31st December 2021 marked a long-anticipated landmark in the global financial market; with a few exceptions, the publication of the London Interbank Offered Rate ("**LIBOR**") has ceased. Out of the 35 settings of LIBOR in CHF, EUR, GBP, USD and JPY, only 11 remain in place as of 1st January 2022.

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From the 11 LIBOR settings that remain after 31st December 2021, 1-, 3- and 6-month GBP and JPY LIBOR will continue with a change to their calculation methodology. The Financial Conduct Authority of the United Kingdom (the "**FCA**") published a notice on 1st January 2022 requiring that ICE Benchmark Administration, the LIBOR administrator, change the way these LIBOR settings are calculated. The settings are no longer prepared using submissions from panel banks, being instead based on the risk-free rates plus the applicable ISDA spread adjustment, and are referred to as *synthetic LIBOR*. The FCA has made clear that no new transactions should be entered into based on these settings, instead, the purpose behind synthetic GBP and JPY LIBOR is to mitigate the risk of widespread disruption to the legacy LIBOR contracts that have not yet transitioned to risk-free rates. Synthetic LIBOR is only temporary, and regulators have stressed that they should not be seen as replacements to alternative reference rates ("**ARR**"). In particular, Edwin Schooling Latter, Director of Markets and Wholesale Policy and Wholesale Supervision at the FCA said in a speech on 8th December 2021 that "all the synthetic rates will cease in due course, and none will be continued simply for the convenience of those who could take action to convert, but have not bothered to do so".

The remaining 5 LIBOR settings will remain in place under their current calculation methodology until 30th June 2023. These are the overnight, 1-, 3-, 6- and 12-months USD LIBOR and are the 5 most used USD LIBOR settings. ICE Benchmark Administration continues to calculate these rates using its panel bank waterfall methodology, where rates are determined through the use of a standardised, transaction data-driven waterfall submission methodology. The methodology, in place since March 2019, is designed to produce a rate that is anchored in the wholesale, unsecured funding transactions of panel banks to the greatest extent possible, with a waterfall to enable a rate to be published in all market circumstances. The FCA has restricted the use of the 5 USD LIBOR settings to mainly address the transition of legacy transactions though these should not be used in new transactions.

To assist with the transition from LIBOR, the Loan Market Association ("**LMA**") has published a series of recommended facility documentation based on ARR. In the United States of America, the Alternative Reference Rates Committee has followed a similar approach. These recommendations are constantly evolving, and lenders should ensure that the latest LMA transitioning guidelines and most appropriate ARR to their particular context is used.

The restriction on using the existing USD LIBOR settings for new transactions has been met by consensus across international authorities. There has been a concerted effort by regulators globally to stop the use of USD LIBOR for new transactions.

In Mauritius, the Bank of Mauritius published a first guidance in April 2021 to assist banks in the LIBOR transition process. The guidance was updated in September 2021 (the "**Guidance**"). In line with the various targets and deadlines set out in the Guidance, banks in Mauritius should have, as of 31st December 2021, incorporated all required fallback languages in legacy loan facilities following negotiations with clients. The Guidance also required that banks in Mauritius offer loan facilities referencing ARRs and that they have the necessary system and process in place to enable transition to ARRs.

In parallel, the Mauritius Bankers Association established a working group on LIBOR Transition to ensure the readiness of its members to phase out of LIBOR. The working group has been an important platform for its members to discuss key items such as credit adjustment spreads, fallback language for contracts, and communication with clients in line with international best practice.

For a while now, regulators, internationally and in Mauritius, have consistently stressed that lenders and borrowers transition away from LIBOR and progress has been made during 2021 to achieve this. With the end-2021 landmark having passed, market participants must accelerate the transition of their legacy LIBOR contracts. In relation to their USD exposure, several Mauritian financial institutions have moved towards term SOFR as an alternative to USD LIBOR. The recommendation of CME Group's term secured overnight financing rate by the Alternative Reference Rate Committee in July 2021 opened the doors to the use of that rate by Mauritian financial institutions.

LIBOR is the most widely used interbank offered rate and given its position as a bellwether of short-term borrowing costs, the transition away from LIBOR can serve as a roadmap for a potential transition of other interbank offered rates. The Euro Interbank Offered Rate (EURIBOR) is expected to remain following a change in its calculation methodology in 2019 but with interbank offered rates under scrutiny by regulators, in particular those which have low levels of underlying activity, market participants should start evaluating their readiness for a potential transition of other interbank offered rates. In May 2021, the Working Group on Euro Risk-Free Rates established by European regulatory authorities recommended EURIBOR fallback trigger and rates for a scenario in which EURIBOR may permanently cease to exist. While no concrete plan has been established for the transition away from EURIBOR, this is now something that Mauritian financial institutions should pay attention to as the next phase of transition of interbank offered rates given their exposure to euro and to EURIBOR in particular.