



Circular Reference: ID 12/21

14 July 2021

To the Chief Executives  
All Licensed Insurers

Dear Sir/Madam

## **UPDATES AND FAQs ON SUPERVISORY EXPECTATIONS FOR BENCHMARKS TRANSITION**

MAS has extended the timeline for financial institutions (“FIs”) to cease new JPY LIBOR derivatives contracts that mature after end-December 2021, from end-June 2021 to end-September 2021. This is to align with the timelines announced by the Cross-Industry Committee on Japanese Yen Interest Rate Benchmarks, and seeks to facilitate more efficient group wide management of LIBOR transition by global financial institutions.

2 Other supervisory expectations set out in MAS’ circular issued on 23 April 2021 regarding “Supervisory Expectations for Benchmarks Transition” (“the Circular”) remain unchanged. Please refer to Annex A for the revised LIBOR transition timelines. A redlined version is included in Annex B for your convenience.

3 To help FIs better understand the expectations in Annex A and their application, we have also appended a set of Frequently Asked Questions (“FAQs”) in Annex C for reference. FIs that face difficulties in complying with the transition timelines (e.g. due to system upgrade scheduling, dependence on a wider group implementation) should contact their MAS Liason Officers to explain the challenges, along with their projected adherence dates.

4 With less than six months remaining to the cessation of non-USD LIBOR, FIs should urgently complete the tasks necessary to prepare for the benchmarks' discontinuation. MAS will step up the frequency of monitoring to track the progress of individual FIs as we approach the end-December 2021 milestone.

Yours faithfully

(Sent via MASNET)

MS HO HERN SHIN  
DEPUTY MANAGING DIRECTOR  
FINANCIAL SUPERVISION

**Annex A**

Revised LIBOR transition timelines

<b>Target timeline</b>	<b>LIBOR Currency/Tenor</b>	<b>Milestone</b>
By end-June 2021	Non-USD LIBOR contracts that mature after end-December 2021, excluding JPY LIBOR derivatives contracts	<p><u>Cease issuance of new contracts on non-USD LIBOR (excluding JPY LIBOR derivatives contracts)</u></p> <ul style="list-style-type: none"> <li>• Applies to all new contracts maturing <u>after</u> end-December 2021. Exceptions allowed for risk management of <u>existing</u> positions<sup>1</sup>.</li> </ul> <p><u>Fallback implementation for new contracts</u></p> <ul style="list-style-type: none"> <li>• All new contracts issued <u>before</u> end-June 2021 should have adequate contractual fallback provisions if contracts are maturing <u>after</u> end-December 2021.</li> </ul>
	All LIBOR currencies and tenors	<p><u>System readiness</u></p> <ul style="list-style-type: none"> <li>• System readiness to support fallback rates based on alternative reference rates (“ARRs”) as well as offer products referencing ARR.</li> </ul>

<sup>1</sup> There may be limited circumstances where FIs need to enter into new contracts to risk manage and unwind existing positions. These circumstances could include:

- (i) transactions for risk management and reduction/transition of LIBOR transactions executed before end-June 2021 for non-USD LIBOR currencies (excluding JPY LIBOR derivatives contracts), before end-September 2021 for JPY LIBOR derivatives contracts, and before end-December 2021 for USD LIBOR;
- (ii) market-making in support of client activity related to LIBOR transactions executed before end-June 2021 for non-USD LIBOR currencies (excluding JPY LIBOR derivatives contracts), before end-September 2021 for JPY LIBOR derivatives contracts, and before end-December 2021 for USD LIBOR;
- (iii) novation of LIBOR derivatives transactions executed before end-June 2021 for non-USD LIBOR currencies (excluding JPY LIBOR derivatives contracts), before end-September 2021 for JPY LIBOR derivatives contracts, and before end-December 2021 for USD LIBOR;
- (iv) transactions executed for required participation in central counterparty (CCP) procedures.

