

# Facts about a future without Libor

## What will happen to your UBS Libor mortgage and UBS Libor Loan if Libor no longer exists as a reference interest rate?

**On July 27, 2017, the Financial Conduct Authority (FCA) announced that it would only support the determination of Libor by selected banks up to the end of the year 2021. The Swiss mortgage market is facing an important change following this announcement.**

### **What does Libor mean?**

Libor is the abbreviation for London Interbank Offered Rate. It indicates at what interest rate banks will lend each other money on the market without the obligation to deposit collateral. Rates are determined daily by the Libor Administrator (ICE Benchmark Administrator) for various currencies and periods. They are based on submissions by selected banks, so-called 'panel banks'.

Among other things, Libor serves business banks as a basis for determining interest rates for money-market-based lending such as loans for companies and Libor mortgages.

### **What are the reasons for the replacement of Libor?**

Banks have been lending each other money to an increased extent only against the deposit of collateral since the financial crisis of 2008/09. As a result, for many maturities no genuinely unsecured transactions can be concluded at all anymore, and prices for such transactions can only be estimated. Due to this procedure, Libor has become less significant and is no longer suitable in the long term as the reference interest rate in the money market.

### **What are the alternatives to Libor?**

The National Working Group for Reference Interest Rates in CHF ("NAG"), which is presided over by a representative from the Swiss National Bank (SNB) and one from the banking industry, and in which UBS is represented, is discussing new equivalent reference interest rates to be established on the market and a coordinated transition to a new reference interest rate in Switzerland. The Swiss Financial Market Supervisory Authority (FINMA) is taking part in the meetings as an observer. Moreover, the working group is engaged in discussions with corresponding committees in other countries.

On October 5, 2017, the working group recommended the money market interest rate Saron as the new reference rate in Switzerland. Saron (Swiss Average Rate Overnight) is a reference interest rate, calculated and published since 2009 by the SNB and the stock market operator SIX in Switzerland, which is determined daily on the basis of actual transactions on the Swiss money market. Whether Saron will be used as the future reference interest rate is currently still unclear.

### **What does this mean specifically for the UBS Libor mortgage and UBS Libor Loan?**

At the moment, the current discussion has no influence on the product range of UBS. New Libor mortgages can still be concluded, Libor Loans within the existing credit limits can still be disbursed. Existing positions continue unchanged.

Money market mortgages will also be part of the UBS mortgage offering after the replacement of Libor.

We will provide you with information about any modifications or possible alternative products early.