
PRESS RELEASE

May 15, 2020

BOK Sends the Letter to Private Financial Institutions Encouraging Action Ahead of Discontinuation of LIBOR in 2022

Senior Deputy Governor Myunshik Yoon, who also serves as the co-chair of the Benchmark Rate Reform Task Force in Korea, issued an official letter addressed to CEOs of financial institutions* which are parties to financial contracts referencing LIBOR to encourage them to take proactive measures ahead of the possible discontinuation of LIBOR in 2022.

* CEOs of domestic financial holding companies, banks, financial investment companies, insurance companies and credit specialized financial companies, and chairs of their associations.

Attachment: Senior Deputy Governor's letter

May 12, 2020

Dear CEO,

I wish you and your institution every success,

I am writing to request that CEOs of financial institutions in Korea take actions to prepare for the discontinuation of the London Interbank Offered Rate (LIBOR) which will enter into effect in 2022, after having served as one of the most widely used benchmark rates for international financial transactions.

The authorities of the United Kingdom and the United States have expressed on several occasions including recently their determination to end the use of LIBOR for international financial transactions. Once LIBOR becomes unavailable, we will need to use alternative rates (Risk-Free Reference Rates(RFR) or reformed Inter-Bank Offered Rates(IBOR)) for the cash products (e.g. loans and bonds) or derivatives in the international financial markets. Accordingly, private financial institutions in major countries have developed transition plans and have been implementing measures such as establishing governance framework, assessing impact on each product, revising legacy and new contracts, and preparing internal systems.

Financial institutions in Korea will also have no option but to use the alternative rates adopted in various countries starting from 2022. The Benchmark Rate Reform Task Force* in Korea, a joint task force launched in June last year comprising the Bank of Korea and the government (Financial Services Commission), set up a subgroup on LIBOR transition in January with private financial institutions playing a central role. The subgroup is in the process of drafting a transition roadmap and which will be announced. I request that the CEO of each financial institution pay close attention to this issue so that appropriate action is taken in line with the roadmap to facilitate transition from LIBOR to alternative reference rates.

The Bank of Korea will continue to actively support the transition efforts of domestic financial institutions by providing them with updated information on the progress of transition in major jurisdictions and guidance on LIBOR transition issued by international financial organizations.

I wish you and your staff health and happiness.

Sincerely,

Myunshik Yoon

Senior Deputy Governor
Co-Chair of Benchmark Rate Reform Task Force

* As the credibility of IBORs was undermined due to the manipulation of LIBOR in 2012, major countries have been working for the past few years on reforms aimed at improving existing benchmark rates and developing risk-free reference rates. The Benchmark Rate Reform Task Force was established to develop a new alternative reference rates and reform existing benchmark rates in Korea, in line with the global move.