

Frequently Asked Questions (FAQs)



What is a Benchmark Rate?

Benchmark Rates are used in financial transactions throughout our economy, for example, to calculate interest rates for loans.

What are IBORs?

Interbank Offered Rates represent an estimate of how much it would cost a bank to borrow money from other banks. IBORs are published in several currencies and for a variety of interest periods.

What is LIBOR?

The London Interbank Offered Rate. This is calculated from estimates submitted by a selection of banks in London.

What are Alternative Reference Rates (ARRs)?

They are benchmark rates which are being developed as an alternative to IBORs.

Why are IBORs being replaced?

IBORs are based on forward looking estimates of how much it costs for a bank to borrow money from other banks in the interbank lending market. The activity in this market has been declining gradually. ARR, such as Risk Free Rates, are being introduced because they are based on transactions which have already taken place in markets which are very active, making them more accurate and robust.

What are Risk Free Rates?

Risk Free Rates are a type of ARR. They are overnight rates, based on transactions which have already taken place.

How are Risk Free Rates different to IBORs?

Risk Free Rates are based on information from transactions which have already taken place. They will therefore be less reliant on the judgement of banks.

When do the changes to IBORs come into effect?

ARRs for LIBOR need to be in place by 31 December 2021. A timeline for having ARR for EURIBOR is unclear at this time.

What is SONIA?

The Sterling Overnight Index Average which is the new Risk Free Rate for Sterling transactions.

Frequently Asked Questions (FAQs)



What is SOFR?

The Secured Overnight Financing Rate which is the new Risk Free Rate for Dollar transactions.

What is €STR?

The Euro Short Term Rate which is the new Risk Free Rate for Euro transactions.

What is EURIBOR and how is it changing?

The Euro Interbank Offered Rate. EURIBOR has been reformed to meet the requirements of the EU Benchmarks Regulation, to include in its calculation, information based on transactions that have already taken place. €STR may replace EURIBOR in the future, however it is likely that in the short term, banks will continue to use EURIBOR.

Are all Banks impacted?

All banks which offer products based on IBOR rates are impacted.

What are we doing to get ready for this change?

We are monitoring this situation and will provide you with further information as things progress.

What does this mean for me?

If you have a contract with us that relates to an IBOR, this might need to be amended at some stage in the future. If this is the case, we will communicate with you.

What if I am unsure about these changes?

Should you wish to discuss the impact of IBOR transition on any of the products you hold with us, please contact us as outlined below.

What are the next steps?

Whether you are taking out a new product, or you are an existing customer, we are making you aware that IBOR transition may require us to make changes to products or documentation. In either case, if you are affected by these changes we will communicate with you.

Where can I go for more information?

IBOR.QUERY@aib.ie or your Relationship Manager.

In addition the following website may be useful:
<https://www.bankofengland.co.uk/>