

The Investment Association
Camomile Court, 23 Camomile Street,
London, EC3A 7LL

+44 20 7831 0898

galina.dimitrova@theia.org

theia.org

 @InvAssoc  @The Investment Association

03 February 2021

RE: Active transition of GBP LIBOR referencing bonds

Dear CEO/CFO

I am writing to you on behalf of The Investment Association, which represents UK investment managers. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.5 trillion for savers and institutions in the UK and beyond. The UK asset management industry is the largest in Europe and the second largest globally.

As investors in LIBOR-linked securities, our members have a keen interest in encouraging active transition away from LIBOR by issuers of LIBOR-linked instruments. As you may be aware, from the end of 2021 LIBOR will be phased out by jurisdictions around the world - by that point there should be no further issuance of LIBOR-linked instruments and all outstanding LIBOR-linked securities should have been transitioned to a new rate.

As of early 2021 however there remains a large number of outstanding LIBOR-referencing bonds which have not yet transitioned to a new rate.

The potential impact of these bonds not being transitioned to the new rate ahead of the deadline is severe, with the risk of significant market disruption and harm to investors if bonds continue to reference a non-representative rate.

Therefore, the IA's members are reaching out to issuers to encourage them to put into effect plans to transition these instruments as quickly as possible. This is critical if a broad-based market transition is to be achieved by the deadline outlined by the authorities.

The IA is aware that some issuers may have found it difficult to identify bondholders to engage with them on the topic of LIBOR transition. As a result, they may have been reluctant to launch consent solicitation processes for fear that those processes may not receive bondholder approval.

The IA's members would therefore like to express to issuers their support for the transition process, and in particular, to highlight their support for past consent solicitations launched by issuers looking to transition their LIBOR bonds to a new rate. Alternatively, the IA's members would also be willing to consider alternative arrangements with issuers, such as buybacks.



The FCA has stated that it welcomes the IA initiative to help issuers of LIBOR securities reach out to IA members who hold their bonds to agree conversion through consent solicitation. Mutually agreed conversion from LIBOR to risk free rates plus spreads consistent with industry recommendations on fair transition arrangements can enable both the bond's issuer and holders to avoid the uncertainty they will face upon LIBOR's proposed cessation. It also allows conversion to the market standard of the RFR compounded in arrears that has now developed in bond markets – an advantage which synthetic LIBOR cannot provide.

The IA would be happy to speak directly with issuers further as to how to encourage transition and ensure a satisfactory conclusion for both issuers and investors.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Galina Dimitrova". The signature is fluid and cursive, with a horizontal line underneath the name.

Galina Dimitrova
Director – Investments & Capital Markets