

# Operationalising your IBOR Transition

The time to transition away from interbank offered rates (IBORs) is fast approaching with GBP, EUR, CHF and YEN LIBOR ceasing to operate from 31 December 2021.

Your planning for the new benchmark rates across banking arrangements, intercompany contracts and commercial agreements will be well underway by now, but are you prepared for the business disruption a delay with operationalising these changes will have on your interrelated accounting, system, valuation and tax processes?

## Systems and Controls

- Have you considered the nature of interaction between Back Office and other business functions?
- Have you made adjustments for new pricing methodologies?
- What is the impact of changes to accrued interest calculations?
- What changes will you need to make to existing market data feeds?
- What impact will the changes have on your controls?

## Hedge accounting

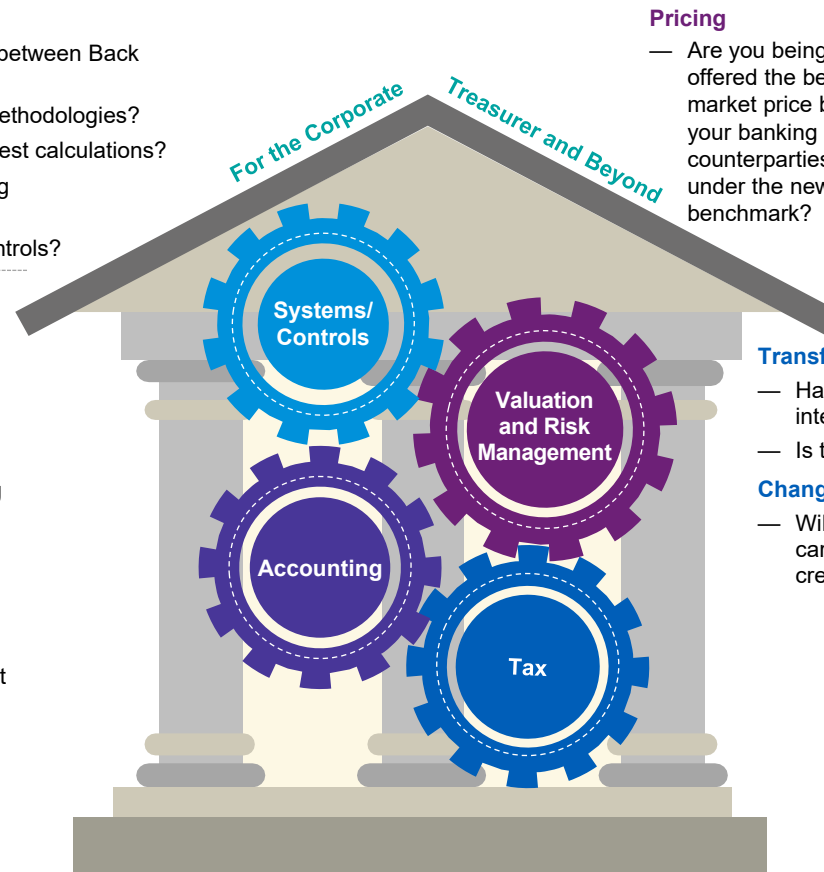
- Careful structuring and documentation of your hedges will be key to limit potential P&L volatility during the transition.
- Will changes to the contracts result in a discontinuation of the hedge relationship?
- How do you account for the mismatch in timing of the amendment of the hedged item and hedge instrument?

## Debt derecognition

- Are you appropriately considering all contract amendments when assessing whether the debt should be derecognised?

## Financial statement disclosure required

- Are you including all necessary disclosures to explain the approach and impact of the transition?



## Pricing

- Are you being offered the best market price by your banking counterparties under the new benchmark?

## Compounding conventions

- Have you considered the complexities around different compounding, term and lag conventions that exist with the new benchmarks?

## Valuation

- Current discount rates will be invalid. Have these been appropriately updated?
- How have you incorporated fair value adjustments, such as credit risk and FVA?

## Transfer pricing

- Have you updated your transfer pricing policies and intercompany agreements?
- Is the pricing used still at arm's length?

## Change to accounting/tax carrying value

- Will amendments trigger a change to the accounting/tax carrying value of a loan/derivative and give rise to taxable credits/debits?

### Contact us



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