The following information provides an update on the changes to LIBOR and what it means for members of AustralianSuper.

What is LIBOR?
LIBOR stands for London Interbank Offered Rate. This is the interest rate that major global banks use to lend to one another for short-term loans. LIBOR has been the globally accepted reference rate used by banks and other financial institutions. The pricing of many financial products around the world has depended on LIBOR including credit cards, car loans and mortgages.

LIBOR is not just one rate, it’s based on five currencies and seven maturities leading to a total of 35 LIBOR rates being calculated every business day. The currencies include sterling (GBP), euro (EUR), Swiss franc (CHF), Japanese yen (JPY) and US dollar (USD).

What is changing?
The Bank of England and the Financial Conduct Authority (FCA) in the United Kingdom have concluded that the lack of an active market has made LIBOR unsustainable and unsuitable for widespread use.

In March 2021, the FCA confirmed that LIBOR settings will end immediately after 31 December 2021 for sterling, euro, Swiss franc, Japanese yen and the 1-week and 2-month US dollar settings. The remaining US dollar settings will end immediately after 30 June 2023.

LIBOR will be replaced by alternative reference rates before it is phased out. Replacement reference rates can be viewed on the Reserve Bank website.

What actions has AustralianSuper taken?
AustralianSuper has been proactive in planning for the transition from LIBOR to alternative reference rates since 2019. We have set up a working group which has engaged with the regulators and banks on this issue. Where we have investments that involve LIBOR, we are taking the necessary steps to ensure a smooth transition to alternative rates. AustralianSuper has also confirmed adherence to the International Swaps and Derivatives Association (ISDA) 2020 IBOR Fallbacks Protocol, that enables us to amend the interbank rate in covered documents to reference a relevant replacement rate.

What does it mean for me?
As a member of AustralianSuper you don’t need to do anything. By investing in the PreMixed and DIY Mix investment options, your money is managed by a team of over 190 investment specialists. The investment team will continue to make the necessary changes to the portfolio to transition from LIBOR to the alternative reference rates.

Where to go to learn more about the transition from LIBOR
- ISDA: isda.org/tag/libor
- NY Fed: newyorkfed.org/arrc

What to do if you require more information
If you have any questions or would like more information, please contact us on 1300 300 273 8am–8pm AEST/AEDT weekdays.