

LIBOR

Transition



**Swift
Agile
Transition**
to new interest rate
benchmarks

Global Research
& Risk Solutions

CRISIL
An S&P Global Company

CRISIL can help you navigate through **LIBOR** transition smoothly.

The global financial industry is undergoing a tremendous change because of the planned transition from the London Interbank Offered Rate (LIBOR) to alternative reference rates (ARRs) by the end of 2021.

Regulators now expect banks to accelerate the LIBOR transition. On 16 October 2020, the Financial Stability Board (FSB) launched a global transition roadmap for LIBOR for global markets, with the following key milestone:

“ Firms should have already identified and assessed all existing LIBOR exposures and agreed on a project plan to transition in advance of end-2021. ”

The LIBOR transition will affect all stages of product life cycle, for both new and existing trades. Firms need to have large change programmes across the front-to-back infrastructure to execute the transition, including trades, processes, contracts, models and systems.

CRISIL has been supporting global financial institutions (FIs) in their smooth transition to new industry benchmarks. We have dedicated IBOR change SMEs present globally to help firms prepare for and execute the transition. These SMEs help FIs not only plan strategically but also make changes across their business lines and horizontal functions.

CRISIL believes the key to a successful transition is efficient planning across functions and ensuring clear communication to all internal and external stakeholders.

Below is a snippet of the current challenges facing the financial industry and CRISIL's support to banks and FIs in their quest for a successful transition:

Key areas and industry challenges for LIBOR transition



Analytics

Analytics augmentation to accommodate multiple risk-free rates (RFRs) across regions

Hybrid curve management with fallback spread expectations

RFR time series modelling, volatility surface approaches and calibration with inadequate liquidity

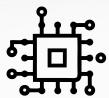


Quantitative

Enhancement, validation and documentation of existing pricing and risk models to support new ARR

Value comparison of cash flows for in-scope contracts under current market scenarios and evaluation of value transfer

New product development and backtesting



Technology

Front-to-back infrastructure changes and related costs

Alignment of systems to support cash and derivative products linked to new reference rates

Handling of decentralised storage, databases and inability to fully access contracts digitally

Our solutions



Analytical services

- » Tool integration to identify and track RFR exposure across the institution
- » Solutions for flexible curve solver to accommodate various RFR products and changing conventions to price products linked to new reference rates
- » RFR time series analytics for appropriate proxy and backfilling for stress scenarios
- » Risk sensitivity analysis tools across regulatory requirements – e.g. SIMM, and FRTB SA and CVA
- » Fund transfer pricing and hedge accounting impact analysis and solution



Technological services

- » End-to-end gap analysis of the existing infrastructure; modification and development of systems to accommodate ARRs; identification and development of synergies with other large change programmes
- » Data transformation across pricing, risk and collateral systems
- » Automated and manual analysis of contract languages, including fallback language for LIBOR contracts
- » CRISIL's proprietary analytics platform infused with AI/ML and NLP enables data digitisation and re-papering



Quantitative services

- » Model validation frameworks, approaches, procedures and templates based on new ARRs
- » Design and generation of shock scenarios for regulatory and internal stress testing
- » New product development and valuation impact assessment
- » XVA model and engine review
- » Migration testing of fallbacks, and evaluation of impact on valuation and risk



Risk and regulatory services

CRISIL – supporting 17 of the top 20 global investment banks – helps its clients implement global regulations and related International Swaps and Derivatives Association (ISDA) guidelines for seamless transition to new reference rates. It also helps FIs design an optimal framework and architecture for developing synergies across regulations.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Global Research & Risk Solutions (GR&RS)

CRISIL GR&RS is a leading provider of high-end research, risk and analytics services. We are the world's largest provider of equity and fixed-income research support to banks and buy-side firms. We are also the foremost provider of end-to-end risk and analytics services that include quantitative support, front and middle office support, and regulatory and business process change management support to trading, risk management, regulatory and CFO functions at world's leading financial institutions. We also provide extensive support to banks in financial crime and compliance analytics. We are leaders in research support, and risk and analytics support, providing it to more than 75 global banks, 50 buy-side firms covering hedge funds, private equity, and asset management firms. Our research support enables coverage of over 3,300 stocks and 3,400 corporates and financial institutions globally. We support more than 15 bank holding companies in their regulatory requirements and submissions. We operate from 7 research centers in Argentina, China, India, and Poland, and across several time zones and languages.

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