

## Term Risk

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The transition from term interbank offer rates, e.g. LIBOR, to alternative overnight benchmarks, so-called risk-free rates (RFR), has generated much debate and several industry consultations. In this talk we revisit term rate and associated forward rate agreement systems in two situations:

- a) when perfect liquidity is assumed, and
- b) when there is uncertainty about the availability of tenor-based term rates. We shall discuss the potential impact on borrowing costs and investment returns when only overnight interest rate benchmarks are available.