



# LIBOR: The end of an era and action is needed now!

## Contacts

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If you are interested in additional information, please contact us.

## In brief

The LIBOR (the London Interbank Offered Rate) as the key reference interest rate for many financing arrangements will no longer be available after 31 December 2021, and this means that the pricing of most intra-group financing arrangements that rely upon relevant LIBOR rates will need to be reviewed and replaced or updated before 31 December 2021.

## In details

The discontinuation of LIBOR will have a large impact on both multinational enterprises (“MNEs”) and financial institutions.

### Key transfer pricing consequences and actions

As a result of expected planned move away from LIBOR rates, companies would be recommended to:

- review their intercompany agreements to understand whether the transition triggers the need for amendments;
- determine overall transition strategy to the new reference rates in their existing financial arrangements (transactions affected include intercompany loans, cash-pooling arrangements, guarantee fees, hedging etc.);
- carefully plan the transition now including determining an alternative reference rate and spreads as appropriate, and determining the timing for making the switch;
- review and understand if the changes to the pricing arrangements could result in potential taxable gains/losses, and whether any modified agreement is considered as a new transaction.



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Considering that your Group may have existing LIBOR floating rate intra-firm credit agreements, we believe that you should:

- (i) commence discussions on changes in such rates with related parties,
- (ii) undertake a thorough analysis on both sides to find alternative solutions,
- (iii) be prepared to move to these solutions.

At the same time, separate LIBOR indicators have been extended until June 30, 2023. However, as we can see, many corporations around the world are already starting to change the base rates in contracts, which will most likely lead to a decrease in the volume of contracts tied to this rate, which in turn may worsen the reliability of this indicator.

## How can we help you?

- For our part, we stand ready to support you in this process both at the local level and with the involvement of colleagues from other jurisdictions in the PwC network. We will be happy to assist in the analysis if you decide to change the rates.
- If you are interested in additional information, please contact the PwC team within your service team or any of the listed individuals.

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