



BANCO CRÈDIT ANDORRÀ (PANAMÁ)

Wealth Management

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# LIBOR TRANSITION

Panama, March 23, 2021

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**Crèdit Andorrà Financial Group**

Andorra | España | Luxemburgo | México | Panamá | USA



## LIBOR TRANSITION

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Dear Clients:

In its efforts to disseminate accurate information and communicate with our respectable clients, Banco Crédito Andorrà (Panamá), SA would like to inform that as of December 31, 2021, the London Interbank Offered Rate (LIBOR), the most important indicator in financial markets, that is to say, the Interbank reference rate to which many of the obligations in dollars are usually indexed, will no longer be used.

### **Benchmark Rate Reform**

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Since the 2007/2008 financial crisis, the Bank of England and the Financial Conduct Authority (FCA), the UK regulator, have made it clear that the lack of an active underlying market makes LIBOR unsustainable and inaccurate for the level of confidence that this benchmark rate has enjoyed globally. This is why both institutions have worked closely with market stakeholders and regulatory authorities around the world to ensure that robust alternatives to LIBOR are made available, and that existing contracts can migrate to these alternatives in order to protect financial stability and the integrity of the market.



## LIBOR TRANSITION

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### **Libor, the most important financial rate in the market, will stop being used in December 2021**

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Both LIBOR and other interbank offered rates (IBORs), a series of benchmark interest rates, are undergoing a period of change as regulators and industry groups have recommended that companies move away from the London Interbank Offered Rate (LIBOR) and other IBORs, and prepare to replace them with overnight risk-free rates (RFRs). As RFRs are structurally different from IBORs, the transition to the new rates represents a global challenge.

### **Why are we moving away from LIBOR?**

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In response to the situation and in search of the reliable dollar version of **LIBOR**, the Federal Reserve of the United States of America established, in 2014, the Alternative Reference Rates Committee (ARRC). In 2016, this committee identified SOFR as the best option.



### What is the SOFR?

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The **SOFR** (Secured Overnight Financing Rate) is a rate based on repurchase agreements, which are transactions for overnight loans, guaranteed by US Treasury securities. The criteria for choosing SOFR included factors such as the liquidity of the underlying asset (in this case American treasury titles), transparency for all market players, feasibility of calculating the rate and consistency with IOSCO principles, among others.

Banco Crédito Andorrà (Panamá), S.A., actively participates with its headquarters, the regulatory body and banking sector organizations, with the common purpose of ensuring a smooth and timely transition to the SOFR, for the benefit of our clients and to preserve sound and robust financial markets.

Should you have any questions, please do not hesitate to contact your Wealth Manager.

Sources:

<https://www.fca.org.uk/news/press-releases/announcements-end-libor>

<https://www.bloomberg.com/latam/solucion/transicion-de-libor>