



Kyriba's Support for a Smooth and Effective LIBOR Transition

SOLUTION BRIEF

Introduction and Background

Organizations currently using LIBOR as a benchmark for financial contracts and pricing have until December 31, 2021 to complete their transition to new risk free indices.

Since 2018, Kyriba has collaborated with official working groups, industry bodies, leading accountancy firms and other market participants in every affected region. This has kept our product teams closely aligned to the latest LIBOR transition developments and market practices allowing us to provide the requisite updates to functionality and reporting.

This document offers a review of the latest market developments, the emerging rate alternatives that are emerging and how Kyriba is supporting our clients in their transition to Risk Free Rates (RFR), including proven calculation methodologies and automatic platform updates for all new enhancements.

LIBOR Alternatives Continue to Evolve

Kyriba's risk management task force continues to monitor ongoing news and guidance as LIBOR support will end on December 31, 2021.

In the United States, SOFR has been recommended to replace USD LIBOR, although some exceptions for complex, legacy contracts may exist until 2023.

The European Central Bank (ECB) has joined other regions in publishing official 1m, 3m, 6m, 12m compounded rates to support stakeholders in transitioning their lending, hedging, and intercompany transactions to SONIA (UK), ESTER (EU), CORRA (Canada), SARON (Switzerland) and other country-specific LIBOR replacements.

A number of market data providers, such as Bloomberg and Refinitiv, have also begun providing fallback rates that can be used in loan calculations. While there is limited market data available for non-vanilla trades, market data for cross-currency swaps, caps, floors and swaptions will soon be available.



Additional Impact for Treasury Teams

Besides the obvious challenges in transitioning LIBOR contracts to new indices, additional considerations for treasury and finance teams include:



In-arrears interest payments:

instead of calculating interest payment in advance, in-arrears calculations will be required with calculation 'lags' of five or more days to ensure calculation accuracy.



Transfer pricing: effects can be for both internal and external contracts and may be present in other programs.



LIBOR contracts existing outside the treasury portfolio:

many organizations have contracts in other parts of finance — e.g. customer and procurement agreements that may have LIBOR terms embedded within them.



Other geographies: each country or region may feature a different risk free rate replacement for their existing rate. Further, cross-border transactions or agreements in countries with close trading ties (e.g. Canada and the US) should be carefully reviewed.

Kyriba's Solution for LIBOR Transition

To streamline LIBOR transitions, Kyriba supports:

- Overnight fixing, forward curve, and fallback rates for new risk free indices
- Automatic calculation of in-arrears "backward-looking" compounded rates
- Modeling methods to lag compounded rates
- Additional calculation logs to allow customers to transparently see and understand how compounded rates have been calculated. Compounded rate cash flow forecasting
- Mid-period amortization and margin step-ups
- "In-advance" periods based on "in-arrears" rates
- Updated valuation process to mark-to-market trades using the new indices
- Modeling daily compounding under the non-cumulative methodology
- Capping and flooring of the overnight rate



Support for the Kyriba Client Community

Kyriba is dedicated to supporting its customers through this significant change in the market. In addition to online help documentation within the treasury application, Kyriba has prepared a comprehensive Transition from LIBOR to Risk Free Rates user guide, with detailed information on how to use the new functionality in Kyriba which is regularly updated. For any additional queries clients can contact Kyriba Support teams, where a LIBOR market specialist can assist.

While many decisions regarding the use of risk free rates need to be decided by the customer, our Professional Services Team and Center of Excellence are on-hand to assist in discussing options within the wider process of migrating transactions to risk-free rates.

For further information, please visit www.kyriba.com or email treasury@kyriba.com.

Knowledge Centre

- [Alternative Reference Rates Committee](#)
- [Transition from LIBOR to risk-free rates](#)
- [Working group on euro risk-free rates](#)
- [The National Working Group on Swiss Franc Reference Rates](#)
- [Interest Rate Benchmark Reform \(Preparedness for the Discontinuation of LIBOR\)](#)
- [Benchmark Reform and Transition from LIBOR](#)
- [Financial Stability Board \(FSB\)](#)

ABOUT KYRIBA

Kyriba is the global leader in cloud financial management solutions that enable forward-thinking treasury and finance teams to optimize cash and risk management, payments and working capital strategies. Kyriba delivers a highly secure 100% SaaS platform, superior bank connectivity and a seamlessly integrated solution set for tackling many of today's most complex financial challenges. With Kyriba, global organizations can streamline key processes, enhance fraud protection and compliance, and drive more growth opportunities through improved decision support and forecasting. Kyriba is the trusted partner for more than 2,000 leading businesses, including many of the world's largest brands. Kyriba is headquartered in San Diego, with offices in New York, Paris, London, Tokyo, Dubai and other locations. For more information, visit www.kyriba.com.