangements to ensure a smooth transition when LIBOR is expected to be discontinued after the end of 2021.

The extent to which LIBOR may be embedded in a financial institution's current business practices means the transition could be complex. The transition away from LIBOR may have significant implications on the entities' risk management, operational processes and IT infrastructure. Insufficient preparations for the transition could have a negative impact on the entities' business, clients and the markets in which they operate.

In addition to participating in market-led initiatives to facilitate the LIBOR transition, ASIC expects major Australian financial institutions to undertake a comprehensive risk assessment of the potential impacts associated with LIBOR transition. This assessment should be proportional to the entity's usage of LIBOR.

Yours sincerely

Cathie Armour
Commissioner ASIC

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