

# From LIBOR to SONIA and what you need to know:

## Recommended steps for transition

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## Impact of LIBOR transition

- The vast majority of businesses across the UK have some exposure to LIBOR
- Awareness among SME businesses is low
- LIBOR affects financial and non-financial contracts
- Firms will need to plan for transition ahead of the end of 2021 deadline, to mitigate frustrated contracts or economic loss
- Banks and lenders will increasingly offer products linked to SONIA

*Take action now: identify the products linked to LIBOR, and obtain information from relevant stakeholders*

## Recommended actions

- 1) Establish where your exposures are.** Mortgages, loans, derivatives may reference LIBOR. It can also be found in ancillary contract terms, company pension schemes and commercial contracts.
- 2) Check your contract terms.** Identify if your contracts include any ‘fallback’ terms setting out what happens when LIBOR is no longer available.
- 3) Familiarise yourself with SONIA.** Given the differences between the two rates, you/ your business may need to make changes to systems in order to use SONIA.
- 4) Speak to your bank/provider/advisor** as you consider how to prepare for the transition.

*See further:* ['Calling time on LIBOR Why you need to act now' Factsheet](#)

## Challenges ahead



- Don't let LIBOR transition fall off your radar as you are facing the challenges of coronavirus. The Bank of England and FCA have said it is essential to end reliance on LIBOR before end-2021.



- Make sure that your business has factored in capacity for LIBOR transition



- Be aware of the upcoming target deadlines
  - Q3 2020 target for lenders to offer non-LIBOR products and for LIBOR products to include agreements to convert before end-2021
  - Q1 2021 to cease LIBOR based products beyond 2021

*To find out more about how the transition will affect your lending agreements, please check UK Finance's video on: [From LIBOR to SONIA and what you need to know: What it means for your lending agreements](#)*

# Key resources on LIBOR Transition

['Calling time on LIBOR Why you need to act now' Factsheet](#)

[Educational videos - The Working Group on Sterling Risk-Free Reference Rates webpage](#)

[Priorities and 2020-21 Roadmap – The Working Group webpage](#)

[Transition from LIBOR – FCA webpage](#)

[Overnight Risk Free Rates: A User's Guide – Financial Stability Board](#)