Target timeline	LIBOR Currency/Tenor	Milestone
By end-September 2021	JPY LIBOR derivatives contracts that mature after end-December 2021	<p><u>Cease issuance of new derivatives contracts on JPY LIBOR</u></p> <ul style="list-style-type: none"> <li>Applies to all new contracts maturing <u>after</u> end-December 2021. Exceptions allowed for risk management of existing positions<sup>1</sup>.</li> </ul> <p><u>Fallback implementation for new contracts</u></p> <ul style="list-style-type: none"> <li>All new contracts issued before end-September 2021 should have adequate contractual fallback provisions if contracts are maturing after end-December 2021.</li> </ul>
	Non-USD LIBOR contracts that mature after end-December 2021	<p><u>Fallback implementation and legacy transition</u></p> <ul style="list-style-type: none"> <li>All outstanding contracts to incorporate adequate contractual fallback provisions or be transitioned to ARR.</li> </ul> <p>Additionally, FIs should identify contracts that will not be successfully remediated by end-December 2021 as soon as possible. Actions should be taken before end-December 2021 to mitigate the risks and impact from these contracts not transiting in time. Such actions should include appropriate client engagements and agreement to address and mitigate these risks.</p>
By end-December 2021	USD LIBOR	<p><u>Cease issuance of new contracts on USD LIBOR</u></p> <ul style="list-style-type: none"> <li>Applies to all new contracts. Exceptions allowed for risk management of existing positions<sup>1</sup>.</li> </ul> <p><u>Fallback implementation for new contracts</u></p> <ul style="list-style-type: none"> <li>All new contracts issued <u>before</u> end-December 2021 should have adequate contractual fallback provisions.</li> </ul>

**Annex B**

Revised LIBOR transition timelines

Target timeline	LIBOR Currency/Tenor	Milestone
By end-June 2021	Non-USD LIBOR contracts that mature after end-December 2021, <b>excluding JPY LIBOR derivatives contracts</b>	<p><u>Cease issuance of new contracts on non-USD LIBOR (excluding JPY LIBOR derivatives contracts)</u></p> <ul style="list-style-type: none"> <li>Applies to all new contracts maturing <u>after</u> end-December 2021. Exceptions allowed for risk management of existing positions<sup>1</sup>.</li> </ul> <p><u>Fallback implementation for new contracts</u></p> <ul style="list-style-type: none"> <li>All new contracts issued <u>before</u> end-June 2021 should have adequate contractual fallback provisions if contracts are maturing <u>after</u> end-December 2021.</li> </ul>
	All LIBOR currencies and tenors	<p><u>System readiness</u></p> <ul style="list-style-type: none"> <li>System readiness to support fallback rates based on alternative reference rates (“ARRs”) as well as offer products referencing ARR.</li> </ul>

<sup>1</sup> There may be limited circumstances where FIs need to enter into new contracts to risk manage and unwind existing positions. These circumstances could include:

- (v) transactions for risk management and reduction/transition of LIBOR transactions executed before end-June 2021 for non-USD LIBOR currencies (**excluding JPY LIBOR derivatives contracts**), **before end-September 2021 for JPY LIBOR derivatives contracts**, and before end-December 2021 for USD LIBOR;
- (vi) market-making in support of client activity related to LIBOR transactions executed before end-June 2021 for non-USD LIBOR currencies (**excluding JPY LIBOR derivatives contracts**), **before end-September 2021 for JPY LIBOR derivatives contracts**, and before end-December 2021 for USD LIBOR;
- (vii) novation of LIBOR derivatives transactions executed before end-June 2021 for non-USD LIBOR currencies (**excluding JPY LIBOR derivatives contracts**), **before end-September 2021 for JPY LIBOR derivatives contracts**, and before end-December 2021 for USD LIBOR;
- (viii) transactions executed for required participation in central counterparty (CCP) procedures.

Target timeline	LIBOR Currency/Tenor	Milestone
By end-September 2021	JPY LIBOR derivatives contracts that mature after end-December 2021	<p><u>Cease issuance of new derivatives contracts on JPY LIBOR</u></p> <ul style="list-style-type: none"> <li>Applies to all new contracts maturing <u>after</u> end-December 2021. Exceptions allowed for risk management of existing positions<sup>1</sup>.</li> </ul> <p><u>Fallback implementation for new contracts</u></p> <ul style="list-style-type: none"> <li>All new contracts issued before end-September 2021 should have adequate contractual fallback provisions if contracts are maturing after end-December 2021.</li> </ul>
	Non-USD LIBOR contracts that mature after end-December 2021	<p><u>Fallback implementation and legacy transition</u></p> <ul style="list-style-type: none"> <li>All outstanding contracts to incorporate adequate contractual fallback provisions or be transitioned to ARR.</li> </ul> <p>Additionally, FIs should identify contracts that will not be successfully remediated by end-December 2021 as soon as possible. Actions should be taken before end-December 2021 to mitigate the risks and impact from these contracts not transiting in time. Such actions should include appropriate client engagements and agreement to address and mitigate these risks.</p>
By end-December 2021	USD LIBOR	<p><u>Cease issuance of new contracts on USD LIBOR</u></p> <ul style="list-style-type: none"> <li>Applies to all new contracts. Exceptions allowed for risk management of existing positions<sup>1</sup>.</li> </ul> <p><u>Fallback implementation for new contracts</u></p> <ul style="list-style-type: none"> <li>All new contracts issued <u>before</u> end-December 2021 should have adequate contractual fallback provisions.</li> </ul>

