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| Title | Transition from LIBOR |
| Date | June 22, 2021 |
| Sector | Banks Foreign Bank Branches Trust and Loan Companies Life Insurance and Fraternal Companies Property and Casualty Companies |

To: Federally Regulated Financial Institutions (FRFIs)

Consistent with international efforts [1](#), the following outlines OSFI's expectations of federally regulated financial institutions (FRFIs) as they transition away from LIBOR.

With confirmation of cessation dates for LIBOR settings, we are entering into a critical phase in the transition to risk-free rates globally. We expect that FRFIs with transactions linked to LIBOR will complete their efforts to ensure a seamless transition to new reference rates prior to the cessation dates.

For most LIBOR currencies, FRFIs should have already stopped entering into new transactions using LIBOR as a reference rate. For USD LIBOR settings, which will be published until June 30th, 2023, OSFI expects FRFIs to stop using LIBOR as a reference rate as soon as possible and that FRFIs will not enter into transactions using LIBOR as a reference rate after December 31st, 2021. Any transaction entered into before December 31st, 2021 using USD LIBOR as a reference rate should include robust fallback language that includes a clearly defined alternative reference rate after LIBOR's discontinuation.

OSFI expects that FRFIs prioritize system and model updates to accommodate risk-free rates by the end of 2021, and that FRFIs are fully prepared to transact in risk-free rates that are available in jurisdictions or markets in which the FRFI operates by the end of 2021. In addition, OSFI expects that FRFIs have an adequate contingency plan to respond to potential issues that may emerge at cessation.

For FRFIs with material exposure to LIBOR, OSFI will be considering LIBOR transition efforts and project delivery in supervisory risk assessments, and taking supervisory actions where needed if there are significant deficiencies in transition efforts or processes.

Sincerely,

Sanjiv Talwar

Assistant Superintendent, Risk Support Sector



Footnotes

- 1 Financial Stability Board June 2, FSB statement on smooth and timely transition away from LIBOR [FSB statement on smooth and timely transition away from LIBOR](#)