



**TREASURY  
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## **LIBOR transition quiz July 2021**

### **Question 1**

According to James Winterton during the webinar 'LIBOR Transition for Corporate Treasurers in 7 Practical Steps' which four activities should a Treasurer consider when transitioning away from LIBOR?

- a) Legal, Accounting, Tax and IT Systems
- b) Accounting, Operations, Legal and Tax
- c) IT systems, Sales, Legal and Finance
- d) Finance, Legal, IT Systems and Operations

### **Answer**

*The correct answer is a. Legal, Accounting, Tax and IT systems*

<https://www.youtube.com/watch?v=lpzB9-OqTE>

*Timestamp: 10:14*

### **Question 2**

When will EURIBOR be discontinued?

- a) Immediately after December 31, 2021 (in the case of all sterling, euro, Swiss franc and Japanese yen, and 1-week and 2-month US dollar settings)
- b) There is no end date at this point
- c) January 3, 2022 (on the same date as EONIA)
- d) The date is not confirmed but it is set to cease within 3 years from the end date of EONIA

### **Answer**

*The correct answer is b. There is no end data at this point*

<https://www.youtube.com/watch?v=dSEW1O8HEtA>

*Timestamp: 11:04*

<https://www.fca.org.uk/news/press-releases/announcements-end-libor>

### **Question 3**

Which method is used to 'Compound the rate' when calculating a SONIA compounded in arrears calculation:

- a) The rate itself is multiplied by the outstanding principal and unpaid accrued interest
- b) The rate itself is compounded and multiplied by the outstanding principal
- c) The daily Risk Free Rate is multiplied by the outstanding principal

**Answer**

The correct answer is b) The rate itself is compounded and multiplied by the outstanding principal  
[https://www.treasurers.org/system/files/117906%20ACT%20Practical%20Guide%20to%20LIBOR%20SEPT%202020\\_v08.pdf](https://www.treasurers.org/system/files/117906%20ACT%20Practical%20Guide%20to%20LIBOR%20SEPT%202020_v08.pdf)

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**Question 4**

At the end of Q1 2021, the approximate value of transactions from financial contracts that used LIBOR as its reference rate worldwide was?

- a) Approximately \$500 trillion
- b) Approximately \$425 trillion
- c) Unknown - The LIBOR market is too vast to track successfully
- d) Approximately \$450 trillion

**Answer**

The correct answer is d. Approximately \$450 trillion <https://www.treasurers.org/hub/treasurer-magazine/libor-transition-james-leather>

**Question 5**

Which formula do industry working groups recommend when calculating a fair credit adjustment spread?

- a) It is based on the historical mean difference (spread) between LIBOR and SONIA calculated over the previous 5-year period
- b) The formula is simply the probability of default times 1 minus possibility of recovery on the respective transaction
- c) No formula, as there are no set recommendations at present
- d) It is based on the historical median difference (spread) between LIBOR and SONIA calculated over the previous 5-year period

**Answer**

The correct answer is d. It is based on the historical median difference (spread) between LIBOR and SONIA calculated over the previous 5-year period

<https://www.treasurers.org/hub/technical/libor/act>

Timestamp: 25:03

<https://www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr/what-is-credit-adjustment-spread-supporting-slides.pdf>

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**Question 6**

Are the following statements about the Risk Free Rates (RFRs) true or false?

1. The Swiss Average Overnight Rate (SARON) is secured?
2. The Euro Short Term Rate (€STR) is unsecured?
3. The Tokyo Overnight Average Rate (TONA) is secured?
4. The Sterling Overnight Index Average (SONIA) is unsecured?
5. The Secured Overnight Financing Rate (SOFR) is secured?

**Answers**

The correct answers are as follows:

1. Secured - True

<https://www.treasurers.org/hub/treasurer-magazine/libor-benchmark-no-longer-sustainable>

2. Unsecured - True

[https://www.bis.org/publ/qtrpdf/r\\_qt1903e.pdf](https://www.bis.org/publ/qtrpdf/r_qt1903e.pdf)

3. Unsecured - False

[https://www.bis.org/publ/qtrpdf/r\\_qt1903e.pdf](https://www.bis.org/publ/qtrpdf/r_qt1903e.pdf)

4. Unsecured - True

<https://www.treasurers.org/hub/treasurer-magazine/why-its-no-time-be-ostrich-over-libor-shift>

5. Secured - True

<https://www.treasurers.org/hub/treasurer-magazine/us-treasurers-must-prepare-transition-libor-sofr>