**Annex C**

FAQs

S/N	Questions	Responses
1	Does the Circular apply to the overseas branches/subsidiaries of Singapore-incorporated entities?	<ul style="list-style-type: none"> <li>• Overseas entities may align to the timelines articulated by the respective host regulators should there be practical challenges adhering to MAS’ timelines.</li> <li>• Where no timeline has been articulated by the host regulator, MAS’ timelines should be adhered to.</li> <li>• FIs should not transfer LIBOR contract bookings across locations to take advantage of the later cessation timelines overseas.</li> </ul>
2	Does the Circular apply to contracts which are booked in the Singapore entity only?	<ul style="list-style-type: none"> <li>• The expectations of the Circular (i) to cease issuance of new LIBOR contracts; (ii) to implement adequate contractual fallback provisions for new LIBOR contracts; (iii) on system readiness; and (iv) on principles of customer engagement, apply to business activities conducted out of the Singapore entity, regardless of where the contracts are booked.</li> <li>• The end-September 2021 timeline for all outstanding non-USD LIBOR contracts that mature after end-December 2021 to incorporate adequate contractual fallback provisions or be transitioned to ARRs would apply to all contracts booked in the Singapore entity.</li> </ul>

S/N	Questions	Responses
3	What is the definition of “new contracts”?	<ul style="list-style-type: none"> <li>• For non-USD LIBOR contracts (excluding JPY LIBOR derivatives contracts), “new contracts” refers to contracts issued after 23 April 2021 (date of issuance of the Circular) and before end-June 2021. The expectation is that such contracts should already contain adequate contractual fallback provisions if they mature after end-December 2021, otherwise remediation should be done by end-September 2021.</li> <li>• For JPY LIBOR derivatives contracts, “new contracts” refer to contracts issued after 23 April 2021 and before end-September 2021. The expectation is that such contracts should already contain adequate contractual fallback provisions if they mature after end-December 2021.</li> <li>• For USD LIBOR contracts, “new contracts” refer to contracts issued after 23 April 2021 and before end-December 2021.</li> </ul>
4	Are customers able to drawdown on loans after the timelines to cease new issuance?	<ul style="list-style-type: none"> <li>• For non-USD LIBOR and USD LIBOR loan contract agreements that are signed on or before end-June 2021 and end-December 2021 respectively, the customers of the FIs can continue to draw down from these contract agreements on or after 1 July 2021 and 1 January 2022 for non-USD LIBOR and USD LIBOR respectively.</li> <li>• Nonetheless, the FI should actively transition these facilities or include adequate contractual fallback language as soon as possible, or, in any case by end-September 2021 for non-USD LIBOR contracts.</li> </ul>



S/N	Questions	Responses
5	What is considered adequate contractual fallback provisions?	<ul style="list-style-type: none"> <li>• Adequate contractual fallback provisions refer to fallback arrangements that cater for a permanent discontinuation of the relevant LIBOR benchmarks, and facilitate an orderly transition to the adjusted versions of the respective ARR as replacement rates.</li> </ul>
6	Can new non-USD LIBOR trade finance products still be issued after end-June 2021?	<ul style="list-style-type: none"> <li>• Generally, the timelines to cease new non-USD LIBOR contracts would apply to trade finance instruments as well.</li> <li>• Nevertheless, FIs may continue to issue non-USD LIBOR trade finance products that mature beyond end-December 2021, provided that the last reference rate fixing that is used for the discount rate occurs before end-December 2021.</li> </ul>