# Securities Analysts Journal®

December 2020. Vol.58 No.12

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### Feature Articles

This month's focus: **The End of LIBOR and Related Issues**



In this paper, we briefly explore several factors lying behind the LIBOR scandal in order to propose desirable interest rate indexes. Given some lessons from the scandal, not only institutional and technical aspects, but also strict behavioral codes imposed on market participants (including traders, officers, and brokers) play an essential role in constructing desirable indexes.



We briefly summarize the multiple interest-rate curve theory which can consistently explain the present multi-curve environment after the worldwide financial crisis from the standpoint of the no-arbitrage theory, and discuss the pricing of interest-rate derivatives and the interest-rate environments after the LIBOR fallback. Some theoretically desirable correspondences are also proposed.



The transition from LIBOR to alternative reference rates (risk-free rate: RFR) will affect a wide range of corporate business activities. For a smooth transition, risk factors for the transition must be identified and each risk controlled and reduced systematically. This paper provides an overview of several challenges in the management of transition risk including those in valuation/risk calculation/validations, hedging relationships, and the pricing of loan rates stemming from differences in characteristics between RFR and LIBOR.



Given the possibility that the London Interbank Offered Rate (LIBOR) will be discontinued after the end of 2021 is increasing, this paper focuses mainly on US dollar LIBOR, which is the most widely used LIBOR currency rate, and reviews progress of the transition from LIBOR and remaining issues in the US and other countries. Market conditions for individual currencies differ, and there seem to be differences in the