BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF SUPERVISION
AND REGULATION

On June 23, 2025, the Board announced that reputational risk will no longer be a component of examination programs in its supervision of banks.

SR 20-17

CA 20-12

July 24, 2020

TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE BANK AND INSTITUTIONS SUPERVISED BY THE FEDERAL RESERVE

SUBJECT: Federal Financial Institutions Examination Council Issues Joint Statement on Managing the LIBOR Transition

Applicability: This letter applies to all institutions supervised by the Federal Reserve, including those with $10 billion or less in consolidated assets.

On July 1, 2020, the Federal Financial Institutions Examination Council (FFIEC) issued a statement (statement) that (i) highlights the risks that will result from the expected discontinuation of LIBOR and (ii) encourages supervised institutions to continue their efforts to transition to alternative reference rates to mitigate associated risks. While the LIBOR transition is expected to be particularly significant for larger and more complex institutions that hold a significant amount of LIBOR-denominated assets and liabilities, the transition will affect almost every institution.

The statement discusses the importance of assessing LIBOR transition risks, noting that institutions should quantify their LIBOR exposure, address contracts with inadequate fallback language, evaluate third-party service providers that use LIBOR, and address or mitigate risks to consumers. Institutions should have risk management processes in place to identify and mitigate their LIBOR transition risks that are commensurate with the size and complexity of their exposure.

The statement also notes that the supervisory focus on institutions' preparedness for LIBOR's discontinuation will increase during 2020 and 2021, particularly for institutions with significant LIBOR exposure or less-developed transition processes.

Reserve Banks are asked to distribute this letter to the supervised organizations in their districts and to appropriate supervisory staff. Questions may be sent via the Board's public website.[1]

[1] See http://www.federalreserve.gov/apps/contactus/feedback.aspx

Michael S. Gibson
Director
Division of
Supervision and Regulation

Eric Belsky
Director
Division of Consumer
and Community Affairs

Attachments:

- *FFIEC Joint Statement on Managing the LIBOR Transition:* FFIEC Joint Statement on Managing the LIBOR Transition.pdf